



## GULSHAN SUGARS AND CHEMICALS LIMITED

(Originally incorporated as Gulshan Sugars and Chemicals Private Limited on May 23, 1980 with the Registrar of Companies, Uttar Pradesh at Kanpur. Subsequently, it was converted into a Public Limited Company on March 18, 1986 and the name of the Company was changed to Gulshan Sugars and Chemicals Limited and a fresh Certificate of Incorporation obtained from the Registrar of Companies, Uttar Pradesh). (For details of changes in Registered Office of the Company please refer to page no. 6 of this Prospectus. The Company is a manufacturer of Calcium Carbonate).

**Registered Office:** 9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh, India Pin: 251 001  
Tel.: (0131) 3290287, 3290380; Fax: (0131) 2661378

**Corporate Office:** G-81, Preet Vihar, Delhi - 110 092  
Tel.: (011) 22514751, 22515802; Fax: (011) 22529848

**Contact Person/Compliance Officer:** Mr. A.K. Maheshwari; E-mail: fpo@gulshanindia.com  
Website: www.gulshanindia.com

**FOLLOW-ON PUBLIC ISSUE OF 66,00,000 EQUITY SHARES OF RS. 8/- EACH FOR CASH AT A PREMIUM OF RS. 32/- PER EQUITY SHARE AGGREGATING RS. 2640 LAKHS TO THE PUBLIC (HEREINAFTER REFERRED TO AS THE 'ISSUE').**

**THE ISSUE WOULD CONSTITUTE 51.51% OF THE FULLY DILUTED POST ISSUE PAID-UP EQUITY CAPITAL OF THE COMPANY. THE FACE VALUE OF THE EQUITY SHARES IS RS. 8/- AND THE ISSUE PRICE IS 5 TIMES OF THE FACE VALUE.**

### GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer 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 offering. For taking an investment decision, investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. **Attention of the investors is specifically invited to the Section titled 'Risk Factors' beginning from page no. vii of the Prospectus.**

### ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this 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 the 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 make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

The existing Equity Shares of the Company are presently listed on the Bombay Stock Exchange Limited, (BSE). Further, the Equity Shares to be issued through this Prospectus are proposed to be listed on BSE (Designated Stock Exchange). The in-principle approval has been received from BSE for the listing of the Equity Shares, vide their letter no. DCS/SG/SM/2006 dated July 26, 2006.

#### LEAD MANAGER TO THE ISSUE



#### SREI CAPITAL MARKETS LIMITED

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Topsia Road (South)  
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#### REGISTRAR TO THE ISSUE



#### BIGSHARE SERVICES PRIVATE LIMITED

E/2, Ansa Industrial Estate, Saki Vihar Road,  
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### ISSUE PROGRAMME

**ISSUE OPENS ON NOVEMBER 22, 2006**

**ISSUE CLOSURES ON NOVEMBER 28, 2006**

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## SECTION I

### DEFINITIONS AND ABBREVIATIONS

#### Conventional/General Terms

Term	Description
"Gulshan Sugars and Chemicals Limited" or the "Issuer" or the "Company", "we", "us", "our" and "GSCL"	Unless the context otherwise requires, refers to, Gulshan Sugars and Chemicals Limited, a public limited company incorporated under the Companies Act, and having its registered office at 9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh, Pin: 251001
Group Companies	Gulshan Chemfill Limited, Gulshan Polyols Limited, Gulshan Holdings Private Limited, Gulshan Capital Limited, Gulshan Industries Limited, Gulshan Agro Food Limited, Gulshan Micro Minerals Private Limited, Gulshan Impex Private Limited, New Hind Fin-Lease Private Limited, and Selfridge Automobile Leasing and Industries Limited.
Promoter(s)	Shall mean jointly Dr. Chandra Kumar Jain, Mrs. Mridula Jain, Ms. Anubha Jain, and Gulshan Holdings Private Limited.
Promoters' Group	As defined in Explanation II of Clause 6.8.3.2 of SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereof.  Promoters' Group includes: * Mrs. Arushi Jain * Mrs. Aditi Jain * Mr. Pradeep Kumar Jain * Selfridge Automobile Leasing and Industries Limited
You	Unless the context otherwise requires, refers to, investors.

#### Issue Related Terms

Term	Description
Allotment	Issue or transfer of Equity Shares pursuant to the Offer, to the successful applicants in the issue.
Allottee	The successful applicant to whom the Equity Shares are being/have been issued.
Applicant	Any prospective investor who makes an application for Equity Shares in terms of this Prospectus
Application Form	The form in terms of which the investor shall apply for the Equity Shares of the Company
Articles/Articles of Association/AOA	Articles of Association of Gulshan Sugars & Chemicals Limited
Auditors	The statutory auditors of the Company viz., M/s Shahid & Associates, Chartered Accountants.
Banker(s) to the Issue	Bankers to the Issue being ICICI Bank Limited, HDFC Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, each of whom is registered with SEBI and with whom the public issue account will be opened.
Board/Board of Directors	Board of Directors of Gulshan Sugars & Chemicals Limited, or a committee constituted thereof
BSE	Bombay Stock Exchange Limited
Companies Act / the Act	The Companies Act, 1956, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time.
Depository Participant/DP	A depository participant as defined under the Depositories Act.

Designated Stock Exchange	Bombay Stock Exchange Limited
Directors	Directors of Gulshan Sugars and Chemicals Limited from time to time, unless otherwise specified.
Equity Shares	Equity shares of the Company of Rs. 8/- each, unless otherwise specified in the context thereof.
Equity Shareholders	Person(s) holding equity share(s) of the Company unless otherwise specified in the context thereof
Fiscal or FY or Financial Year	Twelve months ending March 31 <sup>st</sup> of a particular year, unless otherwise specified.
Follow-on Issue	The issue of 66,00,000 Equity Shares at the Offer Price by the Company pursuant to this Prospectus.
HUF	Hindu Undivided Family
IDBI	Industrial Development Bank of India Limited
Indian GAAP	Generally Accepted Accounting Principles in India.
Issue/Offer	Follow-on Public Issue of 66,00,000 Equity Shares of Rs. 8/- each for cash at a premium of Rs. 32/- per share of the Company, in terms of this Prospectus.
Issue Opening Date	The date on which the <b>issue</b> opens for subscription (i.e., November 22, 2006)
Issue Closing Date	The date on which the <b>issue</b> closes for subscription (i.e., November 28, 2006)
Issue Period	The period between the <b>Issue</b> Opening Date and <b>Issue</b> Closing Date and includes both the dates.
Issue Price	The price at which the equity shares will be issued by the Company in terms of this Prospectus (i.e., Rs. 40 per Share).
Issuer	Gulshan Sugars and Chemicals Limited
Lead Manager/LM	Lead Manager to the Issue i.e., SREI Capital Markets Limited
Memorandum/MoA/ Memorandum of Association	The Memorandum of Association of Gulshan Sugars and Chemicals Limited
Mutual Funds	Means Mutual Funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Net Issue to Public/ Net Offer to Public/ Net Issue	The Issue of 66,00,000 Equity Shares.
Non-Institutional Investors	All investors that are not Qualified Institutional Buyers or Retail Individual Investors and who have applied for Equity Shares for an amount more than Rs. 1,00,000/-.
NSE	National Stock Exchange of India Limited.
Offer Document/ Prospectus	The Prospectus filed with RoC in accordance with the provisions of section 60 of the Companies Act containing inter alia the Issue Price and the number of Equity Shares to be issued and certain other information.
OCB / Overseas Corporate Body	Means and includes an entity defined in Clause (xi) of Regulation 2 of the Foreign Exchange Management (Deposit) Regulations, 2000 and which was in existence on the date of commencement of the withdrawal of general permission to Overseas Body Corporate Regulations, 2003 and immediate prior to such commencement was eligible to undertake transactions pursuant to the general permission granted under the Foreign Exchange Management (Deposit) Regulations, 2000.
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies for the Public Issue.
Qualified Institutional Buyers or QIBs	Public Financial Institutions as defined in Section 4A of the Companies Act, Foreign Institutional Investors registered with SEBI, Scheduled Commercial Banks, Mutual Funds registered with SEBI, 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. 2500 Lakhs, Pension Funds with minimum corpus of Rs. 2500 lakhs, and Multilateral and Bilateral Development Financial Institutions.
Registered Office	9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh, India Pin: 251 001
Registrar of Companies or RoC	Registrar of Companies, Uttar Pradesh and Uttaranchal situated at 37/17, West Cott Building, The Mall, Kanpur 208 001.
Registrar or Registrar to the Offer/Issue	Being the Registrar appointed for the Issue, in this case Bigshare Services Pvt. Ltd. The registered office is situated at E/2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai – 400 072.
Retail Individual Investors	“Retail Individual Investor” means an investor who applies for securities of or for a value of not more than Rs. 1,00,000/-.
SCML	SREI Capital Markets Limited, a public limited company incorporated under the provisions of the Companies Act and with its registered office at “Vishwakarma”, 86 C, Topsia Road, (South), Kolkata-700 046
Stock Exchange	BSE
Underwriters	SREI Capital Markets Limited, Religare Securities Limited & Inter Corporate Financiers & Consultants Limited
Underwriting Agreement	The Agreements entered into between the Underwriters and the Company before the filing of Prospectus with the RoC.

#### **Glossary of Technical and Industry Terms**

<b>Term</b>	<b>Description</b>
1 Metric Ton	1000 kilograms
1 unit of power	1 kilo watt hour/1000 watt hour

ACC	Activated Calcium Carbonate
CaCO <sub>3</sub>	Calcium Carbonate
CO <sub>2</sub>	Carbon Dioxide
CMA	Credit Monitoring Authorisation
DG	Diesel Generator
ETP	Effluent Treatment Plant
FDR	Fixed Deposit Receipt
GCC	Ground Calcium Carbonate
ICD	Inter Corporate Deposit
H <sub>2</sub>	Hydrogen
Kg	Kilogram
LP	Liquefied Petroleum
M <sup>3</sup>	Cubic Metre
MT	Metric Tonne
MTPA	Metric Tonne Per Annum
MW	Mega Watt
OGL	Open General Licence
PCC	Precipitated Calcium Carbonate
PH	Potential of Hydrogen, A measure of the acidity or alkalinity of a solution, numerically equal to 7 for neutral solutions, increasing with increasing alkalinity and decreasing with increasing acidity.
TPA	Tonne Per Annum
TPH	Tonne Per Hour

#### Abbreviation of Conventional/General Terms

Term	Description
AGM	Annual General Meeting of the shareholders.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
AY	Assessment Year
BIFR	Board of Industrial and Financial Reconstruction
CAGR	Compounded Annual Growth Rate
CEO	Chief Executive Officer
CDSL	Central Depository Services (India) Limited
CFO	Chief Financial Officer
CIN	Corporate Identification Number
CLB	Company Law Board
DIP Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended
DP	Depository Participant
DSE	Delhi Stock Exchange
ECB	External Commercial Borrowing
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting of the shareholders
EPS	Earnings per Equity Share
F & A	Finance & Accounts
FCNR Account	Foreign Currency Non Resident Account

FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the Regulations framed there under.
FI	Financial Institution
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995), registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board
FPO	Follow-on Public Issue
GAAP	Generally Accepted Accounting Principles
GIR Number	General Index Register Number
GoI	Government of India
HNI	High Net-worth Individual
I.T. Act	The Income Tax Act, 1961, as amended.
MOU	Memorandum of Understanding
NA	Not Applicable
NAV	Net Asset Value
NRE Account	Non-Resident External Account.
NRI	Non-Resident Indian, as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended.
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
P/E	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBDT	Profit Before Depreciation and Tax
PBIDT	Profit Before Interest, Depreciation and Tax
PBT	Profit Before Tax
PLR	Prime Lending Rate
RBI	The Reserve Bank of India.
RONW	Return on Net Worth
Rs./Rupee	Indian Rupee
SCRA	Securities Contracts (Regulation) Act, 1956 as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended.
SEB	State Electricity Board
SEBI	Securities and Exchange Board of India.
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended.
SEBI Guidelines	Means the extant Guidelines for Disclosure and Investor Protection issued by Securities and Exchange Board of India, constituted in the Securities and Exchange Board of India Act, 1992 (as amended, called Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000)
TAN	Tax Account Number
WDV	Written Down Value

## SECTION II: RISK FACTORS

### i. FORWARD-LOOKING STATEMENTS AND MARKET DATA

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

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

- General economic and business conditions;
- Company’s ability to successfully implement its strategy, its growth and expansion plans;
- Factors affecting the Calcium Carbonate (CaCO<sub>3</sub>) industry;
- Increasing competition in the Calcium Carbonate industry;
- Increase in labour cost, raw materials price, cost of plant & machinery and insurance premia;
- Inadequate availability of Raw Materials
- Manufacturers’ defects or mechanical problems with Company’s plant & machineries or incidents caused by human error;
- Changes in the value of the Indian Rupee and other currencies;
- Cyclical or seasonal fluctuations in the operating results
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the Calcium Carbonate industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

For further discussion of factors that could cause Company’s actual results to differ, please see the section entitled “Risk Factors” included in this Prospectus. In light of inherent risks and uncertainties, the forward-looking statements, events and circumstances discussed in this Prospectus might not occur and are not guarantees of future performance.

Neither the Company, its Directors and Officers, any member of the Issue Management Team nor any of their respective affiliates has 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, for purposes of the Issue, the Company and the Lead Manager to the Issue will ensure that investors in India are informed of material developments relating to the business until such time as the grant of listing and trading permission by the Stock Exchange.

#### Market Data

Unless stated otherwise, the financial data in this Prospectus is derived from the restated financial statements prepared in accordance with Indian GAAP, beginning from page no. 142 of this Prospectus. The fiscal year commences on April 1 and ends on March 31. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

All references to “India” contained in this 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.

Industry and market data used throughout this Prospectus has been obtained from Government of India sources, Industry Association sources, publications and articles available in the public domain and internal Company reports. Although industry and market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent sources.



## ii. RISK FACTORS

*An investment in the company's Equity Shares involves a high degree of risk. One should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment decision. Risks have been quantified, wherever possible. If any of the following risks actually occur, the business, financial condition and results of operations could suffer, the trading price of the Equity Shares may decline and you may lose all or part of your investment.*

### A. INTERNAL TO THE COMPANY

1. **Non-availability of raw material such as limestone, and other resources such as rice husk, water etc.**

Calcium Carbonate industry being a raw material intensive industry, the Company is constantly exposed to possible unpredictability in the supply of raw materials. Disruption in the supply of raw material may lead to hampering of the production process flow. Uncertainty over the availability of primary raw material i.e., Limestone, inputs for Captive Power Plant such as Rice husk, and other sources such as water, power, skilled manpower etc may also affect the Company's operations and in turn the profitability of the Company.

#### **Management Perception**

The main raw material viz., limestone is procured from the limestone quarries/mines in the Company's neighbourhood. All the major raw materials are easily available in the vicinity of the plant site. The states of Uttaranchal and Himachal Pradesh have adequate reserves of lime stone. The plant site is well connected with public roads thus ensuring an uninterrupted supply of raw materials. As per established estimates, the total limestone reserves in the country is likely to last another 250 years (Source: Ministry of Mines, Government of India, <http://mines.nic.in/imsene.html>, 2004-05), which confirms constant availability of the material irrespective of the possible depletion of reserves in one or more quarries. Also, rice husk being a local agricultural produce, it is available from the entire farming community in the neighbourhood.

Being in the Ganges belt, the underground water supply is in abundance. As regards power, the Company has its own power plants/generating units, and proposes to install one more. The Company therefore does not foresee any problem in raw material availability, and other fronts.

2. **Lime stone, the principal raw material, is procured from the mines from Uttaranchal and Himachal Pradesh (HP). The company does not have lime stone mines. This may become weakness for GSCL if some large scale project comes in HP/Uttaranchal and suppliers of lime stone make a cartel. (Weakness as per Appraisal Report of IDBI)**

#### **Management Perception**

The Company, being one of the largest producers of Calcium Carbonate in the country, does not foresee any problem in procuring lime stone and given its credibility in the market, it does not envisage any cartelisation of suppliers in the foreseeable future.

3. **Large scale units are there in unorganised sector and they give competition on pricing front. (Weakness as per Appraisal Report of IDBI)**

#### **Management Perception**

The Company has one of the largest capacities of calcium carbonate in the country, in the organized sector as it has installed capacity of 70,000 MT out of the total installed capacity of 3,45,000 MT in India in the organized sector, and the next leading producer has a capacity of 42,500 MT (Source: All India Calcium Carbonate Association Market Survey Report 2005-2006).

The Company is a supplier to leading Multi-National and Indian companies, and it does not envisage any of the above companies to compromise on quality by going in for cheaper calcium carbonate from units in the unorganized sector.

4. **Threats, mentioned in the appraisal report, as perceived by IDBI:**

- The company faces competition from unorganised sector/tiny sector whose costs are lower due to exemption from Excise duty.

### **Management Perception**

The Company's products are sold to well known Multinational and Indian companies, and the Company does not foresee any of its customers to compromise on the pricing front by purchasing from units in the unorganized sector.

- The players in unorganised sector change their formulations to absorb some of cheaper ground material to lower their cost of production and in turn reducing their pricing.

### **Management Perception**

GSCL is the largest producer of Calcium Carbonate in the country (Source : All India Calcium Carbonate Association Market Survey Report 2005-2006). It also has the largest market share, both in the organized and unorganized sectors. Major players, both Indian and Multi National Companies, are sourcing PCC and GCC from the Company.

In view of favourable market scenario, prospects of calcium carbonate industry are very promising. The Company, therefore, does not foresee any problem despite competition and entry of new players. The Company's products command good acceptance in the corporate sector/industry. The Company aims to sustain growth with dynamic business strategies and plans to broad base its product-mix by introduction of new grades. The Company is now making conscious efforts to enhance the brand positioning.

- The growth of paper industry and consumer industry would indirectly guide the pricing and utilisation of GCC.

### **Management Perception**

The GCC proposed to be produced by the Company has good demand from the paper and PVC industry, and the demand for GCC will be guided by the growth of the above end-use industries. The Company expects the paper and PVC industry to be doing well in the coming years, and does not expect any problem in its marketability.

## **5. Increase in Prices of Lime Stone on account of unforeseen events**

Due to depletion or non-availability of limestone, on account of rains, floods or natural calamities during any season, there could be substantial increase in the prices of limestone, which could affect the profitability of the Company.

### **Management Perception**

Increase in prices of limestone is purely coincidental in nature and the prices as such are not to be volatile given its abundant availability in the state of Uttaranchal and Himachal Pradesh. In the event, there is a fall in supply of limestone, the Company, in order to tide over the situation, will source limestone at competitive prices from other states.

There may be some volatility in the prices of limestone if any unforeseen events occur in the short term. However since the total limestone reserves in the country is likely to last another 250 years (Source: Ministry of Mines, Government of India, <http://mines.nic.in/imsene.html>, 2004-05), it confirms constant availability of limestone irrespective of the possible depletion of reserves in one or more quarries.

## **6. Rise in Input Costs may affect profitability**

The input costs of the products of the Company may increase due to various reasons. In case the Company is not able to pass on such increase to the consumers because of competition or otherwise, it may affect the profitability of the Company.

### **Management Perception**

The Company constantly endeavours to procure raw materials and packing materials at the lowest prices using its long-term association with the suppliers and constantly developing new sources. The Company also follows prudent pricing policy to keep the costs under check.

The risk on account of price fluctuation in raw material is reduced to a significant extent by passing incremental raw material cost to the prices of finished products thereby insulating the Company from fluctuation in raw material prices. Profitability will depend upon the extent up to which the company is able to pass on the burden of rise in the price of raw material to the consumers.

## **7. Certain non-compliances:**

The Company was not compliant with following requirements:

- i. The Company has its Corporate Office at G-81, Preet Vihar, Delhi. The Company however does not have registration under the Delhi Shops and Establishment Act for its place of business.
- ii. In terms of the letter no. DEL/LST/37/95 dated April 21, 1995 of the Ahmedabad Stock Exchange, the equity shares of the Company were delisted from the said Exchange w.e.f. April 17, 1995, due to non-payment of Annual Listing Fees.

**8. Change in Technology and trends in the industry may affect Company's ability to compete**

Any failure to keep abreast of the latest trends in the Chemical Industry, and more particularly in the Calcium Carbonate industry, may adversely affect the competitiveness and ability of the Company to compete with newer generation products or quality substitutes.

**Management Perception**

The Company is in the Calcium Carbonate business for nearly 25 years, and has the requisite experience and ability to adapt to newer generation products and technology. The Company is well aware of the development of market description, consumer preferences, industry consumption pattern, competition, regulations etc.

**9. New technology and equipment being acquired for production of Ground Calcium Carbonate for paper industry. The Company may face problem in absorbing the new technology**

**Management Perception**

The Company is acquiring the technology and some equipment from IVA Industrieberatung GmbH IBG, Germany for production of GCC for the paper industry. IBG is a well-established player and has supplied such plants to various countries.

The project management work would be undertaken by IBG. The technical team of GSCL, being well experienced, does not foresee any problem in absorbing the technology for production of GCC.

**10. There may arise production problems on account of possible flaws in design estimates.**

**Management Perception**

The Company has signed a collaboration agreement with IVA Industrieberatung GmbH, Germany (IBG). IBG would be providing design, drawing, technology, equipment and would also undertake the project management work.

The technical team of GSCL is well experienced and would be associated with IBG for implementation of the project. IBG being a market leader in CaCo<sub>3</sub>, its expertise will prevent any possibility of flaw in design.

**11. The Company's sustained growth depends on its ability to attract and retain skilled personnel. Failure of the Company to attract and retain skilled personnel could adversely affect the Company's growth prospects.**

**Management Perception**

The Company has devised a sound human resource policy to develop and retain its key management personnel and talent and the Company has been able to retain significant part of its manpower talent.

**12. Time and Cost overrun in the Expansion Project**

The Company, as regards this Project, has made certain assumptions on the time frame by which the Project will be completed. While adequate contingency provisions have been made while assessing the capital cost of the project, the total cost has been assessed at current rates which are subject to fluctuations in future due to hike in input cost, higher levies etc. Also, the sanctioning of the loans is contingent on the satisfaction of certain conditions such as raising of funds through Public Issue etc. In case there is a delay in complying with any of the conditions, it may result in time and cost over run, which in turn may adversely impact the future profitability.

**Management Perception**

The project would be implemented by IBG under the overall supervision of the technical team of GSCL. The contractor for construction would be appointed by GSCL in consultation with IBG. The contractors of GSCL who have been associated with the Company in the past would be assigned the jobs. Although there have been delay in completion of certain activities as appraised by IDBI, the overall completion of work will not get affected, and the Company hopes to conduct its trial run and commercial production as per schedule.

**13. Competence of the Promoters in handling Project of this size is yet to to be tested**

The cost of the project, as appraised by the Industrial Development Bank of India, is Rs. 2990 lakhs, including public issue expenses. Besides the above, the Company estimates that it shall be requiring a further Rs. 610 lakhs towards Long Term Working Capital. The aggregate funds required thus amounts to Rs. 3600 lakhs. Out of the above, the Company would be utilizing Rs. 300 lakhs from its Internal accruals.

Although the promoters have experience in the Calcium Carbonate industry, their competence in handling a project of this magnitude remains to be demonstrated. An equity investor is therefore faced with an uncertainty of performance by the management.

**Management Perception**

The Company has drawn out a business plan for the activities to be pursued in the Calcium Carbonate industry. The promoters of the Company have considerable experience of having run this business successfully and profitably for nearly 25 years, and the business having been the sole enterprise of the promoters' family spanning two generations, the promoters foresee an overall long-term economic viability. The Company has also on board senior and experienced Professionals who have the experience of setting up similar facilities in the past.

Moreover, the promoters view the present optimistic scenario and economic growth in the country and the corporate sector as an opportunity to enlarge the scale of the operations of the Company.

Please refer page no. 136 and page nos. 134 to 135 for profile of the promoters and experience of key managerial personnel.

**14. Deviation from Appraisal Report of IDBI, in relation to procurement of machineries**

The project's cost of machinery was appraised by the Industrial Development Bank of India on the basis of quotations procured from Suppliers of standardized machinery equipments. The Company, subsequent to the appraisal, has decided to instead purchase steel and other ancillary parts to fabricate some of the machineries in-house amounting to Rs. 270.20 lakhs.

**Management Perception**

The Company envisages rise in cost of standardized equipments on account of firming up of steel prices. The Company has been manufacturing Calcium Carbonate for many years, and has the requisite expertise in designing and fabricating machines. The Company has therefore decided to purchase Steel and fabricate some of the machinery in-house within the cost appraised by IDBI for such machinery.

**15. Delay in raising funds from the FPO**

The expansion plan of the Company is partially funded from this Public Issue. Completion of certain activities as per IDBI' appraisal such as Site development, Costruction of factory buildings, and Placing orders for Plant & Machinery have been delayed. Any delay/ failure of the same, may adversely impact the implementation of the project.

**Management Perception**

The management will ensure that there is no failure or delay in terms of meeting the deadlines for Trial Runs and Commercial production. The manangement envisages no failure in the FPO. It is however confident of making alternate funding arrangements through an equitable mix of secured/unsecured loans and contribution from the promoters, should there be any eventuality such as delay or failure of the FPO.

16. Orders amounting to Rs. 525 lakhs, being 27.85% of the total cost of plant and machinery relating to project, yet to be placed

#### **Management Perception**

The Company has floated enquiries for all the equipments, plant and machineries, and the quotations from various parties have already been received. Since the Company has already set up similar facilities earlier, it will have an advantage in identifying and selecting the right supplier at competitive rates. The Company has placed orders worth Rs. 1300 lakhs for plant and machinery to be supplied by domestic suppliers, Rs. 60 lakhs towards machinery to be imported from M/s IVA Industrieberatung GmbH, Germany. The above orders constitute 72.15% of the total cost of plant and machinery as appraised by IDBI. The Company proposes to order for the balance items in various phases.

The Company has, as on September 28, 2006, spent a sum of Rs. 888.66 lakhs towards the project and has a balance of Rs. 45.76 lakhs in its No-Lien Account with the Bank. The above expenditure has been funded to the extent of Rs. 600.00 lakhs from Term loan of IDBI, Rs. 304.97 lakhs from Internal Accruals, and the balance Rs. 29.45 lakhs from Unpaid Creditors.

17. **Further equity offerings may lead to dilution of equity and impact its market price**

The Company may require further infusion of funds to satisfy its capital needs and future growth plans, which it may not be able to procure. Any future equity offerings by the Company may lead to dilution of equity and may affect the market price of its Equity Shares.

#### **Management Perception**

In the near future, there are no plans to issue further equity shares. In case the Company decides to raise additional funds through the issuance of equity, the same would be done for further value creation for the shareholders of the Company and after taking adequate consent from them.

18. **Another listed company in the Group having common pursuit may affect Company's business growth and prospects**

Gulshan Chemfill Ltd., which is in similar Calcium Carbonate business, has been promoted by the promoters of Gulshan Sugars & Chemicals Ltd., and also Dr. Chandra Kumar Jain is the Director of the said company. The Calcium Carbonate manufactured by Gulshan Chemfill Ltd. does not attract Excise Duty as the manufacturing unit. All the promoters of Gulshan Sugars and Chemicals Ltd. may be considered interested in the company. Being in similar business, the same may lead to conflict of interest between Gulshan Sugars & Chemicals Ltd. and the following company.

<b>Name of the Concern</b>	<b>Type of Concern</b>	<b>Nature of Interest</b>
Gulshan Chemfill Ltd.	Manufacturer, distributor and seller of Calcium Carbonate	<p><b>Directorship held:</b></p> <p>Dr. Chandra Kumar Jain Mrs. Mridula Jain</p> <p><b>Shareholding held:</b></p> <p>Gulshan Holdings Private Ltd owns 21.96%, Dr. Chandra Kumar Jain owns 61.31%, Mrs. Mridula Jain owns 1.89%, and Ms. Anubha Jain owns 0.86% as on September 30, 2006.</p> <p>Mrs. Aditi Jain and Mrs. Arushi Jain, forming part of the Promoters' Group own 0.59% and 1.21% respectively.</p>

19. **No activities carried out by the companies promoted/controlled by the Promoters:**

**Promoted by Dr. Chandra Kumar Jain and Mrs. Mridula Jain**

Sl. No.	Name of Company	Line of Activity
1.	Gulshan Micro Minerals Pvt. Ltd. *	No activities in the last 3 years.
2.	Gulshan Agro Food Ltd.	
3.	Gulshan Industries Ltd. #	
4.	Gulshan Capital Ltd.	
5.	Gulshan Impex Private Ltd.	

\* An application u/s 560 of the Companies Act has been filed with the Registrar of Companies, NCT of Delhi and Haryana, by the company to strike off the name of the Company.

# Gulshan Industries Ltd. was not doing any business as per its Objects Clause till December 2005. From January 2006, the Company altered its Objects Clause in the EGM held on December 19, 2005, and started trading in imports and trading in Telecom Hardware.

20. **The Company's dependence on its promoters is tremendous, and any inability on the part of the promoters to contribute to the growth and business of the Company may affect its performance.**

**Management Perception**

The Company is dependent on the experience and efforts of its promoters, as is applicable to any other company/industry. However, the Company has been in this business for over two decades. The promoters' family has been associated with the Company and its business since inception. The promoters have been involved with critical functions like development of new products, marketing, and other operations of the Company. The Company also has a qualified team of marketing executives, finance professionals and other professionals who are involved in the day-to-day operations of the Company. This reduces the company's dependence on the promoters to manage the operations of the company.

21. **No knowledge and/or poor Branding of Products**

**Management Perception**

The Company's products are marketed to companies across various industries. The Company typically does not need to brand its products, as the consumers of its products are industries. However, the Company intends taking effective steps to register its trademark, and brand its various grades. Being a leading producer of Calcium Carbonate, the Company's products are well accepted across all industries.

22. **As on June 30, 2006, the Company has Unsecured loans amounting to Rs. 1114.65 lakhs comprising Rs. 182.25 lakhs raised from its Directors, Associates; Rs. 520.11 lakhs raised through Inter-Corporate Deposits; Rs. 378.82 lakhs through Public Deposits; and Rs. 33.47 lakhs from Others. Except Fixed Deposits, the other Unsecured loans are repayable on Demand. In the event of any demand, the cash outgo may affect the Company's operations and profitability.**

**Management Perception**

The Company has more than reasonable assurance from its Directors that there will be no bulk and sudden withdrawal of the above loan. However, the management has adequate reserves to make such payment in the event of such a withdrawal, and therefore is of the opinion that it will not affect the Company's operations or profitability.

23. **Reschedule in repayment schedule of FCTL to Bank by Group Company**

Gulshan Polyols Ltd (Company under the same management) availed financial assistance in the form of Foreign Currency Term Loan (FCTL) of USD 4.25 million through the ECB Route from Bank of Baroda to part-finance the backward integration for setting up a Starch plant and also setting up 3 MW captive power plant. In terms of the Bank's letter no. CFS:ND:08:705 dated 19/05/2005, the FCTL was repayable in 20 equal quarterly instalments of USD 212,500 each commencing from 1<sup>st</sup> April, 2006 or 12 months from the commencement of production whichever is earlier. The above project was to be completed by March 31, 2005.

However, due to reasons beyond control, the project was delayed and there was time and cost overrun in the project. Bank of Baroda further part-financed the overrun cost. In view of the above delay, the original repayment schedule of FCTL loan was re-scheduled by the bank and as per their letter no. CFS:ND:09:618 dated 21/04/2006. The FCTL now will be repayable in 20 equal quarterly instalments of USD 212,500 each commencing from 1<sup>st</sup> April, 2007 or 12 months from the commencement of production whichever is earlier.

**24. The Company and the Group Companies are involved in the following legal proceedings:**

The Company is involved in certain civil, regulatory and taxation proceedings. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against the Company by trial or appellate courts or tribunals, the Company may need to make provisions in its financial statements, which could increase its expenses and its current liabilities. The Company can give no assurance that these legal proceedings will be decided in its favour. Any adverse decision may have a significant effect on the Company's business and results of operations.

- a. A classification of the legal proceedings instituted against/by the Company and the monetary amount involved in these cases is given in the following table:

Type of litigation	Total number of pending cases	Remarks and amount involved
Labour cases	9	Pending before Labour Court, Saharanpur; Labour Court, Meerut; Deputy Labour Commissioner, Meerut, Allahabad High Court; and Industrial Tribunal, Meerut. Amount involved – Rs. 5,99,065/-
Negotiable Instruments Cases	12	Amount involved Rs. 6,65,850/-

**b. Litigations of Companies promoted By the Promoters of the Company:**

Classification of the legal proceedings and the monetary amount involved is given below:

Type of legal proceeding	Number of Pending Cases	Remarks and Amount Involved
Gulshan Chemfill Ltd. - <i>Labour Cases</i>	8	Restoration of services of the concerned ex-employee and payment of salary for the termination period along with interest, and payment of court expenses.
Gulshan Polyols Ltd. - <i>Labour Cases</i>	7	Restoration of services of the concerned ex-employee and payment of salary for the termination period along with interest, and payment of court expenses.

For further details regarding these litigations, please refer to the section titled "Outstanding Litigations And Defaults" beginning on page no. 213 of this Prospectus.

**c. Litigations of Company belonging to the Promoter's Group, but not promoted by the Promoters:**

Classification of the legal proceedings and the monetary amount involved is given below:

Type of legal proceeding	Number of Pending Cases	Remarks and Amount Involved
Selfridge Automobile Leasing and Industries Limited - <i>Non Compliance of clauses of Listing agreement of Delhi Stock Exchange</i>	1	The matter pertains to the period prior to take over of the company by the current promoters. The case is pending at Hon'ble court of Chief Metropolitan Magistrate, District Court, Tis Hazari, Delhi.

For further details regarding these litigations, please refer to the section titled "Outstanding Litigations And Defaults" beginning on page no. 217 of this Prospectus.

d. **The Company is involved in the following legal proceedings for tax demands and other government sector claims:**

A classification of the legal proceedings instituted against/by the Company and the monetary amount involved in these cases is given in the following table:

Type of Litigation	Amount Involved (in Rupees)	Financial Implication	Status
Trade Tax matter	32,417.89	Provisions in financial statements required, if legal proceedings not decided in Company's favour.	Special Leave Petition under Article 136 pending in Supreme Court of India.
Trade Tax matter	23,20,085.42	Provisions in financial statements required, if legal proceedings not decided in Company's favour.	Revision Tax Appeal pending before the High Court, Allahabad
Local trade tax matter	1,71,763	Provisions in financial statements required, if legal proceedings not decided in Company's favour.	Revision tax appeal pending before the High Court, Allahabad
Central Trade Tax matter	6,58,316	Provisions in financial statements required, if legal proceedings not decided in Company's favour.	Revision Tax Appeal pending before the High Court, Allahabad
Excise matter	44,91,962	Provisions in financial statements required, if legal proceedings not decided in Company's favour.	The Company has responded to the Notice.

For more information regarding litigations, please refer to the section titled "Outstanding Litigations And Defaults" beginning on page no. 203 of this Prospectus.

25. **Contingent Liability as on 30<sup>th</sup> June, 2006:**

As per the Audited Financial Statements, the Company has certain contingent liabilities, which, if determined against it in future, may impact its financial position, adversely. Details of the contingent liabilities as on June 30, 2006 are given in the following table:

Rs. in Lakhs	
Brief Particulars	As at June 30, 2006
Corporate Guarantee extended to Bank of Baroda for securing financial assistance availed by Gulshan Polyols Ltd.	2888.98
Corporate Guarantee extended to Bank of Baroda for securing financial assistance availed by Gulshan Chemfill Ltd.	1089.00
Corporate Guarantee extended to IDBI Bank for securing foreign letter of credit facility availed by Gulshan Industries Ltd.	464.10
<b>TOTAL</b>	<b>4442.08</b>

26. **Payment or benefit to Promoter Director**

The Corporate Office of the Company situated at G-81, Preet Vihar, Delhi – 110 092 is owned by Dr. Chandra Kumar Jain, Promoter and Managing Director of the Company and has been taken on rent by the Company.



## **B. EXTERNAL TO THE COMPANY**

### **1. Risk of change in Government policy governing Calcium Carbonate industry**

The business of the Company is subject to the State government policy on excise. Changes in the fiscal policies of the Government could have an adverse impact on the profitability of the Company. A significant change in the Government liberalization and deregulation policies could affect business and economic conditions in India and the business of the Company in particular. Adverse changes in other regulation such as the distribution norms may affect the operations of the Company.

#### **Management Perception**

This is a risk applicable to the entire industry. The Company will address the same as and when required, by falling in line with other industry players. However, any change in policy of the Government that would, directly or indirectly, adversely impact the industry is highly unlikely.

### **2. Evolving standards, changing consumer preferences and new product introductions have an important impact on the Company's business. The Company's success depends on its ability to keep pace with these changes. In addition, products developed by end-use companies may make the Company's products less competitive or redundant on account of development/availability of substitutes.**

#### **Management Perception**

This is a risk applicable to any industry. The Company constantly endeavours to keep pace with the latest developments in the industry and is gradually strengthening its position to enhance its market share by introducing new grades and products, appointing new distributors, extending geographical coverage etc.

### **3. Any change in the policies by the countries, in terms of tariff and non-tariff barriers, from which the Company may import its raw materials and/or to which its products may be exported in future, will have an impact on the Company's profitability. Similarly, any adverse movement in the exchange rate may have a corresponding effect on the export realization/cost of imports and consequently affect the Company's profitability.**

#### **Management Perception**

Whenever such policy changes affect the Company's business, the company would work towards complying with or reckoning the policy changes and adopt appropriate strategies to sustain the effect on its business.

### **4. Floods, earthquakes, terrorist attacks and other acts of violence or war/destruction involving India and other countries could adversely affect the Country's business and economy, and consequently reflect on the Company's business. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately affect the Company's business, financial conditions and results of operations.**

#### **Management Perception**

The consequences of any of the above are unpredictable and the Company may not be able to foresee events that could have a material adverse effect on its business, financial condition or results of operations.

### **5. Foreign Exchange Risk**

#### **Management Perception**

The Company is importing certain equipments from IBG, Germany aggregating EURO 0.16 million. The Company intends taking forward cover to mitigate the exchange fluctuation risk.

### **6. The Company's performance is highly dependent upon the growth of business and economy in the State and the country, whose progress and welfare generates the demand. An economic downturn may negatively impact the operating results of the Company.**

### **7. Any change in the regulatory environment may have an impact on the business of the Company.**

### **8. Regional conflicts in South Asia could adversely affect the Indian economy, which in turn may disrupt the Company's operations and cause its business to suffer.**

9. Company's performance is linked to the stability of policies and the political situation in India.
10. Since the Equity Shares of the Company are required to be traded compulsorily in demat form, shareholders who are allotted/who hold shares in Physical Form may not be able to trade in such Equity Shares unless they get their holdings dematerialized.

**NOTES:**

- i. The Net worth of the Company was Rs. 1515.69 lakhs as on March 31, 2006, and Rs. 1610.75 lakhs as on June 30, 2006.
- ii. Present Issue of 66,00,000 equity shares of Rs. 8/- each for cash at a premium of Rs. 32 per equity share aggregating Rs. 2640 lakhs.
- iii. Book Value of the equity shares of the Company was Rs. 24.40 as on March 31, 2006 and Rs. 25.93 lakhs as on June 30, 2006.
- iv. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page no. 48 and 49 before making an investment in the issue.
- v. Investors may note that in case of over subscription, the allotment shall be on proportionate basis and for details; reference may be made to Para "Basis of Allotment" given on page no. 46 and 249 to 250 of the Prospectus.
- vi. The investors are advised to refer the Paragraph on promoter's background and past financial performance of the Company before making an investment in the proposed issue.
- vii. There is no relationship with the statutory auditors to the Company other than auditing and certification of financial statements.
- viii. Investors may note that allotment and trading in shares of the company shall be done only in dematerialized form.
- ix. Contingent liability not provided for as at June 30, 2006:

<b>(Rs. in Lakhs)</b>	
<b>Particulars</b>	<b>As at June 30, 2006 (Audited)</b>
Corporate Guarantee for third Parties	4442.08

- x. The average cost of acquisition of Equity Shares of the Promoters are given in the following table:

<b>Name of the Promoter</b>	<b>Average cost of acquisition of Equity Shares of the Promoters (Rs.)</b>
Dr. Chandra Kumar Jain	4.10
Mrs. Mridula Jain	4.71
Ms. Anubha Jain	Nil (Acquired under gift/shares allotted free of cost on conversion of Fully Convertible Debentures allotted to shareholders of Presteege Fibres Ltd., in amalgamating Company)
Gulshan Holdings Private Limited	1.46

- xi. For details of Related Party Transactions, please refer to Annexure III of the Auditors' Report dated October 3, 2006 in Section V: Financial Information on page no. 157, 158 and 159 of this Prospectus.
- xii. Investors are free to contact the LM and/or the Issuer for any clarification or information or for any complaint pertaining to the issue.
- xiii. Mr. Mukul Maheswari, Non Executive Independent Director of the Company, has sold 501 shares (out of his total holding of 5,000 shares) of the Company on 2nd August, 2006. He had intimated the fact to the Company on 7th August, 2006 and the Company in turn also intimated the same to the Stock Exchange on 11th August, 2006 [under Regulation 13(4) of SEBI (Prohibition of Insider Trading) Regulation, 1992].

## **SECTION III**

### **INTRODUCTION**

#### **i. SUMMARY**

You should read the following summary together with the Risk factors beginning from page no. vii of this Prospectus and the more detailed information about Gulshan Sugars & Chemicals Limited and its financial statements included in this Prospectus.

#### **INDUSTRY OVERVIEW**

In India, the major consumption of Precipitated Calcium Carbonate (PCC) is in rubber & plastics, PVC, paints, pharmaceuticals, cosmetics and dentifrice and others. However, worldwide, around two-thirds of GCC consumption in 2002 was accounted for by the paper industry. Paper is an especially dominant end-use in North America (80% of GCC consumption) and Western Europe (70%). In recent years, paper has become the largest market for GCC in Asia (China, Indonesia, Thailand, Japan) and now accounts for an estimated 45% of regional demand. Increased demand from the paper industry has been the main factor behind the rapid growth in the use of GCC since the mid-1980s, and as paper companies changed from acid to neutral or alkaline technology, the number of satellite GCC plants increased sharply. Unfortunately, in India, the paper industry has lagged behind the worldwide trend and experience. Now, there has been growing and increasing awareness for usage of GCC by the Paper Industry. It is used as paper making filler which reduces cost, enhances operation and functions of paper machines, enhances whiteness of paper, improves softness and thickness of paper and gives paper a smoother feel.

The presence of filler in paper necessarily influences the properties of the paper, and improves opacity, brightness, smoothness, printing ink receptivity (more uniform; less tendency to "feather" or give an indistinct image), reduction in printing ink strike through and economics (filler is cheaper than pulp).

BILT, a major paper giant in India has already taken effective and tangible steps for increased use of GCC in the product.

**For further details, see the section on 'Industry Overview' beginning from page no. 57 of the Prospectus.**

#### **BUSINESS OVERVIEW**

Gulshan Sugars and Chemicals Limited (GSCL) is an existing profit making dividend-paying company, which was promoted by Late Mr. Gulshan Rai Jain and his son Dr. Chandra Kumar Jain. The Registered Office of the company is located at 9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh and the Corporate Office is at G-81, Preet Vihar, Delhi. The concerned Registrar of Companies is Registrar of Companies, Uttar Pradesh and Uttaranchal situated at 37/17, West Cott Building, The Mall, Kanpur - 208 001, and the Equity Shares of the Company are listed at the Bombay Stock Exchange.

Gulshan Sugars and Chemicals Ltd. has been engaged in the manufacture of activated and precipitated calcium carbonate since 1981. The Company was originally engaged in Khandsari business.

In December 1981, the Company commenced commercial production of calcium carbonate with an initial capacity of 2,100 MT per annum. GSCL kept on enhancing the capacity of the unit in stages through technology up-gradation and adding balancing equipments and by the year 1991, when it came out with its Initial Public Offering, the Company had an installed capacity of 22,500 MT per annum.

The Company has been operating at more than 100% capacity utilization for the years 2002-03, 2003-04, and 2004-05. However, the capacity utilisation for 2005-06 was at 81.53%, and for the first quarter ended 30<sup>th</sup> June, 2006 was 86.80% on an annualized basis. The following table depicts the capacity utilization of GSCL for the 1<sup>st</sup> Quarter ended June 30, 2006, and for the past four years i.e., 2005-06, 2004-05, 2003-04 and 2002-03.

<b>Financial Year</b>	<b>Installed Capacity (MT)</b>	<b>Actual Production (MT)</b>	<b>%age Utilization</b>
2006-07 - 1 <sup>st</sup> Quarter	70,000	15,189.30	86.80% (Annualized)
2005-06	70,000	57,072.45	81.53%
2004-05	60,000	60,037.15	100.06%
2003-04	48,000	54,370.70	113.27%
2002-03	48,000	51,404.35	107.09%

The focus of the Company has been on a single product segment i.e., Calcium Carbonate. The present manufacturing facility is engaged in the production of Precipitated Calcium Carbonate and Activated Calcium Carbonate.

To meet calcium carbonate demand of the paper industry, the Company proposes to set up a production of Ground Calcium Carbonate (GCC) with an installed capacity of 20,000 MT per annum. Besides, the Company also proposes to set up an additional 3 MW Captive Power Plant. The technology for the production of GCC is proposed to be procured from IVA Industrieberatung GmbH, Germany (IBG). This would enable the Company to manufacture Special Grade Ground Calcium Carbonate (GCC), which finds exclusive application in the Paper and PVC Industry. Since the new technology does not involve any chemical changes to the raw material, while reducing the size of limestone to 2-5 microns, the manufacturing of GCC through this proposed process would be free from levy of Excise Duty.

**For further details, see the section on Business Overview beginning from page no. 70 of the Prospectus.**

## ii. THE ISSUE

<b>Equity Shares offered:</b>	
Fresh Issue to Public	66,00,000 Equity Shares
As per SEBI Guidelines, a minimum of 50% of the net offer to the public is reserved for Retail portion	Atleast 33,00,000 Equity Shares (Allocation on proportionate basis)
As per SEBI Guidelines, a maximum of 50% to Non-Institutional Retail portion	Not more than 33,00,000 Equity Shares (Allocation on proportionate basis)
<b>Equity Shares outstanding prior to the Issue</b>	62,12,230 Equity Shares of Rs. 8/- each
<b>Equity Shares outstanding after the Issue</b>	1,28,12,230 Equity Shares of Rs. 8/- each
<b>Objects of the Issue</b>	The Company intends to deploy the net proceeds of the fresh issue for part-financing its proposed project, the details of which have been mentioned under the section titled "Objects of the Issue" at page no. 29 of this Prospectus.

### NOTES:

- i. The fresh issue of Equity Shares in terms of this Prospectus has been authorized by a Special Resolution (pursuant to the provisions of Section 81(1A) of the Companies Act, 1956) passed at the Extra Ordinary General Meeting of the Company held on March 6, 2006.
- ii. The Company has in its Board of Directors Meeting held on October 20, 2006 finalised the Issue Price at Rs. 40/- per Equity Share i.e, the Equity Share of Rs. 8/- each at a premium of Rs. 32/- per Share.
- iii. Undersubscription in any of the category shall be allowed to be met from oversubscription in the other category.

### iii. SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following tables which set forth the summary of financial and operating information should be read in conjunction with the Financial Statements and notes thereto included in the "Financial Statements" and "Management Discussion and Analysis of Financial Condition and Result of Operations" on pages 142-163 and 192-202 respectively in the Prospectus.

#### Summary Statement of Profits & Losses, as Restated:

						Rs. in lakhs
For the Year Ended	31.3.2002	31.3.2003	31.3.2004	31.3.2005	31.3.2006	30.6.2006 3 months
Particulars	Audited	Audited	Audited	Audited	Audited	Audited
<b>Income</b>						
Manufactured by Company (Gross)	4045.50	4605.66	4816.11	4751.79	4705.78	1369.93
Traded Goods	-	-	-	-	-	146.07
<b>Gross Sales</b>	<b>4045.50</b>	<b>4605.66</b>	<b>4816.11</b>	<b>4751.79</b>	<b>4705.78</b>	<b>1516.00</b>
Less: Excise Duty consumed	470.46	492.98	517.78	580.05	578.67	149.21
<b>Net Sales (I)</b>	<b>3575.04</b>	<b>4112.68</b>	<b>4298.33</b>	<b>4171.74</b>	<b>4127.11</b>	<b>1366.79</b>
<b>Other Income</b>						
Agriculture Income	32.47	37.91	34.94	29.17	27.44	8.32
Profit on Sale of Scrapped Assets	0.61	2.98	0.89	0.00	0.00	0.00
Other Receipts	2.08	2.66	0.48	4.19	2.59	4.68
Dividend Received	-	0.48	0.48	0.47	0.48	0.00
<b>Sub Total (II)</b>	<b>35.16</b>	<b>44.03</b>	<b>36.79</b>	<b>33.83</b>	<b>30.51</b>	<b>13.00</b>
Increase (Decrease) in Stock	19.60	(179.11)	(138.19)	188.64	(21.67)	(129.19)
<b>TOTAL INCOME (A)</b>	<b>3629.80</b>	<b>3977.60</b>	<b>4196.93</b>	<b>4394.21</b>	<b>4135.95</b>	<b>1250.60</b>
<b>Expenditure</b>						
Raw Materials Consumed	537.04	591.43	532.36	587.75	624.49	191.72
Manufacturing Expenses	1535.58	1658.76	1685.81	1900.03	1649.99	399.74
Trade Purchase	0.00	0.00	0.00	0.00	0.00	146.07
Staff Costs	222.94	220.19	227.94	182.14	211.92	56.70
Interest & Financial Charges	200.48	202.71	260.05	226.85	202.29	52.47
Administrative Expenses	89.37	93.64	95.77	123.27	144.14	39.31
Selling & Distribution Expenses	735.24	843.95	973.83	924.91	792.98	226.19
Depreciation	143.71	213.01	255.81	240.60	200.31	38.46
<b>TOTAL EXPENDITURE (B)</b>	<b>3464.36</b>	<b>3823.69</b>	<b>4031.57</b>	<b>4185.55</b>	<b>3826.12</b>	<b>1150.66</b>
<b>Net profit before Tax (A-B)</b>	<b>165.44</b>	<b>153.92</b>	<b>165.37</b>	<b>208.65</b>	<b>309.83</b>	<b>99.93</b>
Current Tax	47.56	12.12	9.99	13.01	42.70	8.41
Deferred Tax/(Credit)	(13.11)	(9.83)	(34.50)	(22.25)	(20.16)	(5.20)
Fringe Benefit Tax	-	-	-	-	6.83	1.25
<b>Net Profit</b>	<b>130.99</b>	<b>151.63</b>	<b>189.88</b>	<b>217.89</b>	<b>280.46</b>	<b>95.46</b>
Impact of the adjustments for restatement in corresponding years	(51.67)	45.22	11.03	5.78	8.16	0.00
Tax Adjustment	18.44	(16.61)	(3.96)	(2.12)	(2.75)	0.00
Net adjustment	(33.23)	28.61	7.07	3.66	5.41	0.00
<b>Net Profit as Restated</b>	<b>97.76</b>	<b>180.24</b>	<b>196.95</b>	<b>221.55</b>	<b>285.87</b>	<b>95.46</b>
<b>EPS (Rs.)</b>	<b>1.57</b>	<b>2.90</b>	<b>3.17</b>	<b>3.57</b>	<b>4.60</b>	<b>6.16*</b>

\* Annualized

# Summary of Assets & Liabilities, as Restated:

Rs. in Lakhs

	As at 31.3.2002	As at 31.3.2003	As at 31.3.2004	As at 31.3.2005	As at 31.3.2006	As at 30.6.2006
	Audited	Audited	Audited	Audited	Audited	Audited
						(3 months)
<b>Fixed Assets:</b>						
Gross Block	3240.87	4133.81	4124.04	4433.94	4601.82	4637.09
Less: Accumulated Depreciation	1210.92	1403.35	1668.89	1913.26	2116.59	2155.81
Net Block	2029.95	2730.46	2455.15	2520.68	2485.23	2481.28
Less: Revaluation Reserve	92.56	74.74	71.29	67.53	64.52	63.76
<b>Net Block after adjustment for Revaluation Reserve</b>	<b>1937.39</b>	<b>2655.72</b>	<b>2383.86</b>	<b>2453.15</b>	<b>2420.71</b>	<b>2417.52</b>
Capital work-in progress	54.24	10.03	208.77	120.85	328.53	491.66
<b>Total Fixed Assets (A)</b>	<b>1991.63</b>	<b>2665.75</b>	<b>2592.63</b>	<b>2574.00</b>	<b>2749.24</b>	<b>2909.18</b>
<b>Investments (B)</b>	<b>13.28</b>	<b>383.28</b>	<b>383.28</b>	<b>383.28</b>	<b>8.28</b>	<b>8.28</b>
<b>Current Assets, Loans and Advances:</b>						
Inventories	659.02	545.32	373.37	494.88	620.81	611.06
Sundry Debtors	767.96	722.96	976.96	1024.50	1283.02	1336.13
Cash & Bank Balances	69.43	72.40	67.86	82.07	83.25	171.96
Loans and Advances	468.19	138.73	109.31	149.85	163.90	131.83
<b>Total of Current Assets, Loans and Advances (C)</b>	<b>1964.60</b>	<b>1479.41</b>	<b>1527.50</b>	<b>1751.30</b>	<b>2150.98</b>	<b>2250.98</b>
<b>Liabilities and Provisions:</b>						
Secured Loans	1263.68	1673.58	1526.13	1166.49	1686.96	1868.07
Unsecured Loans	1185.72	1185.15	1284.72	1571.92	1123.40	1114.65
Current Liabilities and Provisions	335.36	359.36	263.88	420.03	367.31	365.01
Deferred Tax Liability	82.57	183.71	257.55	235.30	215.14	209.94
<b>Total of Liabilities and Provisions (D)</b>	<b>2867.33</b>	<b>3401.80</b>	<b>3332.28</b>	<b>3393.74</b>	<b>3392.81</b>	<b>3557.67</b>
<b>Net worth (A+B+C-D)</b>	<b>1102.18</b>	<b>1126.64</b>	<b>1171.13</b>	<b>1314.84</b>	<b>1515.69</b>	<b>1610.75</b>
<b>Represented by</b>						
<b>Share Capital (I)</b>	<b>496.97</b>	<b>496.97</b>	<b>496.97</b>	<b>496.97</b>	<b>496.97</b>	<b>496.97</b>
<b>Reserves &amp; Surplus</b>						
Reserves	334.61	\$ 220.82	\$ 124.02	135.25	147.24	146.48
Profit & Loss Account	370.29	490.69	627.80	755.03	940.91	1036.37
Less: Revaluation Reserve	92.55	74.74	71.29	67.53	64.52	63.76
Less: Miscellaneous Expenditure to the extent not written off	7.14	7.10	6.37	4.88	4.91	5.31
<b>Reserves (Net of Revaluation Reserves) (II)</b>	<b>605.21</b>	<b>629.67</b>	<b>674.16</b>	<b>817.87</b>	<b>1018.72</b>	<b>1113.78</b>
<b>Net Worth (I+II)</b>	<b>1102.18</b>	<b>1126.64</b>	<b>1171.13</b>	<b>1314.84</b>	<b>1515.69</b>	<b>1610.75</b>
<b>No. of Shares (in lakhs)</b>	<b>62.12</b>	<b>62.12</b>	<b>62.12</b>	<b>62.12</b>	<b>62.12</b>	<b>62.12</b>

\$ - In compliance with the Accounting Standard – 22 on “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India (ICAI), the Company has provided deferred tax liability as at 31<sup>st</sup> March, 2003 and 31<sup>st</sup> March, 2004, and the same has been adjusted against the General Reserves of the Company. The decrease in Reserves pertains to the difference in Depreciation on Assets as per books of accounts and WDV for tax purposes.

However, there has been no decrease in overall Reserves in any of the reserves, and the Reserves may be viewed in conjunction with Profit and Loss Account for the respective years.

#### **iv. GENERAL INFORMATION**

##### **GULSHAN SUGARS AND CHEMICALS LIMITED**

###### **Incorporation**

The Company was originally incorporated as Gulshan Sugars and Chemicals Private Ltd. on May 23, 1980 with the Registrar of Companies, Uttar Pradesh at Kanpur. Subsequently, it was converted into a Public Limited Company on March 18, 1986 and the name of the company was changed to Gulshan Sugars and Chemicals Limited vide a fresh Certificate of Incorporation obtained from the Registrar of Companies, Uttar Pradesh.

###### **Registered Office & Works**

##### **GULSHAN SUGARS AND CHEMICALS LIMITED**

9<sup>th</sup> K.M., Jansath Road,  
Muzaffarnagar – 251 001  
Uttar Pradesh  
India  
Tel.: (0131) 3290287, 3290380  
Fax: (0131) 2661378  
E-mail: fpo@gulshanindia.com  
Website: www.gulshanindia.com

As per the Minutes Book of General Meetings of the Shareholders, the Registered Office of the Company since incorporation was located at 45-B, New Mandi, Muzaffarnagar. The Registered Office was shifted to its factory at 9<sup>th</sup> K.M., Jansath Road, Muzaffarnagar between the period May 5, 1983 and June 29, 1985.

###### **Corporate Office**

G-81, Preet Vihar  
Delhi – 110 092  
India  
Tel.: (011) 22514751, 22515802  
Fax: (011) 22529848  
E-mail: fpo@gulshanindia.com  
Website: www.gulshanindia.com

**Company Registration No.:** 20-5012 of 1980

**Corporate Identification Number (CIN):** L15422UP1980PLC005012

###### **Registrar of Companies:**

###### **Registrar of Companies, Uttar Pradesh and Uttaranchal**

37/17, Westcott Building  
The Mall  
Kanpur- 208 001  
Uttar Pradesh

##### **BOARD OF DIRECTORS**

<b>Name of the Director</b>	<b>Designation</b>
Mr. Ishwar Chand Agarwal	Chairman (Non-Executive & Independent Director)
Dr. Chandra Kumar Jain	Managing Director
Mrs. Mridula Jain	Non-Executive Director
Mr. A.K. Maheshwari	Director (Finance) & Company Secretary
Mr. Ashwani Kumar Vats	Executive Director
Mr. Mukul Maheswari	Non-Executive & Independent Director

For more details on the Board of Directors, please refer to the section titled "Management and Organization" beginning on page no. 122 of this Prospectus.



## **Brief Details of the Board of Directors**

### **Mr. Ishwar Chand Agarwal, *Chairman & Independent Director***

Aged 56, he has a Bachelor of Commerce degree from Calcutta University. He is an established industrialist with experience in various industries including Paper, Coal & Coke, Steel, Power, Electronics and Electricals. He has vast experience and knowledge of more than 30 years in managing business affairs with specialized experience in various businesses such as about 4 years of experience in paper Industry, 30 years of experience in coal and coke Industry, 4 years of Experience in Guar Gum Industry, 4 years of experience in Cement Industry and 12 years of experience in Electronics Industry. He is a Non-Executive and Independent Director of the company. He was appointed as Additional Director on October 5, 2005. His appointment was approved in the Annual General Meeting held on September 22, 2006.

### **Dr. Chandra Kumar Jain, *Managing Director***

Dr. Chandra Kumar Jain, aged about 58 years, is the Managing Director of the Company. He is amongst the founder member of the company and has been associated with it since incorporation on May 23, 1980. He has a B.Sc. degree from Lucknow University, an Associateship in National Sugar Institute (ANSI) and PhD in Chemistry, and possesses over 33 years of rich experience in the Calcium Carbonate industry. Dr. Chandra Kumar Jain was first appointed as Managing Director on February 20, 1989 for a period of 5 years, then reappointed for further period of 5 years on February 20, 1994, February 20, 1999, and on February 20, 2004.

### **Mrs. Mridula Jain, *Non-Executive Director***

Mrs. Mridula Jain is aged 53 Years and an M.A. by qualification. She is one of the Promoters of the Company. She possesses about 28 years experience in business, and her association with the Company as Director is more than 13 years old. She gives valuable contribution during the Board Meetings and Remuneration Committee meeting of the Company on regular basis. She was appointed as Additional Director on December 24, 2005, which was later approved in the Annual General Meeting held on September 22, 2006.

### **Mr. A.K. Maheshwari, *Director (Finance) & Company Secretary***

Aged 42, he is a qualified Chartered Accountant and Company Secretary having more than 20 years of experience. He has been associated with GSCL since October, 1995 and handles important financial functions of the company including Project Finance, Banking, Accounts, Audit, Taxation and Secretarial matters. He was appointed as Whole Time Director for a period of three years with effect from April 1, 2004. He is a member of the Project Management and FPO Committee of the Company.

### **Mr. Ashwani Kumar Vats, *Executive Director***

Aged 44 Years, he has a B.Com degree and Diploma in Marketing Management. He has over 24 years of experience having been associated with the Company for the last 20 years. He is responsible for the business and marketing affairs (for Eastern & Northern India) of the Company as well as day-to-day affairs of the factory. He was appointed as Whole Time Director for a period of three years with effect from April 1, 2005. He is a member of the Project Management and FPO Committee of the Company.

### **Mr. Mukul Maheswari, *Non-Executive & Independent Director***

Mr. Mukul Maheswari, aged 42 years, is a qualified Chartered Accountant, Cost Accountant and Company Secretary having more than 19 years of experience in the areas of finance, accounts, audit, taxation, and International trade. He started his career in 1987 and was the Chief Financial Officer and Company Secretary in Salora/Matsushita Group. He is a practising Chartered Accountant and is also associated as a Director with a management consultancy firm. He is a Non-Executive and Independent Director of the company. He was appointed as Additional Director with effect from June 3, 2006 in the Board of Directors Meeting held on June 5, 2006. His appointment was approved in the Annual General Meeting held on September 22, 2006.

## **COMPANY SECRETARY & COMPLIANCE OFFICER**

Mr. A.K. Maheshwari  
Director (Finance) & Company Secretary  
Gulshan Sugars & Chemicals Ltd.  
G-81, Preet Vihar  
Delhi – 110 092  
Tel.: (011) 22514751, 22515802  
Fax: (011) 22529848  
E-mail: fpo@gulshanindia.com

**LEGAL ADVISOR TO THE ISSUE**

Fox Mandal Little  
Advocates & Solicitors  
FM House  
A-9 Sector 9,  
Noida - 201 301  
NCT of Delhi  
Tel : 91-120-430 5555  
Fax: 91-120-254 2222  
Email id: newdelhi@foxmandallittle.com

**BANKERS TO THE COMPANY**

Bank of Baroda  
Corporate Financial Services Branch  
11th Floor, BOB Building,  
16, Sansad Marg  
New Delhi – 110 001  
Tel.: +91-11-23320863/ 233  
Fax: +91-11-23711267  
Email: indel@bankofbaroda.com

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

**LEAD MANAGER****SREI CAPITAL MARKETS LIMITED**

"Vishwakarma"  
86C Topsia Road (South)  
Kolkata- 700 046  
Tel : +91-33-39873810/39873845,22850112-5  
Fax: +91-33-39873861/39873863/22857542  
Contact Person: Mr. Ashok Pareek  
E-Mail: gscfpo@srei.com  
SEBI Registration No.: INM 000003762  
Website: www.srei.com

**REGISTRAR TO THE ISSUE****BIGSHARE SERVICES PVT. LTD.**

E/2, Ansa Industrial Estate, Saki Vihar Road  
Saki Naka, Andheri (East)  
Mumbai – 400 072  
Tel : +91-22-28470652  
Fax: +91-22-28475207  
Contact Person: Mr. V. Kumareshan  
E-mail: ipo@bigshareonline.com  
Website: www.bigshareonline.com

**BANKERS TO THE ISSUE****ICICI Bank Limited**

Capital Markets Division  
30, Mumbai Samachar Margt  
Mumbai – 400 001  
Tel : +91 22 22627600  
Fax: +91 22 22611138  
E-mail: [sidhartha.routray@icicibank.com](mailto:sidhartha.routray@icicibank.com)  
Contact Person: Mr. Sidhartha Sankar Routray  
Website: www.icicibank.com

**HDFC Bank Limited**

Maneckji Wadia Bldg., Grd. Flr.,  
Nanik Motwani Marg,  
Mumbai - 400 001  
Tel : +91 22 22679961/22679947  
Fax: +91 22 22671661  
E-mail: Sunil.Kolenchery@hdfcbank.com  
Contact Person: Mr. Sunil Kolenchery  
Website: www.hdfcbank.com

**The Hongkong and Shanghai Banking Corporation Limited**

52/60, Mahatma Gandhi Marg  
Fort,  
Mumbai – 400 001  
Tel : +91 22 22685568  
Fax: +91 22 22623890  
E-mail: zersisirani@hsbc.co.in  
Contact Person: Mr. Zersis Irani  
Website: www.hsbc.co.in

**BROKERS**

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

**STATUTORY AUDITORS TO THE COMPANY****M/s Shahid & Associates**

Chartered Accountants  
30, Arya Samaj Road,  
Opp. Islamia Inter College  
Muzaffarnagar – 251 001  
Uttar Pradesh  
Tel : +91-131-3091455  
Fax: +91-131-2405179  
E-mail: abspro2005@yahoo.co.in  
Contact Person: Mr. Mohammad Shahid

## **v. INTERSE ALLOCATION OF RESPONSIBILITIES OF THE LEAD MANAGER**

Since SREI Capital Markets Ltd is the Sole Lead Manager for this Issue; all the Issue related activities are handled by SREI.

### **CREDIT RATING**

As the present Issue is of Equity Shares, credit rating is not required.

### **IPO GRADING**

The Company has not opted for an IPO grading.

### **TRUSTEES**

As the present issue is of Equity Shares, appointment of Trustee is not required.

### **MONITORING AGENCY**

The Board of directors of the Company has already constituted the Project Management and FPO Committee, which shall monitor the deployment of funds on the Project.

### **APPRAISING ENTITY**

The Project has been appraised by Industrial Development Bank of India Limited. Details of the appraising entity is as under:

Industrial Development Bank of India Limited  
Corporate Finance Department  
Indian Red Cross Society Building  
1, Red Cross Road  
New Delhi – 110 001  
Tel : +91-11-23739273/23716181  
Fax: +91-11-23718074/23711664  
Contact Person: Mr. Suman Kumar, Deputy General Manager  
E-mail: [suman.kumar@idbi.co.in](mailto:suman.kumar@idbi.co.in)

**UNDERWRITERS TO THE ISSUE**

The Company intends to get the issue fully underwritten as follows:

<b>Name and Address of the Underwriters</b>	<b>Date of Agreement</b>	<b>Indicative No. of Equity Shares to be underwritten</b>	<b>Amount Underwritten (Rs. in lakhs)</b>
SREI Capital Markets Limited "Vishwakarma", 86C, Topsia Road (South), Kolkata – 700 046. Tel : +91-33-39873810/ 39873845, 22850112-5. Fax: +91-33-39873861/ 39873863/22857542 E-Mail: gsclfpo@srei.com	03.11.2006	25,00,000	1000.00
Inter Corporate Financiers & Consultants Ltd. 1/1 Monica Building, 9-B Lord Sinha Road, Kolkata – 700 071. Tel : +91-33-2282 6930/7988/8852. Fax: +91-33-2282 8306 E-Mail: icfc@cal2.vsnl.net.in	03.11.2006	28,50,000	1140.00
Religare Securities Limited 14, Mittal Chambers, 1 <sup>st</sup> Floor, Nariman Point, Mumbai – 400 021 Tel : +91-22- 4007 4800 Fax: +91-22- 4007 4869 E-Mail: contactus@religare.in	03.11.2006	12,50,000	500.00
<b>TOTAL</b>		<b>66,00,000</b>	<b>2640.00</b>

In the opinion of the Board of Directors (based on a Certificate given to it by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act as Merchant Banker or broker. The above Underwriting Agreements have been accepted by the Project Management & FPO Committee at their meeting held on 06.11.06 and GSCL has issued letter of acceptance to the Underwriters.

In the event of any default, the Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure or subscribe in the event that the Issue remains unsubscribed or undersubscribed, or to the extent of the devolved amount.

## vi. CAPITAL STRUCTURE OF THE COMPANY

### A. CAPITAL STRUCTURE

Share Capital as on the date of filing of the Prospectus with SEBI (before and after the Issue) is set forth below:

*(In Rupees, except share data)*

Share Capital		Nominal Value	Aggregate Value
<b>A. Authorized Capital</b>			
1,50,00,000	Equity shares of Rs. 8/- each	12,00,00,000	
2,50,000	Redeemable Preference Shares of Rs. 10/- each	25,00,000	
4,00,000	Redeemable Preference Shares of Rs. 100/- each	4,00,00,000	
<b>B. Issued, Subscribed and Paid Up Capital before the Issue</b>			
62,12,230	Equity Shares of Rs. 8/- each fully paid up	4,96,97,840	4,96,97,840
<b>C. Present Issue through this Prospectus</b>			
<b>Fresh Issue of:</b>			
66,00,000	Equity Shares of Rs. 8/- each being offered at a premium of Rs. 32/- per Share	5,28,00,000	26,40,00,000
<b>D. Net Issue to the Public in terms of this Prospectus</b>			
66,00,000	Equity Shares of Rs. 8/- each being offered at a premium of Rs. 32/- per Share	5,28,00,000	26,40,00,000
<b>E. Paid Up Share Capital After the Issue</b>			
1,28,12,230	Equity Shares of Rs. 8/- each	10,24,97,840	31,36,97,840
<b>F. SHARE PREMIUM ACCOUNT</b>			
Before the Issue		-	-
After the Issue			21,12,00,000

## NOTES TO CAPITAL STRUCTURE

### 1. Share Capital History of the Company

**Capital Build up:** The existing equity share capital of the Company has been subscribed and allotted as under:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of Allotment	No. of Equity Shares (Cumulative)	Paid-up Capital (Rs.)	Cumulative Share Premium (Rs.)
26.5.1980	1,500	10/-	10/-	Cash	Subscription on signing of Memorandum of Association	1,500	15,000	-
22.12.1980 #	2,03,500	10/-	10/-	Cash	Further Allotment	2,05,000	20,50,000	-
24.08.1981 #	70,000	10/-	10/-	Cash	Further Allotment	2,75,000	27,50,000	-
23.10.1986 #	2,75,000	10/-	10/-	Bonus	1:1 Bonus issue	5,50,000	55,00,000	-
4.2.1989 #	5,50,000	10/-	10/-	Bonus	1:1 Bonus issue	11,00,000	1,10,00,000	-
12.12.1989 #	1,50,000	10/-	10/-	Cash	Further Allotment	12,50,000	1,25,00,000	-
29.08.1991 @	20,12,300	10/-	10/-	Cash	Allotment on account of IPO in 1991 <sup>1</sup>	32,62,300	3,26,23,000	-
1.4.1993 @	2,94,993	10/-	10/-	Other than Cash	On conversion of Unsecured Fully Convertible Debentures issued to the shareholders of Presteege Fibres Ltd. <sup>2</sup>	35,57,293	3,55,72,930	-
1.4.1994 @	2,94,993	10/-	10/-	Other than Cash	On conversion of Unsecured Fully Convertible Debentures issued to the shareholders of Presteege Fibres Ltd. <sup>2</sup>	38,52,286	3,85,22,860	-
1.4.1996 @	11,79,972	10/-	10/-	Other than Cash	On conversion of Unsecured Fully Convertible Debentures issued to the shareholders of Presteege Fibres Ltd. <sup>2</sup>	50,32,258	5,03,22,580	-
1.4.1998 @	11,79,972	10/-	10/-	Other than Cash	On conversion of Unsecured Fully Convertible Debentures issued to the shareholders of Presteege Fibres Ltd. <sup>2</sup>	62,12,230	6,21,22,300	-
28.2.2001	-	8/-	-	Reduction in Face value	Reduction in face value from Rs. 10/- to Rs. 8/- due to demerger GSCL. <sup>3</sup>	62,12,230	4,96,97,840	-
<b>TOTAL</b>						<b>62,12,230</b>	<b>4,96,97,840</b>	-

**Note:**

1. # indicates that the Date of allotment has been verified from the Minutes of the Board Meetings.
2. @ indicates that the Date of Allotment has been verified from Form 2.
3. Gulshan Sugars and Chemicals Ltd. came out with its Initial Public Offering in July, 1991, whereby it offered 17,50,000 Equity Shares of Rs. 10/- each for cash at par, comprising

5,40,000 Equity Shares reserved for allotment to Indian resident Directors, their friends and relatives; 87,500 Equity Shares reserved for allotment on a preferential basis to the employees (including Indian working directors)/workers of the Company; and 11,22,500 Equity Shares to the Indian Public, to which was to be added the unsubscribed portion, if any, of the shares reserved for preferential allotment. In terms of the Issue, the Company retained oversubscription up to the extent of 15% of the total issue of Equity Shares.

4. Presteege Fibres Limited and Gulshan Sugars & Chemicals Limited were amalgamated under Chapter V of the Companies Act, 1956, whereby upon amalgamation, the resultant amalgamated company was Gulshan Sugars & Chemicals Ltd. As per the Order of the Hon'ble High Court of Allahabad, the Company allotted 2,94,993 fully paid Unsecured Fully Convertible Interest Free Debentures of Rs. 100/- each on 1st April, 1993 in the proportion of one debenture for every ten fully paid-up equity shares of Rs. 10/- each of Presteege Fibres Limited. The Unsecured Fully Convertible Debentures of GSCL with the face value of Rs. 100/- each, comprised of four parts as under:

Part A                      Representing 10% of the face value of the Debenture.

Part B                      Representing 10% of the face value of the Debenture.

Part C                      Representing 40% of the face value of the Debenture.

Part D                      Representing 40% of the face value of the Debenture.

The Unsecured Fully Convertible Interest Free Debentures were to be automatically converted into fully paid-up equity shares of GSCL in the following proportion:

Part A	One fully paid-up equity share of Rs. 10/- each of GSCL at par for every Debenture held.	Immediately on allotment.
Part B	One fully paid-up equity share of Rs. 10/- each of GSCL at par for every Debenture held.	One year after allotment.
Part C	Four fully paid-up equity shares of Rs. 10/- each of GSCL at par for every Debenture held.	Three years after allotment.
Part D	Four fully paid-up equity shares of Rs. 10/- each of GSCL at par for every Debenture held.	Five years after allotment.

The Promoters of Gulshan Sugars & Chemicals Ltd. were shareholders of Presteege Fibres Ltd. before the amalgamation of the two companies. They were allotted the debentures of Gulshan Sugars and Chemicals Ltd as per the approved scheme, which was later, converted into shares as explained above.

5. Gulshan Sugars and Chemicals Ltd. had effected a demerger in the financial year 2000-2001 by which 2 separate entities were hived out of Gulshan Sugars and Chemicals Ltd. namely Gulshan Polyols Ltd. and Gulshan Chemfill Ltd.

Accordingly, the undertakings, assets, liabilities of the then existing Sorbitol Division of the Company was transferred to and/or vested in the transferee company viz., Gulshan Polyols Ltd.; and the then existing Precipitated Calcium Carbonate Division of the company was transferred in another transferee company viz., Gulshan Chemifill Ltd.

As per the scheme of demerger approved vide Order dated 28<sup>th</sup> February, 2001 by the Hon'ble High Court of Allahabad, the Equity Shares of Gulshan Sugars and Chemicals Ltd. were split such that each shareholder of GSCL, for every 1 share of Rs.10/- face value held in equity share capital of GSCL, upon demerger, received 1 share of Rs. 5/- face value of Gulshan Polyols Ltd., 1 share of Rs. 2/- face value of Gulshan Chemfill Ltd., and 1 share of GSCL of Rs.8/- face value.

The Honourable High Court of Allahabad vide its order dated 28<sup>th</sup> February, 2001 allowed the transfer of Sorbitol division of Gulshan Sugars and Chemicals Ltd. to Gulshan Polyols Ltd., and the Precipitated Calcium Carbonate unit to Gulshan Chemifill Ltd.



The Authorised Share Capital of the Company has been built-up as per the details given below:

Date	No. of Shares	Cumulative Number of shares	Face Value (Rupees)	Authorised Capital (Rupees)	Particulars
<b>EQUITY</b>					
23.5.1980	3,20,000	3,20,000	10	32,00,000	Incorporation
26.2.1986	14,30,000	17,50,000	10	1,75,00,000	Increase
27.8.1990 #	22,50,000	40,00,000	10	4,00,00,000	Increase
20.7.1994	60,00,000	1,00,00,000	10	10,00,00,000	Increase
28.2.2001	-	*1,25,00,000	*8	10,00,00,000	Change in Face Value of Equity Shares from Rs. 10/- to Rs. 8/-
6.3.2006	25,00,000	1,50,00,000	8	12,00,00,000	Increase
<b>REDEEMABLE PREFERENCE</b>					
23.5.1980	80,000	80,000	10	8,00,000	Incorporation
26.2.1986	1,70,000	2,50,000	10	25,00,000	Increase
<b>REDEEMABLE PREFERENCE</b>					
29.9.2004	4,00,000	4,00,000	100	4,00,00,000	Increase

\* - As per demerger scheme mentioned at Clause 3 above.

# - Date and amount verified from the Minutes of the Extra Ordinary General Meeting of the Shareholders held on 27.8.1990.

## 2. Details of Promoters' Contribution and Lock-in period:

### Allotment to and Acquisition by Promoters

Promoter	Date of Allotment/ Transfer, and made fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue Price/ Transfer Price (Rs.)	Cumulative No. of shares	%age of Post-Issue Paid-up Capital
Dr. Chandra Kumar Jain	26.5.1980	Cash	500	10/-	10/-	500	
	22.12.1980	Cash	70,000	10/-	10/-	70,500	
	28.12.1984 !	Cash	*20,000	10/-	-	90,500	
	23.10.1986	Bonus	90,500	10/-	10/-	1,81,000	
	4.2.1989	Bonus	1,81,000	10/-	10/-	3,62,000	
	28.6.1989 !	Cash	\$ (2,68,744)	10/-	-	93,256	
	12.12.1989	Cash	3,400	10/-	10/-	96,656	
	12.1.1990	Cash	\$(96,656)	10/-	-	0	
	As per Annual Return of 1990-91 made upto 12.8.1991	Cash	#2,000	10/-	-	2,000	
	1.4.1993	Other than Cash	36,281 (22,661 equity shares are available)	10/-	-	38,281	0.18%
	1.4.1994	Other than Cash	36,281	10/-	-	74,562	0.28%
	As per Annual Return of 1993-94 made upto 20.7.1994	Cash	\$(15,620)	10/-	-	58,942	
	1.4.1996	Other than Cash	1,13,884	10/-	-	1,72,826	0.89%
	1.4.1998	Other than Cash	1,13,884	10/-	-	2,86,710	0.89%
	Acquisition as per Register of shareholding above 10% for the period 23.4.2001	Cash	#1,36,000	10/-	-	4,22,710	1.06%
	Market acquisition as per Register of shareholding above 10% for the period 1.4.2000 to 27.5.2000	Cash	*15,000	10/-	-	4,37,710	0.12%
	Acquisition as per Register of shareholding above 10% as on 28.4.2001	Cash	#1,55,000	8/-	-	5,92,710	1.21%
	As per Demat delivery instruction slip of Gulshan Holdings Pvt. Ltd. dated 26.12.2002	Cash	#2,00,000	8/-	-	7,92,710	1.56%
	<b>TOTAL – A</b>		<b>7,92,710</b>				<b>6.19%</b>
Mrs. Mridula Jain	22.12.1980	Cash	5,500	10/-	10/-	5,500	-
	28.6.1982	Cash	\$(5,500)	10/-	-	-	-

	28.12.1984 !	Cash	*13,000	10/-	-	13,000	-
	23.10.1986	Bonus	13,000	10/-	10/-	26,000	-
	4.2.1989	Bonus	26,000	10/-	10/-	52,000	-
	28.06.1989 !	Cash	*67,186	10/-	-	1,19,186	-
	12.12.1989	Cash	4,400	10/-	10/-	1,23,586	-
	12.01.1990	Cash	\$(43,400)	10/-	-	80,186	-
	03.03.1990	Cash	\$(80,186)	10/-	-	-	-
	As per Annual Return of 1991-92 made upto 12.8.1992		#200	10/-	-	200	0.0016%
	1.4.1993	Other than cash	11,561	10/-	-	11,761	0.09%
	1.4.1994	Other than cash	11,561	10/-	-	23,322	0.09%
	1.4.1996	Other than cash	46,244	10/-	-	69,566	0.36%
	1.4.1998	Other than cash	46,244	10/-	-	1,15,810	0.36%
	Market acquisition as per Register of shareholding above 10% for the period 31.3.1999 to 30.9.1999	Cash	*1,33,200	10/-	-	2,49,010	1.04%
	Market acquisition as per Register of shareholding above 10% for the period 1.4.2000 to 27.5.2000	Cash	*15,000	10/-	-	2,64,010	0.12%
	<b>TOTAL – B</b>		<b>2,64,010</b>				<b>2.06%</b>
Ms. Anubha Jain	28.06.1989 !	Cash	*67,186 (500 equity shares are available)	10/-	-	67,186	0.0039%
	As per Annual Return of 1993-94 made upto 20.7.1994	Cash	\$(66,686)	10/-	-	500	
	Acquisition		*13,682	10/-	-	14,182	0.10%
	1.4.1996	Other than Cash	53,364	10/-	-	67,546	0.42%
	1.4.1998	Other than Cash	53,364	10/-	-	1,20,910	0.42%
	<b>TOTAL – C</b>		<b>1,20,910</b>				<b>0.94%</b>
Gulshan Holdings Pvt. Ltd. (Previously known as Gulshan Marketing Pvt. Ltd.)	12.1.1990	Cash	*17,700	10/-	-	0	

	1.4.1993	Other than Cash	73,440	10/-	-	91,140	
	1.4.1994	Other than Cash	73,440	10/-	-	1,64,580	
	As per Annual Return of 1993-94 made up to 20.7.1994		*21,600			1,86,180	
	1.4.1996	Other than Cash	2,93,760 (2,79,240 equity shares are available)	10/-	-	4,79,940	2.18%
	1.4.1998	Other than Cash	2,93,760	10/-	-	7,73,700	2.29%
	Transfer on amalgamation on 1.3.2001 of Far Investment Pvt. Ltd. and Scope Estates Pvt. Ltd. <sup>1</sup>	Other than Cash	23,96,900	8/-		31,70,600	18.71%
	Acquisition as per Register of Shareholding above 10% for the period 23.4.2001		*1,20,000	8/-	-	32,90,600	0.94%
	As per Demat delivery instruction slip dated 26.12.2002	Cash	(2,00,000)	8/-	-	30,90,600	
	As per Demat delivery instruction slip dated 4.3.2005	Cash	(600)	8/-	-	30,90,000	
	As per Demat delivery instruction slip dated 5.8.2005	Cash	(100)	8/-	-	30,89,900	
	<b>TOTAL – D</b>		<b>30,89,900</b>				<b>24.12%</b>
<b>Total (A+B+C+D)</b>			<b>42,67,530</b>				<b>33.31%</b>

\$ - Indicates Equity Shares (mentioned in brackets) sold/transferred out.

\* - Indicates Shares purchased for consideration.

#- Indicates Equity Shares purchased from secondary market, the details and documents of which are not available, but which have been inferred from documents and papers as stated above under the column "Date of Allotment"

! - Indicates the Date of Allotment as per the Minutes of Board Meetings.

The requirement of Promoters' contribution in the present issue is not required under Clause 4.10.1 of SEBI DIP Guidelines, as it is a case of public issue by the Issuer Company, which has been listed with the BSE since 1991, and has a track record of dividend payment for atleast 3 immediately preceding years.

#### Lock-in of Promoter's holding for 3 years:

Promoter	Date of Allotment/ Transfer, and made fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue Price/ Transfer Price (Rs.)	%age of Post-Issue Paid-up Capital	Lock-in Period (Years)

Dr. Chandra Kumar Jain	Acquisition as per Register of shareholding above 10% for the period 23.4.2001	Cash	1,05,985	10/-	-	0.83%	3
	Market acquisition as per Register of shareholding above 10% for the period 1.4.2000 to 27.5.2000	Cash	*15,000	10/-	-	0.12%	3
	Acquisition as per Register of shareholding above 10% as on 28.4.2001	Cash	#1,55,000	8/-	-	1.21%	3
	As per Demat delivery instruction slip of Gulshan Holdings Pvt. Ltd. dated 26.12.2002	Cash	#2,00,000	8/-	-	1.56%	3
	<b>TOTAL – A</b>		<b>4,75,985</b>			<b>3.72%</b>	
Mrs. Mridula Jain	1.4.1998	Other than cash		10/-	-		
			10,326			0.08%	3
	Market acquisition as per Register of shareholding above 10% for the period 31.3.1999 to 30.9.1999	Cash	*1,33,200	10/-	-	1.04%	3
	Market acquisition as per Register of shareholding above 10% for the period 1.4.2000 to 27.5.2000	Cash	*15,000	10/-	-	0.12%	3
	<b>TOTAL – B</b>		<b>1,58,526</b>			<b>1.24%</b>	
Ms. Anubha Jain	1.4.1996	Other than Cash					
			19,345	10/-	-	0.15%	3
	1.4.1998	Other than Cash	53,364	10/-	-	0.41%	3
	<b>TOTAL – C</b>		<b>72,709</b>			<b>0.56%</b>	

	Transfer on amalgamation on 1.3.2001 of Far Investment Pvt. Ltd. and Scope Estates Pvt. Ltd. <b>1</b>	Other than Cash	17,35,226	8/-	-	13.54%	3
	Acquisition as per Register of Shareholding above 10% for the period 23.4.2001		*1,20,000	8/-	-	0.94%	3
	<b>TOTAL – D</b>		<b>18,55,226</b>			<b>14.48%</b>	
<b>Total (A+B+C+D)</b>			<b>25,62,446</b>			<b>20.00%</b>	

1. In terms of the Order dated March 1, 2001 of the Hon'ble High Court of Delhi, M/s Far Investment Private Limited (FIPL), and Scope Estates Private Limited (SEPL) were amalgamated with Gulshan Marketing Private Limited (GMPL) u/s 391(2) of the Companies Act, 1956. Consequent to the amalgamation, both the companies viz., Far Investment Private Limited and Scope Estates Private Limited were dissolved without the process of winding up.

In terms of the amalgamation, Gulshan Marketing Private Ltd. was to issue at par, and allot 356 equity shares of Rs. 1000/- each to the shareholders of FIPL and SEPL i.e., 200 equity shares of Rs. 1000/- each in the ratio of 2 equity shares of Rs. 1000/- each of GMPL for every 85 equity shares of Rs. 10/- each of FIPL; and 156 equity shares of Rs. 1000/- each in the ratio of 2 equity shares of Rs. 1000/- each of GMPL for every 100 equity shares of Rs. 10/- each of SEPL.

Gulshan Marketing Private Ltd. later changed its name to Gulshan Holdings Private Limited in terms of the fresh Certificate of Incorporation given on 14.2.2002 by the Registrar of Companies, N.C.T. of Delhi and Haryana.

Shares allotted to/acquired by Far Investment Pvt. Ltd. and Scope Estates Pvt. Ltd., in GSCL, is as per the following schedule:

**a. Far Investment Pvt. Ltd.**

Date of Allotment/Transfer	Consideration	No. of Shares	Face value (Rs.)	Issue Price/ Transfer Price (Rs.)	Cumulative No. of shares
12.01.1990	Cash	*2,50,645	10/-	-	2,50,645
As per Annual Return for 1990-91 made upto 12.8.1991	Cash	#16,797	10/-	-	2,67,442
As per Annual Return for 1991-92 made upto 12.8.1992	Cash	#14,800	10/-	-	2,82,242
1.4.1993	Other than cash	73,320	10/-	-	3,55,562
As per Annual Return for 1992-93 made upto 22.09.1993	Cash	\$(12,700)	10/-	-	3,42,862
1.4.1994	Other than cash	73,320	10/-	-	4,16,182
As per Annual Return for 1993-94 made upto 20.7.1994	Cash	#2,78,282	10/-	-	6,94,464
1.4.1996	Other than cash	2,93,280	10/-	-	9,87,744
As per Annual Return for 1995-96 made upto 30.9.1996	Cash	#16,418	10/-	-	10,04,162
As per Annual Return for 1996-97 made upto 30.9.1997	Cash	\$(300)	10/-	-	10,03,862
1.4.1998	Other than cash	2,93,280	10/-	-	12,97,142
<b>TOTAL</b>		<b>¶ 12,97,142</b>			

¶- Total 12,97,142 Equity Shares of GSCL were transferred to Gulshan Marketing Private Limited.

**b. Scope Estates Pvt. Ltd.**

Date of Allotment/Transfer	Consideration	No. of Shares	Face value (Rs.)	Issue Price/ Transfer Price (Rs.)	Cumulative No. of shares
3.3.1990	Cash	*2,13,372	10/-	-	2,13,372
As per Annual Return for 1990-91 made upto 12.8.1991	Cash	#67,186	10/-	-	2,80,558
As per Annual Return for 1991-92 made upto 12.8.1992		#27,800	10/-	-	3,08,358
1.4.1993	Other than cash	72,960	10/-	-	3,81,318
As per Annual Return for 1992-93 made upto 22.9.1993		#44,400	10/-	-	4,25,718
1.4.1994	Other than cash	72,960	10/-	-	4,98,678
As per Annual Return for 1993-94 made upto 20.7.1994		\$(13,800)	10/-	-	4,84,878
1.4.1996	Other than cash	2,91,840	10/-	-	7,76,718
As per Annual Return for 1995-96 made upto 30.9.1996		#31,200	10/-	-	8,07,918
1.4.1998	Other than cash	2,91,840	10/-	-	10,99,758
<b>TOTAL</b>		<b>¶ 10,99,758</b>			

¶- Total 10,99,758 Equity Shares of GSCL were transferred to Gulshan Marketing Private Limited.

\$ - Indicates Equity Shares (mentioned in brackets) sold/transferred out.

\* - Indicates Shares purchased for consideration.

#- Indicates Equity Shares purchased from secondary market, the details and documents of which are not available, but which have been inferred from documents and papers as stated above under the column "Date of Allotment"

**Notes:**

- (1). Out of the total Promoters' holding, 20% of the Post-Issue Equity Share Capital i.e., 25,62,446 Equity Shares will be locked in for 3 years. The lock-in period shall commence from the date of allotment of Equity Shares in this issue. The Promoters' Contribution has been brought in to the extent of not less than specified minimum lot and from persons defined as Promoters under the SEBI DIP Guidelines.

The lock-in shares mentioned above has been arrived on the basis of 'Issued Last, Locked First' for the purpose of presentation in the Prospectus. The entire shareholding of the Promoters is in demat form. The promoters have given a written undertaking that these shares shall not be transferred except inter se transfer as per the SEBI guidelines.

- (2). Locked-in Equity Shares held by the Promoter can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of Clause 4.16(b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and amongst the Promoter/Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.
- (3). Further, in terms of Clause 4.16(a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding 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 the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

## Final Shareholding of Promoters

Name of Promoter	Shares allotted	Add: Shares acquired by way other than allotment	Less: Shares transferred	Shares held	Pre- Issue Shareholding
Dr. Chandra Kumar Jain	6,45,730	5,28,000	3,81,020	7,92,710	12.76%
Mrs. Mridula Jain	1,64,510	2,28,586	1,29,086	2,64,010	4.25%
Ms. Anubha Jain	1,06,728	80,868	66,686	1,20,910	1.95%
Gulshan Holdings Pvt. Ltd.	31,31,300	1,59,300	2,00,700	30,89,900	49.74%
<b>Total</b>	<b>40,48,268</b>	<b>9,96,754</b>	<b>7,77,492</b>	<b>42,67,530</b>	<b>68.70%</b>

Dr. Chandra Kumar Jain and Mrs. Mridula Jain are the Directors of Gulshan Holdings Private Limited, the promoter company.

### (4). Shareholding pattern of Promoter Group:

Promoters' Group	Date of Allotment/ Transfer, and made fully paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue Price/ Transfer Price (Rs.)	Cumulative No. of shares	%age of Post-Issue Paid-up Capital
Arushi Jain	29.6.1985	Cash	*17,000	10/-	-	17,000	
	23.10.1986	Bonus	17,000	10/-	10/-	34,000	
	4.2.1989	Bonus	34,000	10/-	10/-	68,000	
	28.6.1989 @	Cash	*67,186	10/-	-	1,35,186	
	12.12.1989	Cash	5,000	10/-	10/-	1,40,186	
	12.1.1990	Cash	\$(1,23,389)	10/-	-	16,797	
	As per Annual Return 1990-91 made upto 12.8.1991		\$(16,797)	10/-	-	0	
	As per Annual Return 1991-92 made upto 12.8.1992						
		Cash	*500	10/-	-	500	
	1.4.1993	Other than Cash	15,080	10/-	-	15,580	0.12%
	1.4.1994	Other than Cash	15,080	10/-	-	30,660	0.12%
	1.4.1996	Other than Cash	60,320	10/-	-	90,980	0.47%
	1.4.1998	Other than Cash	60,320	10/-	-	1,51,300	0.47%
	28.2.2001	Reduction in face value		8/-		1,51,300	
	<b>TOTAL – A</b>		<b>1,51,300</b>				<b>1.18%</b>



Aditi Jain	29.6.1985	Cash	16,500	10/-	10/-	16,500	-
	23.10.1986	Bonus	16,500	10/-	10/-	33,000	-
	4.2.1989	Bonus	33,000	10/-	10/-	66,000	-
	28.6.1989 @	Cash	*67186	10/-	-	1,33,186	-
	12.12.1989	Cash	4900	10/-	10/-	1,38,086	-
	12.1.1990	Cash	\$(4,900)	10/-	-	1,33,186	-
	3.3.1990	Cash	\$(1,33,186)	10/-	-	0	-
	As per Annual Return of 1991-92 made upto 12.8.1992	Cash					
			*500	10/-	-	500	0.0039%
	1.4.1993	Other than Cash	6,820	10/-	-	7,320	0.05%
	1.4.1994	Other than Cash	6,820	10/-	-	14,140	0.05%
	1.4.1996	Other than Cash	27,280	10/-	-	41,420	0.22%
	As per Annual Return of 1995-96 made up to 30.9.1996				-		
			*13,000	10/-		54,420	0.10%
	1.4.1998	Other than Cash	27,280	10/-	-	81,700	0.22%
	28.2.2001	Reduction in face value		8/-	-	81,700	
	<b>TOTAL – B</b>		<b>81,700</b>				<b>0.64%</b>

Pradeep Kumar Jain	26.5.1980	Cash	500	10/-	10/-	500	
	22.12.1980	Cash	60,000	10/-	10/-	60,500	
	29.6.1985	Cash	*22,000	10/-	-	82,500	
	23.10.1986	Bonus	82,500	10/-	10/-	1,65,000	
	4.2.1989	Bonus	1,65,000	10/-	10/-	3,30,000	
	12.12.1989	Cash	12,200	10/-	10/-	3,42,200	
	Disposal as per Register of Shareholding above 10% for the period 23.4.2001	Cash	\$ (3,42,000)	10/-	-		
						200	0.0016%
	28.2.2001	Reduction in face value		8/-		200	
	<b>TOTAL – C</b>		<b>200</b>				<b>0.0016%</b>

Selfridge Automobile Leasing & Industries Ltd. ₹	Market purchase	Cash	#32,100	-		32,100	0.25%
	<b>TOTAL - D</b>		<b>32,100</b>	8/-			<b>0.25%</b>

<b>TOTAL (A+B+C+D)</b>			<b>2,65,300</b>				<b>2.07%</b>
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\$ - Indicates Equity Shares (mentioned in brackets) sold/transferred out.

\* - Indicates Shares purchased for consideration.

# - Indicates Equity Shares purchased from secondary market, the details and documents of which are not available, but which have been inferred from documents and papers as stated above under the column "Date of Allotment"

@ - Indicates date of allotment verified from Minutes of Board Meetings.

₹ - Selfridge Automobile Leasing & Industries Limited (SALIL) was incorporated as a public limited company on May 29, 1991 and obtained the Certificate of Commencement of Business on June 24, 1991. The Company made a public issue in October 1995 at a price of Rs. 10/- per

share. The issue was fully subscribed and the shares of the Company were listed on the Delhi Stock Exchange.

The erstwhile Board of Directors of the company comprised of Mr. Ashok Kumar, Chairman, Mr. Anil Kumar Mathur, Director, and Mr. Braham Pal Singh, Director. The details of Company's equity capital as on October 25, 1999 stood as under:

30,21,000 Fully Paid-up Equity Shares of Rs. 10/- each comprising 100% of the paid-up capital.

Ms. Arushi Jain, and Ms. Aditi Jain, both daughters of Dr. Chandra Kumar Jain and Mrs. Mridula Jain, and forming part of the Promoters' Group of GSCL, had entered into an MOU on October 25, 1999 with the existing shareholders of SALIL, and acquired 4,91,764 equity shares comprising 16.28% of the paid-up capital, and 4,53,936 equity shares comprising 15.02 % of the paid-up capital of SALIL respectively.

Ms. Arushi Jain and Ms. Aditi Jain (henceforth called the 'Acquirers') made the investment in SALIL with the objective of having a controlling stake in SALIL. As per the MOU, the sellers agreed to sell to the Acquirers such number of shares from their holding of the shares of SALIL that would along with those shares to be acquired by the Acquirers through the Open Offer, made the Acquirer's holding in SALIL to atleast 51% of the share capital of SALIL.

The Acquirers made an open offer in accordance with Regulation 10 of the SEBI (Substantial Acquisition of Shares and takeovers) Regulations, 1997. The shareholding of the Acquirers stood at 31.3% of the paid-up capital, pre-Open Offer.

In terms of the Offer, the Acquirers desired to purchase 6,04,200 fully paid-up equity shares of SALIL representing 20% of the capital at a price of Rs. 3/- per share. The Acquirers initially proposed to acquire the equity share of SALIL at a price of Re. 1/- per share and the same was announced through the Public Announcement dated October 29, 1999 in the newspapers. But, there was an upward revision and the Acquirers proposed to acquire the equity shares at a price of Rs. 3/- per equity share and the same was announced through Public Announcement dated December 31, 1999.

The Offer Price of Rs. 3/- for the purpose of Offer was fixed in accordance with the provisions of Clause 20(3)(d) of the SEBI (Substantial Acquisitions and Takeovers) Regulations, 1997. The Offer opened on January 11, 2000 and closed on February 10, 2000.

Accordingly, the Acquirers acquired 6,00,700 equity shares in the Company through an Open Offer, which resulted in a post-offer shareholding of 15,46,400 equity shares representing 51.2% of total holding. SALIL continues to remain listed with the Delhi Stock Exchange.

**Note:**

- i. All shares eligible for contribution of 20% shares to be brought in by the promoters shall be locked in for 3 years.
- ii. In case the final allotment of shares exceeds the number of equity shares offered through this issue on account of rounding off to the nearest integer as decided at the time of allotment, the number of shares to be locked in for 3 years shall be calculated on the increased allotted share capital.
- iii. The Promoters' contribution has been brought in to the extent that it is not less than the specified minimum lot of Rs. 25,000/- per application from each individual and Rs. 1,00,000/- from companies, as applicable.

**3. Pre-issue and Post-issue Shareholding pattern of the Promoters' Group, Friends and Associates**

Name of the Shareholder	Pre Issue		Post Issue #	
	No. of Shares	%age Holding	No. of Shares	%age Holding
<b>PROMOTERS</b>				
Dr. Chandra Kumar Jain	7,92,710	12.76%	7,92,710	6.19%
Mrs. Mridula Jain	2,64,010	4.25%	2,64,010	2.06%
Ms. Anubha Jain	1,20,910	1.95%	1,20,910	0.94%
Gulshan Holdings Pvt Ltd.	30,89,900	49.74%	30,89,900	24.12%

<b>Sub Total (a)</b>	<b>42,67,530</b>	<b>68.70%</b>	<b>42,67,530</b>	<b>33.31%</b>
<b>PROMOTERS' GROUP</b>				
<b>Relatives of Promoters</b>				
Mrs. Arushi Jain	1,51,300	2.43%	1,51,300	1.18%
Mrs. Aditi Jain	81,700	1.32%	81,700	0.64%
Mr. Pradeep Kumar Jain	200	0.0032%	200	0.0016%
<b>Sub Total (b)</b>	<b>2,33,200</b>	<b>3.75%</b>	<b>2,33,200</b>	<b>1.82%</b>
<b>Bodies Corporates</b>				
Selfridge Automobile Leasing and Industries Limited	32,100	0.52%	32,100	0.25%
<b>Sub Total (c)</b>	<b>32,100</b>	<b>0.52%</b>	<b>32,100</b>	<b>0.25%</b>
<b>SHAREHOLDING OF THE PROMOTERS' GROUP I = (a+b+c)</b>	<b>45,32,830</b>	<b>72.97%</b>	<b>45,32,830</b>	<b>35.38%</b>
<b>NON- PROMOTERS</b>				
<b>Friends and Associates</b>	-	-	-	-
<b>Public</b>	11,00,422	17.71%	11,00,422	8.59%
<b>Sub Total (d)</b>	<b>11,00,422</b>	<b>17.71%</b>	<b>11,00,422</b>	<b>8.59%</b>
<b>Other Body Corporate</b>	5,78,978	9.32%	5,78,978	4.52%
<b>Sub Total (e)</b>	<b>5,78,978</b>	<b>9.32%</b>	<b>5,78,978</b>	<b>4.52%</b>
<b>Public Issue #</b>	-	-	66,00,000	51.51%
<b>Sub Total (f)</b>	-	-		
<b>SHAREHOLDING OF NON PROMOTERS II = (d+e+f)</b>	<b>16,79,400</b>	<b>27.03%</b>	<b>82,79,400</b>	<b>64.62</b>
<b>TOTAL (I+II)</b>	<b>62,12,230</b>	<b>100.00%</b>	<b>1,28,12,230</b>	<b>100.00%</b>

As on September 30, 2006

# Since the Promoters/Promoter Group will not participate in the proposed issue, the entire offering of 66,00,000 Equity Shares has been shown to have been taken by the Non-Promoters.

**4. The Pre-issue and Proposed Post Issue Share Holding Pattern of Gulshan Sugars and Chemicals Limited is as under:**

Category	Pre-Issue		Post-Issue #	
	No. of Shares	% Holding	No. of Shares	% Holding
<b>Promoters</b>				
Dr. Chandra Kumar Jain	7,92,710	12.76%	7,92,710	6.19%
Mrs. Mridula Jain	2,64,010	4.25%	2,64,010	2.06%
Ms. Anubha Jain	1,20,910	1.95%	1,20,910	0.94%
Gulshan Holdings Pvt Ltd.	30,89,900	49.74%	30,89,900	24.12%
<b>Promoters' Group</b>				
Mrs. Arushi Jain	1,51,300	2.43%	1,51,300	1.18%
Mrs. Aditi Jain	81,700	1.32%	81,700	0.64%
Mr. Pradeep Kumar Jain	200	0.0032%	200	0.0016%
Selfridge Automobile Leasing and Industries Limited	32,100	0.52%	32,100	0.25%
<b>Non-Promoters:</b>				
i. Friends and Associates	-	-	-	-
ii. Public	11,00,422	17.71%	11,00,422	8.59%
iii. Other Bodies Corporate	5,78,978	9.32%	5,78,978	4.52%
iv. Public Issue	-	-	66,00,000	51.51
<b>Total</b>	<b>62,12,230</b>	<b>100.00%</b>	<b>1,28,12,230</b>	<b>100.00%</b>

As on September 30, 2006

# Since the Promoters/Promoter Group will not participate in the proposed issue, the entire offering of 66,00,000 Equity Shares has been shown to have been taken by the Non-Promoters.

The Promoters and the Promoters' Group or the Directors of the Issuer Company and Promoter Company have not purchased or sold any Equity Shares from the market during a period of six months preceding the date on which the Prospectus is filed with SEBI, except for the sale of 501 Equity Shares by Mr. Mukul Maheswari, Director, the details of which are given at page no. 235 of the Prospectus.

#### 5. Equity Shares held by top 10 ten shareholders

- a. The details of top ten shareholders and the Equity shares held on the date of filing this Prospectus with RoC:

Sl. No.	Name of the Shareholder	No. of Shares	%age Holding
1.	Gulshan Holdings Pvt Ltd.	30,89,900	49.74%
2.	Dr. Chandra Kumar Jain	7,92,710	12.76%
3.	Mrs. Mridula Jain	2,64,010	4.25%
4.	UTI Securities Limited	2,10,748	3.39%
5.	Ms. Arushi Jain	1,51,300	2.44%
6.	Ms. Anubha Jain	1,20,910	1.95%
7.	Ms. Aditi Jain	81,700	1.32%
8.	M/s. Marwadi Shares and Finance Private Limited	34,557	0.56%
9.	M/s. Selfridge Automobile Leasing and Industries Ltd.	32,100	0.52%
10.	M/s Sam Global Securities Ltd.	28,696	0.47%

- b. The details of top ten shareholders and the Equity shares held ten days prior to the date of filing this Prospectus with RoC:

Sl. No.	Name of the Shareholder	No. of Shares	%age Holding
1.	Gulshan Holdings Pvt Ltd.	30,89,900	49.74%
2.	Dr. Chandra Kumar Jain	7,92,710	12.76%
3.	Mrs. Mridula Jain	2,64,010	4.25%
4.	UTI Securities Limited	2,10,748	3.39%
5.	Ms. Arushi Jain	1,51,300	2.44%
6.	Ms. Anubha Jain	1,20,910	1.95%
7.	Ms. Aditi Jain	81,700	1.32%
8.	M/s Marwadi Shares and Finance Private Limited	34,557	0.56%
9.	M/s. Selfridge Automobile Leasing and Industries Ltd.	32,100	0.52%
10.	M/s. Sam Global Securities Ltd.	29,058	0.47%

- c. The details of top ten shareholders and the Equity shares held two years prior to the date of filing this Prospectus with RoC:

Sl. No.	Name of the Shareholder	No. of Shares	%age Holding
1.	Gulshan Holdings Pvt Ltd.	30,90,600	49.75%
2.	Dr. Chandra Kumar Jain	7,92,710	12.76%
3.	M/s Atul Transport Private Ltd.	3,00,400	4.84%
4.	Mrs. Mridula Jain	2,64,010	4.25%
5.	Ms. Arushi Jain	1,51,300	2.44%
6.	Ms. Anubha Jain	1,20,910	1.95%
7.	Ms. Aditi Jain	81,700	1.32%
8.	M/s. Selfridge Automobile Leasing and Industries Ltd.	32,100	0.52%
9.	Fort Agencies Private Ltd.	10,000	0.16%
10.	Kanak Jain	7,500	0.12%

- i. The Company, its Promoters, Directors, and/or the Lead Manager have not entered into any 'buy-back' and/or 'standby arrangement' for purchase of Equity Shares of the Company offered through this Prospectus.
- ii. An over-subscription to the extent of 10% of the net offer to the public can be retained for the purpose of rounding off to the nearest multiple of minimum allotment lot, while finalizing the allotment.
- iii. The Company has not raised any bridge loan from any Bank against the proceeds of this issue.
- iv. The Equity Shares offered through this Issue will be fully paid up, and hence there shall be no partly paid shares in this Issue.
- v. As per SEBI Guidelines, a minimum of 50% of the net offer to the public is reserved for allotment to individual investors applying for Equity Shares of or for a value of not more than Rs. 1,00,000/-. The remaining 50% of the offer to the public is reserved for individuals applying for Equity Shares of a value more than Rs. 1,00,000/- and corporate bodies/institutions etc.
- vi. The Company shall not make further issue of capital in any manner whether by way of issue of bonus shares, preferential allotment, rights issue, or public issue or otherwise during the period commencing from the submission of offer document to the SEBI for this public issue, till the securities offered to in the said document have been listed or the application money refunded on account of non-listing or under-subscription, etc.
- vii. Presently, the Company does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, whether by way of split or consolidation of the denomination of the Equity Shares or by way of further issue of Equity capital (including issue of securities convertible into or exchangeable, directly or indirectly, for Equity Shares) whether preferential or otherwise, except that the Company may issue options to its employees pursuant to any employee stock option plan, or if the company goes for acquisitions, mergers or joint ventures, it may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition and/or participation in such joint ventures or issue of Shares on such merger, if any.
- viii. The Company has not revalued its Fixed Assets in the last five years.

However, the Company revalued its Fixed Assets comprising Land, Building, and Plant & Machinery earlier during the financial year 1993-94. The above properties were located at 9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh.

On account of the revaluation, the gross block of the Land increased by Rs. 48.50 lakhs, the Buildings by Rs. 51.50 lakhs, and Plant and Machinery by Rs. 154.59 lakhs, aggregating Rs. 254.59 lakhs.

The above amount was credited to Revaluation Reserves, and the accounts were approved by the Shareholders at their Annual General Meeting held on July 20, 1994. The same was adopted in the Company's books. The current reduced balance in the said revaluation account as on 30<sup>th</sup> June, 2006 is Rs. 63.76 lakhs.
- ix. An investor cannot apply for more than the number of Equity Shares offered under this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
- x. The Company has issued Equity shares, by way of Bonus Issue in the ratio of 1:1 on 23<sup>rd</sup> October, 1986 and in the ratio of 1:1 on 4<sup>th</sup> February, 1989.
- xi. The Company has not issued any Equity shares for consideration other than cash except to the extent of:
  - a. Issue of 2,94,993 Equity Shares consequent to the amalgamation of Presteege Fibres Limited and Gulshan Sugars & Chemicals Limited; and
  - b. Reduction in face value of equity shares of Gulshan Sugars & Chemicals Ltd. consequent to the demerger of Gulshan Sugars & Chemicals Ltd.
- xii. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
- xiii. The Company has a total of 6,043 (Six thousand and Forty three only) Equity Share Holders as on date of filing with the RoC.

- xiv. There are no transactions in the securities of the Company during preceding 6 months which were financed directly or indirectly by the promoters, their relations, their group Companies or associates or by the above entities directly or indirectly to other persons.
- xv. The shareholders of the Company do not hold any warrant, option or convertible loan or any debentures, which would entitle them to acquire further shares of the Company.
- xvi. Written consent for lock-in has been obtained from the persons whose shares form part of promoters' contribution and form part of lock in.
- xvii. The Equity Shares to be held by the Promoters, their relatives & associates under the lock-in period shall not be sold / hypothecated / transferred during the lock-in period, except for pledging to Indian Banks and Financial Institutions for obtaining financial assistance by way of term loan or working capital assistance. However, inter se transfers between the promoters named as such would be permitted, provided that the requirement of the lock-in period guidelines continue to apply, to the extent initially prescribed.
- xviii. An applicant in the public category cannot make an application for a number of securities, which exceeds the said category.
- xix. The unsubscribed portion in any category may be added to any other category interchangeably.
- xx. In case of over-subscription, allotment will be on proportionate basis as detailed in Para on "Basis of Allotment".
- xxi. Allotment shall be on a proportionate basis rounded off to the nearest integer subject to the minimum allotment being equal to the minimum application size. In case of over-subscription the proportionate allotment will be subject to the reservation for Retail Individual Investors as below: -
  - a) A minimum of 50% of the net offer to the public will initially be made available for allotment to retail individual investors.
  - b) The balance net offer to the public shall be made available for allotment to applicants other than retail individual investors.

Under-subscription, if any, in the Non Institutional Retail category would be allowed to be met with spill over inter se from any other category, at the sole discretion of our Company in consultation with the LM.

Applicant cannot make an application for more than the number of Equity Shares offered to the public, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

- xxii. Till date the Company has not introduced any ESOP/ESOS.

## **vii. OBJECTS OF THE ISSUE**

The objects of the Issue are as stated herein below:

- To expand the existing capacity by setting up a 20,000 TPA Ground Calcium Carbonate (GCC) Unit.
- To set up an additional 3 MW captive power plant at its manufacturing facilities at Muzaffarnagar, Uttar Pradesh.
- To meet the long-term working capital requirement of the company.
- To raise resources for general corporate purposes.
- To meet the expenses of the Issue.
- To list the equity shares of Gulshan Sugars and Chemicals Limited, being offered, on the Bombay Stock Exchange Limited (where the Company's existing equity shares are already listed); which will enhance the Company's brand name and provide liquidity to its existing and future shareholders.

The main Objects Clause, and objects incidental or ancillary to the main objects clause, of the Company's Memorandum of Association permits the Company to undertake existing activities and activities for which the funds are being raised by the Company, through the present issue.

The aggregate installed capacity of the Company subsequent to implementation of the project would enhance to 90,000 TPA of Calcium Carbonate, and the capacity of captive Power Plant to 6 MW.

## **COST OF THE PROJECT AND MEANS OF FINANCING**

The Company is setting up an expansion project at its existing manufacturing facilities at Muzaffarnagar, in the state of Uttar Pradesh, at an estimated cost of Rs. 2990 lakhs (*As per the Appraisal Report of the Industrial Development Bank of India Ltd. dated March 2, 2006*). The Company further needs Rs. 310 lakhs towards Long Term Working Capital requirement.

### **BREAK UP OF PROJECT COST**

(Rs. in lakhs)			
<b>PARTICULARS</b>	<b>GROUND CALCIUM CARBONATE UNIT</b>	<b>CAPTIVE POWER PLANT</b>	<b>TOTAL COST</b>
Land & Site Development	43	29	72
Buildings and Civil Works	136	79	215
Plant & Machinery			
- Imported	125	-	125
- Indigenous	708	887	1595
Technical consultation charges etc.	24	-	24
Miscellaneous Fixed Assets	-	-	165
Preliminary and Pre-operative Expenses	-	-	481
Provision for Contingencies	-	-	221
Margin Money for Working Capital	-	-	92
<b>Total Cost of Project</b>			<b>2990</b>

The Company estimates that it shall be requiring Rs. 610 lakhs towards Long-term Working Capital, which the Company proposes to raise, along with the above project cost, through the public issue.

The detailed components of the cost of the Project are:

SL.NO.	PROJECT PARTICULARS	AMOUNT (Rs. in lakhs)
<b>A.</b>	<b>LAND AND SITE DEVELOPMENT</b>	
	Levelling, construction of internal roads, walls, drainage system etc.	72.00
<b>B.</b>	<b>BUILDING &amp; CIVIL WORKS</b>	
i.	For Power Plant	79.00
ii.	For GCC	136.00
	<b>Sub-Total (B)</b>	<b>215.00</b>
<b>C.</b>	<b>LIST OF MACHINERY FOR GCC PLANT</b>	
a.	Imported equipment:	
	Classifier HTS 400/4	125.00
b.	Local equipment:	
1.	Jaw Crusher ball Mill	174.00
2.	Radial Fans	23.00
3.	Rotary Valves	5.00
4.	Dedusting Filter	40.00
5.	Grinding Media	18.00
6.	Bead Mill	50.00
7.	Miscellaneous Equipments	98.00
8.	Wood Fired Gasifier	131.00
9.	Fabricated Machines	169.00
	<b>Sub-Total (C)</b>	<b>833.00</b>
<b>D.</b>	<b>LIST OF MACHINERY FOR POWER PLANT</b>	
1.	65 KG/Cm <sup>2</sup> Pressure 30 TPH capacity Bagasse Fired Boiler	424.00
2.	15000 LPH capacity R.O. based Water Treatment Plant	41.00
3.	100 C.F.M. capacity Heatless Air Dryer with After cooler	26.00
4.	3 MW Back Pressure Turbine and Alternator Set	396.00
	<b>Sub-Total (D)</b>	<b>887.00</b>
<b>E.</b>	<b>MISCELLANEOUS ASSETS FOR GCC AND POWER PLANT</b>	
1.	Waste Water management system	15.00
2.	Cooling Tower	18.00
3.	Instrumentation	15.00
4.	Cable/Power Control Centre	18.00
5.	Panels	18.00
6.	Fire Fighting equipments	5.00
7.	Miscellaneous tools for workshop	7.00
8.	Laboratory equipments	28.00
9.	Furniture, fixture etc.	7.00
10.	Air Compressor	7.00
11.	Steam Distribution	10.00
12.	Tube well	6.00
13.	Pump House	5.00
14.	Miscellaneous tools and testing equipments	6.00
	<b>Sub-Total (E)</b>	<b>165.00</b>
<b>F.</b>	Technical Fees, Consultation etc	24.00
<b>G.</b>	Preliminary & Pre-operative Expenses	
	Pre-operative Expenses	102.00
	Upfront Fee and Interest during construction period	61.00
	Public Issue expenses	318.00
	<b>Sub-Total (G)</b>	<b>481.00</b>
<b>H.</b>	Provision for Contingencies	221.00
<b>I.</b>	Margin Money for Working Capital	92.00
	<b>Total Project Cost #</b>	<b>2990.00</b>
	Long Term Working Capital requirements	610.00
	<b>TOTAL</b>	<b>3600.00</b>

# - Retabulated from Report of the Industrial Development Bank of India Limited



The total fund requirement, estimated by the Company, is as under:

<b>PARTICULARS</b>	<b>AMOUNT (Rs. In lakhs)</b>
Project cost as appraised by IDBI	2990
Long Term Working Capital *	610
<b>TOTAL (A)</b>	<b>3600</b>
<b>General Corporate Purposes (B)</b>	<b>140</b>
<b>TOTAL FUNDS REQUIREMENT (A+B)</b>	<b>3740</b>

\* - Long Term Working Capital requirement are as estimated by the Company.

The Company after getting its Project appraised by IDBI, realised that it needed Rs. 610 lakhs for long term working capital. In view of the fact that the Project had been fully appraised and the Loan sanctioned, the Company did not deem it appropriate to seek a reappraisal for its needs and decided to club the requirement with the funds being part-financed through the follow-on public issue.

The Industrial Development Bank of India Limited has vide its letter no. NBO/CFD.II/78 dated 13<sup>th</sup> October, 2006 accorded its approval for change in the scope of the project and consequent revision in cost of project and means of finance. IDBI has granted its No Objection for company raising additional funds for its log term working capital requirements, amounting to Rs. 610 lakhs through the public issue along with the funds to part-finance the project cost.

For details regarding the break-up of Cost of Project, please refer to page beginning from page no. 33 of the Prospectus.

## MEANS OF FINANCING

As per the Appraisal Report of IDBI, the Project is proposed to be funded from public issue of equity shares, and Rupee term loan. The proposed means of finance for the Project is as under:

<b>SL.NO.</b>	<b>PARTICULARS</b>	<b>AMOUNT (Rs. In lakhs)</b>
1.	Equity share capital including premium/unsecured loans/internal accruals	2190
2.	Term loan from IDBI	800
	<b>TOTAL</b>	<b>2990</b>

The Company confirms that firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through the proposed public issue has been made.

However, in view of the Company's requirement of funds for Long Term Working Capital, the Means of Finance shall be as under:

<b>SL.NO.</b>	<b>PARTICULARS</b>	<b>AMOUNT (Rs. In lakhs)</b>
1.	Public Issue of Equity shares	<b>2640</b>
2.	Term loan from IDBI	800
3.	Internal Accruals	300
	<b>TOTAL</b>	<b>3740</b>

## APPRAISAL

The Industrial Development Bank of India Limited (IDBI) has carried out a Merchant Appraisal for the Company's proposed project of setting up a ground calcium carbonate unit and captive power plant at its existing location at Muzaffarnagar (Uttar Pradesh).

In terms of the Disclaimer of IDBI, GSCL has appointed IDBI-Corporate Finance Department (IDBI-CFD), New Delhi Branch Office as advisors for vetting of their business plan.

The vetting of business plan envisaged setting up of Ground Calcium Carbonate project (20,000 TPA) and Captive power generation plant of 3 MW, which has been carried out by IDBI on the basis of information provided by the Company, technical analysis and other available documents

which IDBI-CFD procured based on documents furnished and discussions with the Company's officials.

**Brief note on the term loan sanctioning authority and basic terms and conditions of the term loan:**

Term Loan of Rs. 800 lakhs sanctioned by the Industrial Development Bank of India Limited vide its letter no. IDBI/NBO/CFD-II/GSCL/479 dated 31.1.2006 under the 'Project Finance Scheme' for the proposed project to set up facilities for production of Ground Calcium Carbonate (GCC) and Captive Power Plant at the existing location.

**Salient terms & conditions:**

- i. Upfront fee of 0.50% of the loan amount excluding service tax.
- ii. Interest at 9% per annum, payable monthly.
- iii. The loan is to be repaid in 24 Equal Quarterly Installments commencing from July 1, 2007.
- iv. The Term Loan of Rs. 8 crores is against creation of pari passu first charge on all movable and immovable assets of the Company, except specified movables in respect of which charges are created/to be created in favour of the bankers for their working capital assistance.
- v. In case of delay in creation of Security, further interest @ 1% per annum from the date of first disbursement till creation of such security.
- vi. Advances to be guaranteed by the personal guarantee of Dr. Chandra Kumar Jain.

**Other salient features:**

- i. IDBI shall have the right to appoint its nominee on the Board of the Company at any time during the currency of the loan.
- ii. The Company shall constitute a Project Management Committee/Audit Committee of its Directors for the purpose of supervising and monitoring the progress of implementation of the project and working of the Company after commissioning the project. IDBI nominee, if appointed, shall be a member of such committee.
- iii. During currency of the loan, prior consent of IDBI in writing is required, to declare dividend in excess of rate stipulated in loan agreement or declare any dividend, if the Company fails to meet its obligation to pay interest and/or instalments.
- iv. Company shall not undertake any new project/expansion or make any investment or take assets on lease, without prior approval of IDBI.
- v. Unsecured loans from Promoters shall be interest free and subordinated to term loans.

**Weaknesses, mentioned in the appraisal report, as perceived by IDBI:**

- Lime stone is procured from the mines from Uttaranchal and Himachal Pradesh (HP). The company does not have lime stone mines. This may become weakness for GSCL if some large scale project comes in HP/Uttaranchal and suppliers of lime stone make a cartel.
- Large scale units are there in unorganised sector and they give competition on pricing front.

**Threats, mentioned in the appraisal report, as perceived by IDBI:**

- The company faces competition from unorganised sector/tiny sector whose costs are lower due to exemption from Excise duty.
- The players in unorganised sector change their formulations to absorb some of cheaper ground material to lower their cost of production and in turn reducing their pricing.
- The growth of paper industry and consumer industry would indirectly guide the pricing and utilisation of GCC.

The above details, regarding the weaknesses and threats stated in the appraisal report, have been adequately disclosed in the Prospectus as Risk Factors beginning on page no. vii.

**DETAILED BREAK-UP OF COST:**

*The detailed break-up of Cost of the Project, as appraised by the Industrial Development Bank of India Limited, is as under:*

**A. LAND & SITE DEVELOPMENT**

Site development charges of Rs. 72 lakhs would be incurred on levelling of land, construction of internal roads, boundary walls, improvement of drainage system etc.

**B. BUILDINGS & CIVIL WORKS**

						Rs. in lakhs
Sl. No.	Particulars	Size (mtr)	Area (sq. mtr.)	Rate (Rs./ Sq.mtr)		Total Cost
1.	<b>Raw Material/Fuel Storage</b>					
	Type: Concrete Flooring	80 x 50	4000	750	30.00	
	Floor with asbestos	18 x 36	648	1250	8.10	38.10
	Roof covered shaded					
	On pillars of iron					
	Girders					
2.	<b>Boiler House</b>					
	Open area with only	25 x 12	300	750	2.25	
	Concrete flooring					
	Covered area with top	25 x 15	375	4000	15.00	
	On roof 15 M length					
	Structure for Boiler	Lumpsum			10.00	
	Firing floor for field instruments	Lumpsum			9.00	36.25
3.	<b>Water Treatment, Cooling Tower, &amp; Pump House</b>					
	Type: Concrete	12 x 10	120	2500		3.00
	Flooring with wall and top shaded of					
	Asbestos sheet					
4.	<b>Instrument Air Drying Section</b>					
	Type: Concrete flooring and roof	10 x 7.5	75	2500		1.88
	<b>TOTAL</b>					<b>79.23</b>

Say Rs. 79 lakhs

						Rs. in lakhs
Sl. No.	Particulars	Size (mtr)	Area (sq. mtr.)	Rate (Rs.)	Total Cost	Details
1.	Plant and Machinery Building - Dry Process	20 X 20	400	4000	16.00	RCC Column with ACC Roofing
2.	Plant and Machinery Building - Wet Process	30 X 20	600	4000	24.00	RCC Column with ACC Roofing
3.	Open Platform Dryers	20 X 20	400	1200	4.80	
4.	Finished Good Storage	40 X 30	1200	2500	30.00	RCC Column with ACC Roofing
5.	Stores	20 X 20	400	3500	14.00	RCC
6.	Office Building	20 X 15	300	3500	10.50	RCC
7.	Workshop	12 X 18	216	3000	6.48	RCC column
8.	Laboratory	15 X 10	150	3500	5.25	RCC
9.	Raw Material Storage	30 X 20	600	2500	15.00	Concrete flooring
10.	Time Office	10 X 10	100	3000	3.00	RCC
11.	Open Platform	30 X 30	900	800	7.20	Brick Flooring
	<b>TOTAL</b>		<b>5266</b>		<b>136.23</b>	

Say Rs. 136 lakhs

**C. PLANT & MACHINERY  
- IMPORTED**

				Rs. in lakhs
SI. No.	PARTICULARS	EURO	INR	COST
1.	Classifier HTS 400/4 – 1 No.	120,000		
2.	Packing and Forwarding	10%		
3.	Shipping and Freight	12%		
4.	Insurance	2.5%		
		<b>24.5%</b>		
		29,400		
		<b>1,49,400</b>		
	Conversion Rate	1 €= 60 INR	89,64,000	89.64
	Customs Duty	16%	14,34,240	14.34
	Sub Total		1,03,98,240	103.98
	CVD	15%	15,59,736	15.60
	Local Transportation		5,00,000	5.00
	<b>TOTAL COST</b>			<b>124.58</b>

Say Rs. 125 lakhs

**- LOCAL**

**i. Jaw Crusher Ball Mill**

**Estimated Cost of the Section:**

Prices for Jaw Crusher, Ball Mill, Hammer Mill, Slide Screw, Dosing Screw and Conveying Screw are as under:

			Rs. in lakhs
SI. No.	PARTICULARS		COST
1.	Jaw Crusher JP 24" x 16"		8.15
2.	Ball Mill PCBM – IV		112.21
3.	Hammer Mill PHM 2B		10.75
4.	Bucket Elevator		5.55
5.	Slide Screw		0.44
6.	Dosing Screw		1.20
7.	Conveying Screw		1.40
	<b>Basic Total</b>		<b>139.70</b>
	Excise Duty @ 16.32%		22.80
	Sales Tax @ 4%		6.50
	Packing, forwarding, Transportation, Transit Insurance, Service tax etc.		5.20
	<b>TOTAL COST</b>		<b>174.20</b>

**ii. Radial Fan**

**Estimated Cost for Radial Fans**

			Rs. In lakhs
SI. No.	PARTICULARS		COST
1.	Radial Fan Big		15.83
2.	Radial Fan Small		2.35
	<b>Basic Total</b>		<b>18.18</b>
	Excise Duty@ 16.32%		2.96
	Sales Tax@ 4%		0.85
	Packing, forwarding, transportation, transit Insurance, Service tax etc.		1.30
	<b>TOTAL COST</b>		<b>23.30</b>

### iii. Rotary Valves

Specification: 1.5 HP Bottom discharge type Air- Lock Feeder. Sizes range from 250 mm to 300 mm and a capacity of 20.39 ltrs/ rev. @70% pocket loading.

#### Estimated Cost for Rotary Valves

		Rs. In lakhs
Sl. No.	PARTICULARS	COST
1.	Small Size (2 Nos.)	0.71
2.	Medium Size (2 Nos.)	1.18
3.	Big Size (2 Nos.)	2.28
	<b>Basic Total</b>	<b>4.18</b>
	Excise Duty @ 16.32%	0.68
	Sales Tax @ 4%	0.20
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	0.35
	<b>TOTAL COST</b>	<b>5.40</b>

### iv. Dedusting Filter

Dust Collector Filter bags have been made out of 100% imported Polyester 550 GSM non-woven fabric.

Estimated Cost		Rs. in lakhs
Sl. No.	PARTICULARS	COST
1.	Dedusting filters with total assembly	32.45
	<b>Basic Total</b>	<b>32.45</b>
	Excise Duty@ 8.16%	2.65
	Sales Tax @ 4%	1.40
	Packing, forwarding, transportation, transit insurance, service tax etc.	3.50
	<b>TOTAL COST</b>	<b>40.00</b>

### v. Grinding Media

Grinding Material with size range of 0.80mm to 1.20mm

Estimated Cost		Rs. in lakhs
Sl. No.	PARTICULARS	COST
1.	2000 Kg of Grinding Media	14.00
	<b>Basic Total</b>	<b>14.00</b>
	VAT @ 12.55%	1.76
	Sales Tax	-
	Packing, forwarding, transportation, transit insurance, service tax etc.	2.24
	<b>TOTAL COST</b>	<b>18.00</b>

### vi. Bead Mill

Vertical Open Type Continuous Bead Mill with a discharge up to 40 LPM. The shell has a capacity of 240 ltrs with a 3 HP Feeder and 30 HP Drive.

Estimated Cost		Rs. in lakhs
Sl. No.	PARTICULARS	COST
1.	Continuous Bead(Sand) Mill	9.12
	<b>Basic Total</b>	<b>9.12</b>
	Excise Duty @ 16%	1.46
	Sales Tax @ 4%	0.42
	Packing, forwarding, transportation, transit insurance, service tax etc.	1.50
	<b>Total Cost per machine</b>	<b>12.50</b>
	<b>TOTAL COST for 4 machines</b>	<b>50.00</b>

## vii. Miscellaneous Equipments

Estimated Cost		Rs. in lakhs
Sl. No.	PARTICULARS	COST
1.	Dosing Pump	3.00
2.	Magnet Suitable	3.50
3.	Flap of 8"	1.80
4.	Roots Blower	4.10
5.	Pressure Safety Device	1.00
6.	Fluidisation Sets	5.70
7.	Hopper, Packing	10.00
8.	All related piping connecting & pcs etc.	15.00
9.	Film Driers	40.00
<b>Basic Total</b>		<b>84.10</b>
	Duties/Taxes/Freight etc.	13.32
	<b>TOTAL COST</b>	<b>97.42</b>

## viii. Wood Fired Gasifier

These gasifiers are designed to accept fine biomass i.e. rice husk, saw dust etc. as feed stock and have high conversion efficiency of 65% to 75 % from solid to gaseous fuel. High hydrogen content results in very clean burning of gaseous fuel. Every kilogram of biomass produces 2.5 to 3.0 cubic metre of gaseous fuel with average calorific value of 1000 to 1100 Kcal/Nm<sup>3</sup>. Low running costs are achieved with 3 to 4 kg of biomass producing gaseous fuel having thermal energy equivalent to 1 Litre of Furnace Oil/ Diesel or 1 Nm<sup>3</sup> of LP Gas.

Estimated Cost		Rs. in lakhs
Sl. No.	PARTICULARS	COST
1.	Biomass Gasifier with all accessories and auxiliaries inclusive of gas cooling and cleaning system as well as automatic controls	64.65
<b>Basic Total</b>		<b>64.65</b>
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	0.54
	<b>TOTAL COST per machine</b>	<b>65.19</b>
	<b>TOTAL COST for 2 machines</b>	<b>130.38</b>

## ix. Fabricated Machines

Material for fabricated machines will be being purchased from local dealers and suppliers of steel. The machines would be fabricated at the current plant location through in-house technology.

### Estimated Cost

PARTICULARS	Rs. in lakhs
VALUE	
Final Products SILO	70.00
Wet Process:	
SS Tanks :	
2M3 with agitators with pumps	4.00
6M3 with agitators with pumps	8.00
15M3 with agitators with pumps	15.00
Silo	10.00
Diverter Flap	2.20
Set of Level Indicators	0.60
Slide Screw	0.50
Dosing Screw	1.90
Injectors	1.00
Sets of Level Indicators	1.30
Slide Gates	1.00

1 Spout Packing Scheme	17.50
Control System	33.00
Feed Hopper	3.00
<b>TOTAL (Fabricated equipments)</b>	<b>169.00</b>

**TOTAL**

**Rs. 707.70 lakhs**  
**Say Rs. 708 lakhs**

**List of Plant & Machinery for Power Plant:**

**i. CAPTIVE POWER PLANT, WITH BAGASSE AS PRIMARY FUEL, BY PUTTING UP HIGH PRESSURE BOILER WITH BACKPRESSURE TURBINE.**

The Company is putting up a 30 TPH, 65 Kg/cm<sup>2</sup> pressure 485 degree Celsius fluidized bed furnace, the steam from which will generate from a backpressure turbine 3MW power. The above will take care of the present and future requirement of both Steam and Power of the Company. Further, the fuel used (i.e., Bagasse) will be generated from the primary treatment plant already existing and additionally being put up for the increased capacity. The deficit fuel requirement will be met from rice husk or pet coke.

<b>Estimated Cost</b>		<b>Rs. in lakhs</b>
<b>Sl. No.</b>	<b>PARTICULARS</b>	<b>COST</b>
1.	Boiler and Fuel Handling System	334.90
	<b>Basic Total</b>	<b>334.90</b>
	Excise Duty@ 16%	53.60
	Sales tax@ 4%	15.50
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	20.00
	<b>TOTAL COST</b>	<b>424.00</b>

**ii. REVERSE OSMOSIS BASED WATER TREATMENT PLANT.**

The R.O. based Water Treatment Plant has a capacity of 15000 LPH and is being procured for the feed requirement of High Pressure Boiler.

<b>Estimated Cost</b>		<b>Rs. in lakhs</b>
<b>Sl. No.</b>	<b>PARTICULARS</b>	<b>COST</b>
1.	Water Purification Plant	35.50
	<b>Basic Total</b>	<b>35.50</b>
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	5.12
	<b>TOTAL COST</b>	<b>40.62</b>

**iii. AIR DRYING AND COOLING SYSTEM**

Air Drying System is a water cooled lubricated vertical reciprocating unit with a capacity of 100 CFM and runs on 30 H.P. motor capable of generating 7 KG/cm<sup>2</sup> pressure at the discharge. The cooling tower unit has a capacity of 100 CMH with inlet and outlet temperatures of 40 and 30 degree celsius respectively.

<b>Estimated Cost</b>		<b>Rs. in lakhs</b>
<b>Sl. No.</b>	<b>PARTICULARS</b>	<b>COST</b>
1.	Air Drying System	17.49
2.	Cooling Water Unit	1.19
	<b>Basic Total</b>	<b>18.67</b>
	Excise Duty@ 16%	2.99
	Sales tax@ 4%	0.87
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	3.00
	<b>TOTAL COST</b>	<b>25.53</b>

**iv. 3 MW BACK PRESSURE TURBINE AND ALTERNATOR SET**

The Back Pressure Turbine is an Impulse, Multi-stage horizontal turbine capable of generating a maximum power of 3 MW with a rated speed of 8325 RPM.

**Estimated Cost**

		Rs. In lakhs
Sl. No.	PARTICULARS	COST
1.	Basic Price for TG Set, Control Panel, Distribution Panel & De-superheating station and Process H.P./ L.P. Piping etc.	322.20
	<b>Basic Total</b>	<b>322.20</b>
	Excise Duty@ 16%	51.50
	Sales tax@ 4%	15.00
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	7.50
	<b>TOTAL COST</b>	<b>396.20</b>

**TOTAL**

**Rs. 886.35 lakhs**  
**Say Rs. 887 lakhs**

**SUMMARISED LIST OF PLANT & MACHINERY**

**GROUND CALCIUM CARBONATE UNIT**

Details of Imported Machinery, which is proposed to be purchased are as follows and orders for the same have been placed:

Sl. No.	Particulars	No. of Units	Price (Rs. lakhs)	Name of Supplier from whom quotations have been obtained
1.	Classifier HTS 400/4 – 1 No.	1	60.00	IVA Industrieberatung GmbH, Germany Order No. : 40622/A Date of Order: December 12, 2005 Expected date of delivery: 1 Classifier HTS 400/2 consisting of 2 classifier heads have been received by the Company.
			65.00	Order No.: 40622 Date of Order: November 11, 2005 The order is yet to be placed. However, the Company intends ensuring delivery of the same on or before 31 <sup>st</sup> December, 2006.
	<b>TOTAL</b>		<b>125.00</b>	

Details of Indigenous Machinery, which is proposed to be purchased are as follows and the status of orders is as mentioned therein:

Sl. No.	Particulars	No. of Units	Price (Rs. lakhs)	Name of Supplier from whom quotations have been obtained
1.	Jaw Crusher Ball Mill	1	174.20	Being fabricated in-house.  Iron and Steel already procured and delivery received from M/s Khandelwal Steel Centre.  The equipment has already been fabricated in-house.
2.	Radial Fan	2	23.30	M/s Batliboi Quotation No. P/N/Gulshan/IF4506 dated 19.9.2005. Order yet to be placed.
3.	Rotary Valve	6	5.40	M/s Ricon Engineers Quotation No. RE/229/2005-2006 dated 16.9.2005. Order yet to be placed.
4.	Dedusting Filter	1	40.00	M/s SAF Filter (P) Ltd. Quotation No. SAF/KOL/OFF/GSCL/16 dated 16.11.2005. Order yet to be placed.



5.	Grinding Media	2000 Kgs	18.00	M/s Indo Glass Bead Ltd. Quotation No. IGB:028/2005-2006/Glass Beads dated 8.12.2005. Order yet to be placed.
6.	Bead Mill	4	50.00	Being fabricated in-house.  Iron and Steel already procured and delivery received from M/s Khandelwal Steel Centre.  The equipment has already been fabricated in-house.
7.	Miscellaneous Equipments - Dosing Pump - Magnet Suitable - Flap - Roots Blower - Pressure Safety Device - Fluidization sets - Hopper, Packing - All related piping, connecting and pcs etc. - Film Driers	2 20 10 1 4 16 1 1 4	97.42	M/s B-tech Engineers Pvt. Ltd. Quotation No. bsb/del/039a dated 10.12.2005.  4 Film Driers costing Rs. 46 lakhs has already been fabricated. Orders are yet to be placed for the balance miscellaneous equipments.
8.	Wood Fired Gassifier	1	130.38	M/s Ankur Scientific Energy Technology Pvt. Ltd. Quotation No. IF/INTRO/05-06/816 dated 30.11.2005. Order yet to be placed.
9.	Fabricated Machines - Final Products SILO - SS Tanks constituting pumps, silo, diverted flap, slide screw, dosing screw, injectors, slide gates, sets of level indicators, spout packing scheme, control system, feed hopper	-	169.00	Iron and Steel already procured and delivery received from M/s Khandelwal Steel Centre.  All the equipments have been fabricated in-house except for the following: i. Final Products SILO: To be fabricated by November 2006. ii. Spout Packing Scheme to be fabricated by November 2006. iii. Control Sytems and Feed Hopper to be fabricated by November 2006.
	<b>TOTAL</b>		<b>707.70</b>	

## POWER PLANT

Details of Indigenous Machinery, which is proposed to be purchased are as follows and the status of orders is as mentioned therein:

Sl. No.	Particulars	No. of Units	Price (Rs. lakhs)	Name of Supplier from whom quotations have been obtained
1.	Boiler 30 TPH 65 KG/CM2 G Pressure	1	424.00	M/s Thermodyne Technologies Pvt. Ltd. (The Company has received Quotation no. TTPL/SM/77 dated 30.11.2005 for 30 TPH 65 KG/Cm2 (g) Pressure.)  Order has been placed for the same vide Order No. GSCL/166C/2006-07 dated 20.9.2006. Date of Order: 20.9.2006 Date of Delivery: On or before January, 2007.
2.	3 MW back-Pressure Turbo Alternator Set	1	396.20	M/s Triveni Engineering and Industries Ltd. The Company has received Quotation dated 30.11.2005. Order No. GSCL/120A/2006-07 dated 20.9.2006.

				Date of Order: 20.9.2006. Date of Delivery: On or before February, 2007.
3.	Reverse Osmosis Plant	1	40.62	M/s Hyper Filtration Pvt. Ltd. Order No. GSCL/101/2005-06 dated March 29, 2006. Date of Order: 29.3.2006 Date of Delivery: In January, 2007.
4.	Air Drying and Cooling System	1	25.53	M/s MVS Engineering Ltd. Quotation No. MVS/11601 dated 28.11.2005. Order yet to be placed.
	<b>TOTAL</b>		<b>886.35</b>	

#### **SUMMARY OF ORDER**

SL.NO.	PARTICULARS		VALUE	%AGE
A.	<b>Total Cost of Plant &amp; Machinery:</b>			
	- Domestic	1760.00		
	- Imported	125.00	1885.00	100.00%
B.	<b>Value of Orders placed:</b>			
	- Domestic	1300.00		
	- Imported	60.00	1360.00	72.15%
C.	<b>Value of Orders yet to be placed:</b>			
	- Domestic	460.00		
	- Imported	65.00	525.00	27.85%

#### **D. Technical Consultation Charges**

As per the agreement entered into between GSCL and IBG, a collaboration fee of Rs. 24 lakhs would be charged by IBG.

#### **E. Pre-operative Expenses**

Pre-operative expenses comprise of Upfront fee of Rs. 4 lakhs, Interest during construction period of Rs. 57 lakhs, public issue expenses of Rs. 318 lakhs, salaries and wages, travelling, administrative, insurance and start-up expenses etc during construction period of Rs. 102 lakhs.

#### **F. Provision for Contingencies**

Provision for contingencies has been provided at 8.5% on entire non-firm cost of the project except margin money for working capital.

#### **G. Margin Money for working capital**

Working capital requirement has been worked out on the basis of 1.5 months of raw material, 1 month's stock of consumables, 2 month of receivables and 1 month of salaries and wages and factory overheads and 0.50 month of credit on purchase of raw material.

Total working capital requirement has been estimated by Industrial Development Bank of India at Rs.266 lakhs. After providing margin of 75% on raw material and consumables and 100% on salaries and wages and factory overheads and 60% on debtors, the margin money for working capital works out to be Rs. 92 lakhs for the first year of operations.

The working capital margin requirement of the Project is estimated at Rs. 92 lakhs, based on the calculations as explained below:

**Rs. in lakhs**

<b>COMPUTATION OF MARGIN MONEY FOR WORKING CAPITAL</b>				
		<b>2008</b>	<b>2009</b>	<b>2010</b>
	<b>Month(s)</b>			
Raw Material	1.5	18.56	19.72	20.88
Chemicals etc.	1	5.00	5.31	5.63
Rice Husk etc.	1	14.50	15.53	16.64
Finished Goods	1	55.59	59.10	62.72
	<b>Sub total</b>	<b>93.66</b>	<b>99.67</b>	<b>105.87</b>
Bank Finance	75%	70.24	74.75	79.40

<b>Margin required (A)</b>		<b>23.41</b>	<b>24.92</b>	<b>26.47</b>
Debtors	2	174.01	184.56	195.10
Bank Finance	60%	104.40	110.73	117.06
<b>Margin Required (B)</b>		<b>69.60</b>	<b>73.82</b>	<b>78.04</b>
<b>Total Margin required</b>		<b>* 93.02</b>	<b>98.74</b>	<b>104.51</b>

\* Rounded off to Rs. 92 lakhs for project cost purpose.

#### H. Issue related expenses

The expenses for the issue includes issue management fees, underwriting commission, selling commission, distribution expenses, printing costs, legal fees, fees to advisors, stationary costs, advertising expenses, marketing expenses, and listing fees payable to the stock exchanges, among others. The total expenses for this issue have been estimated at Rs. 318 lakhs by IDBI in its Appraisal.

#### COMPUTATION OF LONG-TERM WORKING CAPITAL

As per the CMA data furnished to Bank of Baroda, the Company shall have a Net Working Capital requirement of Rs. 609.69 lakhs. The Company intends meeting the above requirement to the extent of Rs. 310 lakhs through this issue, and the balance from its internal accruals.

**Rs. in lakhs**

SL.NO	ASSESSMENT OF WORKING CAPITAL FACILITIES	2006-07 AMOUNT
<b>A.</b>	<b>CURRENT ASSETS</b>	
	i. Raw Material (including stores & other items used in the process of manufacture)	
	a. Imported	-
	b. Indigenous	235.00
	<b>Sub-Total (a+b)</b>	<b>235.00</b>
	Months consumption	1.17
	ii. Other consumables, spares, packaging materials	
	A. Imported	-
	B. Indigenous	36.00
	<b>Sub-Total (a+b)</b>	<b>36.00</b>
	Months consumption	2.48
	iii. Stock in process	42.50
	(Months cost of production)	0.15
	iv. Finished Goods	255.00
	(Months cost of Sales)	0.83
	v. Receivables Domestic	1100.00

	Recoverable	
	(Months Domestic Sales)	2.19
	vi. Export Receivables	-
	Discounted by bankers	
	(Months Export Sales)	
	vii. Advances to Suppliers	26.80
	viii. Other Current Assets	354.50
	<b>TOTAL CURRENT ASSETS (i+ii+iii+iv+v+vi+vii+viii)</b>	<b>2049.80</b>
<b>B.</b>	<b>CURRENT LIABILITIES</b>	
	<b>(Other than bank borrowings for working capital)</b>	
	i. Creditors for purchase of raw materials & stores and consumable stores	
	Creditors for supplies	155.00
	(Month's purchase)	0.77
	Creditors for services	-
	<b>Sub-total (i)</b>	<b>155.00</b>
	ii. Advances for customers	-
	iii. Accrued and Other liabilities	89.50
	iv. Dividend payable	57.00
	v. Statutory Liabilities	-
	vi. Fixed Deposits within one year	10.00
	vii. TL Installment within one year	197.80
	viii. Provision for tax	80.81
	<b>TOTAL CURRENT LIABILITIES (i+ii+iii+iv+v+vi+vii+viii)</b>	<b>590.11</b>
<b>C.</b>	<b>Working Capital (A-B)</b>	<b>1459.69</b>
<b>D.</b>	<b>Actual Projected Borrowings</b>	<b>850.00</b>
<b>E.</b>	<b>Total Current Liabilities (B+D)</b>	<b>1440.11</b>
<b>F.</b>	<b>Net Working Capital (A-E)</b>	<b>609.69</b>

Say Rs. 610 lakhs

**UNDERTAKING BY THE ISSUER COMPANY:**

Pursuant to Clause 2.8 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000, the Company has made firm arrangements for the stated Means of Finance as follows:

		Rs in Lakhs
<b>A</b>	<b>Total Means of Finance required</b>	<b>3740</b>
B	Amount to be raised through Public Issue	2640
C	Amount excluding Public Issue	1100
A	Loan sanctioned	800
B	Internal Accruals	300

The Company hereby confirms that firm arrangements of finance through verifiable means towards 75% of the stated Means of Finance, excluding the amount to be raised through the proposed public issue have been made.

**SCHEDULE OF IMPLEMENTATION:**

The installation of several production units along with the construction of utilities and services requires co-operation for procurement of equipment, designing the areas and equipment foundations, award of all contracts and supervision of all construction jobs at plant site. The project implementation schedule has been drawn up to maintain a strict time schedule.

The Schedule is as follows:

- Schedule of Implementation – Time-wise**

The Company proposes to implement the project by March 2007. The Company has already incurred an expenditure of Rs. 888.66 lakhs as on September 28, 2006 on the project, which has been financed by term loan, internal accruals, and unpaid creditors.

Activity	Commencement	Completion
<b>Land, Building &amp; Civil Works</b>		
Purchase of land	Already available	
Site Development	In progress	December 2006
Factory Buildings	January 2006	December 2006
Administrative Buildings	June 2006	December 2006
<b>Plant and Machinery</b>		
Placement of Order	February 2006	December 2006
Delivery at site	June 2006	February 2007
Installation	November 2006	February 2007
Trial Runs	March 2007	
Commercial production	April 2007	

*As per IDBI Appraisal Report, the Site development activity was to be completed by June 2006, Construction of Factory Buildings by August 2006, and Placement of Orders for Plant & Machinery by October 2006. The delay in completion of site development, completion of factory buildings and completion of placement of order is only because of late availability of funds with the Issuer.*

- Schedule of Implementation – Cost-wise**

**SCHEDULE OF IMPLEMENTATION OF COST (ACTIVITY-WISE)**

				Rs. in Lakhs
Particulars	Upto 28 <sup>th</sup> September, 2006	From 29 <sup>th</sup> September, 2006 to 31 <sup>st</sup> March, 2007	April 2007 to June 2007	Total
Land & Site Development	31.14	40.86	-	72.00
Building and Civil works	73.42	120.08	21.50	215.00
Plant & Machinery for GCC Plant and Power Plant	649.12	895.88	175.00	1720.00
Miscellaneous Fixed Assets for GCC and Power Plant	11.50	133.50	20.00	165.00

Technical Fees, Consultation etc	10.96	13.04	-	24.00
Preliminary & Pre Operative Expenses	112.52	368.48	-	481.00
Contingency Reserve	-	221.00	-	221.00
Margin Money for Working Capital	-	-	92.00	92.00
Long Term Working Capital Requirement	-	-	610.00	610.00
<b>TOTAL</b>	<b>888.86</b>	<b>1792.84</b>	<b>918.50</b>	<b>3600.00</b>

*Estimated by the Company*

#### **COST INCURRED ON THE PROJECT TILL DATE**

The Company has incurred the following costs till September 28, 2006, details of which have been certified by the auditors M/s Shahid & Associates, Chartered Accountants, vide their certificate dated October 3, 2006:

<b>Rs. in Lakhs</b>	
<b>Particulars</b>	<b>Cost Incurred</b>
Site Development	31.14
Building and Civil works	73.42
Plant & Machinery and Miscellaneous Fixed Assets	671.58
Development Expenditure including issue expenses	112.52
Bank Balance as on 28.9.06	45.76
<b>TOTAL</b>	<b>934.42</b>

These funds have been deployed from the following sources:

1. Term Loan from IDBI : Rs. 600.00 lakhs
2. Internal Accruals : Rs. 304.97 lakhs
3. Unpaid Creditors : Rs. 29.45 lakhs
- TOTAL Rs. 934.42 lakhs**

#### **Interim Use of Funds**

The management, in accordance with the policies set up by the Board, will have the flexibility in deploying the proceeds received by the Company from the Issue. Pending utilization for the purposes described earlier, the Company intends to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration. The Company may also use the same to fund its working capital requirement on a temporary basis.

## **BASIC TERMS OF ISSUE**

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Prospectus, Application Form, the Revision Form, 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, listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Registrar of Companies, Stock Exchanges, and/or other authorities, as in force on the date of the Issue and to the extent applicable.

## **RANKING OF EQUITY SHARES**

The Equity Shares being offered shall be subject to the provisions of Memorandum and Articles of the Company and shall rank *pari passu* in all respects with the other existing Equity Shares of the Company. Allottees of the Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

## **FACE VALUE & ISSUE PRICE**

The Face Value of the Equity Share is Rs. 8/- and the Issue Price is Rs. 40 per Share, which is 5 times the face value of the Equity Share.

## **RIGHTS OF THE EQUITY SHAREHOLDERS**

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- i. Right to receive dividend, if declared;
- ii. Right to attend general meetings and exercise voting rights, unless prohibited by law;
- iii. Right to vote on a poll either in person or by proxy;
- iv. Right to receive offers for rights shares and be allotted bonus shares, if announced;
- v. Right to receive surplus on liquidation;
- vi. Right of free transferability; and
- vii. Such other rights, as may be available to a shareholder of a listed public limited company under the Companies Act, 1956.

For a detailed description of the main provisions of the Company's Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see 'Description of Equity Shares and Terms of Articles of Association' beginning from on page no. 253 in the Prospectus.

## **MARKET LOT**

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. As trading in the Equity Shares is compulsorily in dematerialized form, the market lot is one Equity Share.

Allotment of Equity Shares will be done in multiples of one Equity Share, subject to a minimum allotment of 125 Equity Shares.

## **MINIMUM SUBSCRIPTION**

If the Company does not receive the minimum subscription of 90% of the Net Issue to Public, including devolvement of Underwriters within 60 days from the date of closure of the issue, or if the subscription level falls below 90% after the closure of the issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days, after the company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act 1956.

## **AUTHORITY FOR THE PRESENT ISSUE**

The Board of Directors of the Company had approved the present Issue of Equity Shares vide a resolution passed at their meeting held on January 20, 2006. Present Issue of Equity Shares has been authorized by shareholders vide a Special Resolution passed at the Extra-Ordinary General

Meeting of the Members held on March 6, 2006, and the Committee of Directors has approved the Issue in its meeting held on May 26, 2006.

#### **MINIMUM AND MAXIMUM APPLICATION SIZE**

Applications should be for minimum of 125 Equity Shares and in multiples of 125 Equity Shares thereafter. An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public. In the case of reserved category, a single applicant in the reserved category can make an application for a number of Equity Shares, which exceeds the reservation.

#### **TERMS OF PAYMENT**

The entire Issue price is payable on application only. In case of allotment of lesser number of Equity Shares than the number applied, the Company shall refund the excess amount paid on application to the applicants.

#### **INTEREST ON EXCESS APPLICATION MONEY**

Payment of interest at rate of 15% per annum on the excess application money will be made to the applicants if the refund orders are not dispatched within 30 days from the date of closure of the public issue.

#### **BASIS OF ALLOTMENT**

In the event of the Present Issue of Equity Shares being oversubscribed, the allotment shall be made on a proportionate basis subject to minimum allotment being equal to the minimum application size i.e., 125 Equity Shares as explained below:

1. A minimum 50% of the Net Issue to the Indian Public will be made available for allotment in favour of those applicants who have applied for Equity Shares of or for a value of not more than Rs. 1,00,000/-. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/Managing Director of the Designated Stock Exchange along with the Lead Manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the SEBI Guidelines.
2. The balance of the net issue to Indian Public shall be made available to investors including Corporate Bodies/Institutions and Applicants who have applied for allotment of Equity Shares for a value of more than Rs. 1,00,000/-.
3. The Unsubscribed portion of the net Issue to any of the categories specified in (1) or (2) shall be made available for allotment to Applicants in the other category, if so required.
4. Applicants will be categorized according to the number of Equity Shares applied for.
5. The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e., the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.
6. Number of the shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e., total number of shares applied for by each applicant in that category multiplied by the inverse of the over subscription ratio.
7. All the Application Forms where the proportionate allotment works out to less than 125 shares per Applicant, the allotment shall be made as follows:
  - i. Each successful Applicant shall be allotted a minimum of 125 Shares; and
  - ii. The successful Applicants out of the total applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (6) above.



8. All the Applicants in such categories shall be allotted shares arrived at after such rounding off.
9. If the shares allocated on a proportionate basis to any category are more than the shares allotted to the Applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful Applicants in that category.
10. The balance shares, if any, remaining after such adjustment shall be added to that category comprising applicants applying for minimum number of shares.
11. The process of rounding off to the nearest integer subject to a minimum allotment being equal to 125, which is the minimum application size in this Issue may result in the actual allotment being more than the shares offered. However, it shall not exceed 10% of the offer to public.

#### **DESPATCH OF REFUND ORDERS**

The Company shall give credit to the Beneficiary account with DPs within two (2) working days of finalisation of the basis of allotment of Equity Shares.

The Company shall make refunds to applicants in case of oversubscription using the following modes:

- (a) In case of applicants residing in any of the centers specified by SEBI, the refunds shall be credited to the bank accounts of applicants through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer), as is for the time being permitted by the Reserve Bank of India;
- (b) In case of other applicants – by despatch of refund orders by registered post, where the value is Rs 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules); and
- (c) In case of any category of applicants specified by SEBI – by crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force, which is permitted by SEBI from time to time.

#### **INTEREST IN CASE OF DELAY IN DESPATCH OF ALLOTMENT LETTERS / REFUND ORDERS IN CASE OF PUBLIC ISSUES**

The Company agrees that as far as possible allotment of Equity Shares offered to the public shall be made within 30 days of the closure of Public Issue. The Company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 30 days from the date of the closure of the Issue. However applications received after the closure of Issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest.

## viii. BASIS FOR ISSUE PRICE

### Qualitative factors

1. An established profit-making dividend paying Company.
2. Technocrat promoter with rich experience in the industry.
3. Established manufacturer of activated and precipitated Calcium Carbonate, with largest capacity and market share.
4. GSCL is the largest producer in the organised sector of PCC in the country.
5. Company's product has multiple end-uses with applications across varied industries.
6. Calcium Carbonate finds application across a diverse set of industries, which include Tooth Pastes & Tooth Powder, Printing Inks, Pharmaceuticals, Cosmetic & Talcum Powder, Paints & Coatings, Paper, Plastics, PVC, Environment, Agriculture, Construction/Architecture and other related industries.
7. Suppliers to well-known companies and brands, both Multi National and Indian, such as Hindustan Lever, Colgate Palmolive (India) Ltd., ITC, Asian Paints, Goodlass Nerolac, Berger Paints, Century Paper, Lakhani etc.
8. Proposed plant to be implemented by IVA Industrieberatung GmbH, Germany under overall supervision of the technical team of GSCL.
9. The Company has successfully implemented expansion projects in the past.

The total estimated demand for calcium carbonate during 2003-04 as well as further in 2007-08, is placed at 3,19,095 MT and 5,88,023 MT respectively and domestic demand is likely to surpass production. (Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)

### Quantitative Factors (From Audited Restated Financial Statements)

<b>1. Adjusted Earning Per Share (EPS)</b>		
<b>Year</b>	<b>EPS (Rs.)</b>	<b>Weight</b>
2003-04	3.17	1
2004-05	3.57	2
2005-06	4.60	3
<b>Weighted Average</b>	<b>4.02</b>	
<b>2. Price Earnings (P/E) Ratio in relation to Issue Price of Rs. 40</b>		
a. Based on results for Financial Year ended March 31, 2006, EPS is Rs. 4.60:	8.70	
b. Based on weighted average, the EPS is Rs. 4.02:	9.95	
<b>EPS for 3 months ended June 30, 2006 is Rs. 6.16 (annualized)</b>		
<b>Industry P/E (*)</b>		
Highest (Gulf Oil Corporation)	153.2	
Lowest (Dujodwala Prod.)	3.8	
Industry Composite	19.9	
<b>3. Return on Net Worth</b>		
<b>Year</b>	<b>RONW (%)</b>	<b>Weight</b>
2003-04	16.82%	1
2004-05	16.85%	2
2005-06	18.86%	3
<b>Weighted Average</b>	<b>17.85%</b>	
<b>Return on Net Worth for the 3 months ended June 30, 2006 is 23.72% (annualized)</b>		
<b>4. Minimum Return on Increased Total Net Worth, after Issue, needed to maintain Pre-Issue EPS at Rs. 4.60</b>	13.86%	
<b>5. Net Asset Value (NAV) per Share (Rs.)</b>		

(a) As at 31.03.2006	24.40
(b) As at 30.06.2006	25.93
(c) After issue	33.18
(d) Issue price	40.00

P/E considered only for Companies, which are actively in business in the said sector.

(\*) – Source: Capital Market – October 23–November 5, 2006 Vol XXI/17; Chemicals Industry

**Notes:**

- The Earnings per Share and the average return on net worth has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/prior period items pertaining to the earlier years.
- The denominator considered for the purpose of calculating Earnings per Share is the average number of Equity Shares outstanding during the year.
- Net Asset Value Per Share represents Shareholder's Equity as per restated financial statements less miscellaneous expenditure as divided by number of shares outstanding at the end of the period.

## 6. Comparison with Industry Peers

Comparison of the accounting ratios of the issuer company as mentioned above with the peer group (i.e., companies of comparable size in the same industry for the period ended 31<sup>st</sup> March 2006 is as follows:

Peer	Equity Capital (Rs. Cr)	Book Value (Rs.)	Sales (Rs. Cr)	EPS (Rs.)	P/E	RONW in %
Lime Chemicals Ltd.	3.29	38.0	44.4	2.0	13.13	5.2%
Gulshan Sugars and Chemicals Ltd. As on 31.3.2006	4.97	23.1	41.3	4.4	\$ 14.45	21.0%

\$ Based on EPS of Rs. 4.4 as at 31.3.2006

CMP of Lime Chemicals Ltd. - Rs. 26.25 as at 27.10.2006 (Source: Economic Times, Delhi)

CMP of Gulshan Sugars and Chemicals Ltd. - Rs. 63.60 as at 27.10.2006 (Source: Economic Times, Delhi)

Face Value of Equity Share of Lime Chemicals is Rs. 10/-.

Face Value of Equity Share of Gulshan Sugars is Rs. 8/-.

(\*) – Source: Capital Market – October 23–November 5, 2006 Vol XXI/17; Chemicals Industry

The Company is in the business of manufacturing and selling Calcium Carbonate only. There are no comparable listed companies in the Calcium Carbonate segment except for Lime Chemicals Limited, which too is a Calcium Carbonate manufacturing company. Hence, comparison of various parameters have been made with Lime Chemical Ltd.

## 7. The face value of the shares is Rs. 8/- and the Issue price is 5 times of the face value.

The Lead Manager believes that the Issue Price of Rs. 40 is justified in view of the above qualitative and quantitative parameters. The investors may want to peruse the risk factors beginning from page no. vii of the Prospectus and the financials of the Company including important profitability and return ratios, as set out in the Auditors' report beginning from page no. 142 the Prospectus to have a more informed view of the investment proposition.

## **ix. STATEMENT OF TAX BENEFITS**

### **Statutory Auditor's Certificate**

We, M/s Shahid & Associates, Chartered Accountants are the Statutory Auditors of M/s Gulshan Sugars & Chemicals Ltd. (Company) having its registered office at 9<sup>th</sup> Km, Jansath Road, District Muzaffarnagar (U.P.) and Corporate Office G-81, Preet Vihar, Delhi, hereby certify that under the current tax laws, the following tax benefits *inter-alia*, will be available to the Company and the members of the Company. However a member is advised to consider in his/her/its own case the tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislation may not have direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

### **Benefits under the I.T Act**

As per the existing provisions of the I.T Act and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to M/s Gulshan Sugars & Chemicals Limited and its shareholders.

#### **A. TO THE COMPANY**

1. Dividend income (whether interim or final), in the hands of the company as distributed or paid by any other Company is completely exempt from tax in the hands of the Company, under section 10(34) of the IT Act.
2. Long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the IT Act. However, as per the proviso to Section 112(1), the long term capital gains resulting on transfer of listed securities or units, or zero coupon bonds (not covered by section 10(36) and 10(38)), would be subject to tax at the rate of 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
3. Long term capital gain arising from transfer of an 'eligible equity share' in a Company purchased on or after the 1st day of March, 2003 and before the 1st day of March, 2004 and held for a period of 12 months or more is exempt from tax under section 10(36) of the IT Act.
4. Long term capital gain arising from the sale of equity shares in any company through a recognized stock exchange or from the sale of units of an equity oriented fund shall be exempt from Income Tax, if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax, as per the provisions of section 10(38) of the IT Act.
5. Short term capital gains arising from the transfer of equity shares in any company through a recognized stock exchange or from the sale of units of equity-oriented fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the IT Act.
6. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the Company would be entitled to exemption from tax on gains arising from transfer of the long term capital asset (not covered by section 10(36) and section 10(38), if such capital gain is invested in any of the long-term specified assets in the manner prescribed in the said section.

Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.

7. In accordance with and subject to the provisions of section 32 of the Income tax Act, the company will be allowed to claim depreciation on specified tangible and intangible assets as per the rates specified. Besides normal depreciation, the company, in terms of section 32(1)(iia), shall be entitled to claim depreciation @ 20% of actual cost on new plant and machinery acquired after 31st March, 2005.

8. In accordance with and subject to the provisions of section 35D of the Income tax Act, the company will be entitled to amortise, over a period of five years, all expenditure in connection with the proposed public issue subject to the overall limit specified in the said section.
9. Under Section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years succeeding the year in which the MAT becomes allowable.

**B. TO RESIDENT SHAREHOLDERS**

1. Dividend (whether interim or final) declared, distributed or paid by the Company is completely exempt from tax in the hands of the shareholders of the Company as per the provisions of section 10(34) of the IT Act.
2. Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500 per minor child under section 10(32) of the IT Act.
3. As per the provisions of Section 112(1)(a) of the IT Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by sections 10(36) and 10(38), would be subject to tax at the rate of @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
4. Long term capital gain arising from the sale of equity shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and the sale is subject to Securities Transaction tax, as per the provisions of section 10(38) of the IT Act.
5. Short term capital gains arising from the transfer of equity shares in any company through a recognised stock exchange or from the sale of units of equity-oriented fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the IT Act.
6. As per the provisions of section 88E, where the business income of a assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
7. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the IT Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the shareholders would be entitled to exemption from tax on long term capital gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
9. In case of a shareholder being an individual or a HUF , in accordance with and subject to the conditions and to the extent specified in Section 54F of the IT Act, the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the

Company (not covered by sections 10 (36) and 10 (38)), upon investment of net consideration in purchase /construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.

**C. TO NON-RESIDENT INDIAN SHAREHOLDERS (OTHER THAN MUTUAL FUNDS, FIIs, FOREIGN VENTURE CAPITAL INVESTORS)**

1. Dividend (whether interim or final) declared, distributed or paid by the Company is completely exempt from tax in the hands of the shareholders of the Company as per the provisions of section 10(34) of the IT Act.
2. Any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child per year in accordance with the provisions of section 10(32) of the IT Act.
3. In the case of shareholder, being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in Section 115D read with Section 115E of the IT Act, long term capital gains arising from the transfer of shares of an Indian company (not covered by sections 10(36) and 10(38)), will be subject to tax at the rate of 10% as increased by a surcharge and education cess at an appropriate rate on the tax so computed, without any indexation benefit but with protection against foreign exchange fluctuation.
4. In case of a shareholder being a non-resident Indian, and subscribing to shares in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in Section 115F of the IT Act, the nonresident Indian shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the transfer of shares in the Company upon investment of net consideration in modes as specified in sub-section (1) of Section 115F.
5. In accordance with the provisions of Section 115G of the IT Act, Non Resident Indians are not obliged to file a return of income under Section 139(1) of the IT Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the IT Act.
6. In accordance with the provisions of Section 115H of the IT Act, when a Non Resident Indian become assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the IT Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
7. As per the provisions of section 115 I of the I.T. Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that 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.
8. In accordance with and subject to the conditions and to the extent specified in Section 112(1) (c) (read with proviso) of the IT Act, tax on long term capital gains arising on sale on listed securities or units not covered by sections 10(36) and 10(38) will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.
9. As per the provisions of section 10(38), long term capital gain arising from the sale of equity shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.

10. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of equity shares in any company through a recognised stock exchange or from the sale of units of equity-oriented fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
11. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
12. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the IT Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Shares' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
13. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified asset is transferred or converted into money.
14. In case of a shareholder being an individual or a HUF , in accordance with and subject to the conditions and to the extent specified in Section 54F of the IT Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier, would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
15. As per the provisions of Section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

**D. TO OTHER NON-RESIDENTS**

1. Dividend (whether interim or final) declared, distributed or paid by the Company is completely exempt from tax in the hands of the shareholders of the Company, under section 10(34) of the IT Act.
2. Any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs.1500 per minor child per year, in accordance with the provisions of section 10(32) of the IT Act.
3. In accordance with and subject to the conditions and to the extent specified in Section 112(1) (c) of the IT Act, tax on long term capital gains arising on sale on listed securities or units will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.
4. As per the provisions of section 10(38), long term capital gain arising from the sale of equity shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income tax, if such sale

takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.

5. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented fund shall be subject to tax @ 10%, provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
6. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
7. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the IT Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)) if such capital gain is invested in any of the long term specified asset in the manner prescribed in the said section.

Where the long term asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.

9. In case of a shareholder being an individual or a HUF, in accordance with and subject to the conditions and to the extent specified in Section 54F of the IT Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis.

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

10. As per the provisions of Section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

#### **E. TO FIIs**

1. In case of a shareholder being a FIIs, in accordance with and subject to the conditions and to the extent specified in Section 115AD of the IT Act, tax on long term capital gain (not covered by sections 10(36) and 10(38)) will be 10% and on short term capital gain will be 30% as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.

However short term capital gains on sale of Equity Shares of a company through a recognized stock exchange or a unit of an equity oriented fund effected on or after 1st October 2004 and subject to Securities transaction tax shall be taxed @ 10% as per the provisions of section 111A. It is to be noted that the benefits of Indexation and foreign currency fluctuation protection as provided by Section 48 of the IT Act are not available to FIIs.



2. As per the provision of Section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.
3. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the IT Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
4. Long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented fund shall be exempt from income tax, if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax, as per the provisions of section 10(38) of the IT Act.
5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
6. In accordance with and subject to the conditions and to the extent specified in section 54EC of the IT Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10 (36) and 10(38) arising on transfer of their shares in the Company, if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified assets is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.
7. Under section 196D(2) of the Act, no deduction of tax at source will be made in respect of income by way of capital gains arising from the transfer of securities referred to in section 115AD.

#### **F. TO MUTUAL FUNDS**

In case of a shareholder being a Mutual fund, as per the provisions of Section 10 (23D) of the IT Act, any income of Mutual Funds registered under the SEBI Act or Regulations made there under, Mutual

Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

#### **G. TO VENTURE CAPITAL COMPANIES/ FUNDS**

In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of Section 10(23FB) of the IT Act, any income of Venture Capital Companies / Funds registered with the SEBI, would exempt from Income Tax, subject to the conditions specified.

#### **Benefits under the Wealth Tax Act, 1957**

As per the prevailing provisions of the above Act, no Wealth Tax shall be levied on value of shares of the Company.

#### **Benefits under the Gift Tax Act**

As no Gift tax is leviable in respect of gifts made on or after October 1, 1998, any gift of shares will not attract gift tax.

**Notes:**

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

The tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislations, may not have direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

**For Shahid & Associates**  
***Chartered Accountants***

Dated: October 27, 2006  
Place : Delhi

**MOHD. SHAHID, FCA**  
**Proprietor**  
**Membership No. 70408**

## SECTION IV

### ABOUT THE ISSUER COMPANY

#### i. INDUSTRY OVERVIEW

This section includes statistical data regarding the Calcium Carbonate Industry. This data has been obtained from various industry publications, reports and other secondary sources that the Company and the Lead Manager believe to be reliable. Neither the Company nor the Lead Manager has independently verified such data.

#### Industrial Minerals

Industrial minerals are natural minerals and rocks, which are all around us. In fact, the Earth's crust is composed of minerals, though only some are mined. Attapulgite, Barytes, Bentonite, Borates, Calcium Carbonates, Diatomite, Feldspar, Gypsum, Kaolin, Mica, Perlite, Plastic (or ball) clays, Sepiolite, Silica, Talc, Vermiculite, Wollastonite and Zeolites are all industrial minerals. Feldspar\*, a group of rock-forming minerals and an important component of ceramics, for instance, represents about 51% of the Earth's crust, while Silica accounts for 12%.

Industrial minerals are essential raw materials used in most industrial activities. They are used in a wide range of industries such as Paints, Electronics, Metal casting and Foundry, Paper, Plastics, Glass, Ceramics, Detergents, Pharmaceuticals, Cosmetics, Construction materials and Agriculture to mention just a few. They are also used as processing aids for the food and feed industries and are increasingly important in environmental engineering (waste and flue gas treatment, water purification, etc.)

*(Source: Industrial Minerals Association, Europe, 2004-05 and reference website Wikipedia, website links: [www.ima-eu.org/en/Industr.pdf](http://www.ima-eu.org/en/Industr.pdf) and \*<http://en.wikipedia.org/wiki/Feldspar>)*

#### Calcium Carbonate - World Market

Calcium Carbonate rocks are spread throughout the world, which is why they have been among the most widely used raw materials for more than 5,000 years. Long ago, the Egyptians built their pyramids with limestone, and today we still use hundred of millions of tonnes of Calcium Carbonate in the building industry alone.

However, although the deposits are plentiful, only a few are of sufficiently high quality to be worked and even a fewer number of deposits will provide raw materials for industrial and agricultural uses other than the construction and road building industry. Only if the purity, degree of whiteness, thickness and homogeneity are acceptable, is commercial extraction worthwhile.

After quarrying, further treatment is required to process Natural Calcium Carbonates of the highest quality, known generically as Ground Calcium Carbonate (GCC). Precipitated Calcium Carbonate (PCC) is a synthetic Calcium Carbonate produced industrially by means of a recarbonisation process. Both GCC and PCC are used in a wide range of applications and for each end-use, there exists a tailor-made product, where fineness and particle size distribution are optimally balanced to meet the technical demands of that particular requirement.

*(Source: Industrial Minerals Association, Europe, 2004-05, website link: [www.ima-eu.org/en/CalCarb05.pdf](http://www.ima-eu.org/en/CalCarb05.pdf))*

World Ground Calcium Carbonate (GCC) capacity has expanded significantly over the last decade, reaching an estimated 56.5 million TPA for all grades in 2004. Rising demand from the paper industry has been the main driver behind the rapid growth in GCC consumption since the early 1980s. Papermakers have switched to a neutral or alkaline processing environment, which has favoured the use of both GCC and Precipitated Calcium Carbonate (PCC) at the expense of Kaolin; a traditional filler.

The proportion of the paper market accounted for by GCC has risen from under 1% in 1970 to 50% in 2004. The very steep increase in GCC production and consumption seen in the last decade in Western Europe is likely to slow, as it is already the major pigment used in the paper industry.

In the USA there is still some room for replacement of Kaolin by GCC, but this is restricted in some areas by lack of good quality marble.

The major growth area for the next five years will be in Asia, especially China, particularly in the form of satellite GCC plants at paper mills.

According to the estimates by Roskill Research Group, the world consumption of GCC will rise by an average of 3% per annum and reach 67.6 million Tonnes by 2010. Paper will continue to be the largest market for GCC, accounting for an estimated 28 million Tonnes of consumption by 2010, while consumption in plastics will reach 12.2 million Tonnes.

(Source: Roskill Research Group, <http://www.roskill.com/reports/ground>, 2004-2005)

Two large companies with operations throughout the world are the major producers, accounting for a significant proportion of total supply. Omya, a privately held company with its headquarters in Switzerland, is the largest producer. The other is Imerys, a publicly quoted company with its headquarters in Paris. A number of other medium sized suppliers have operations in more than one country or region and there are numerous small suppliers serving more local markets.

In Western Europe and North America, the GCC market is dominated by companies extracting and processing minerals, such as Omya and Imerys. In Asia, however, especially China and Japan, the trend has been for papermakers to have their own satellite GCC plants. If this trend continues, it will inhibit growth of major mineral companies in this important market area.

Omya, operating 74 plants in 40 countries, is estimated to account for over 70% of the supply of paper grade GCC. They have an estimated capacity of 21.8 million TPA, making them by far the largest producer accounting for 39% of global production of fine grades of GCC. Other leading producers of finer grades of GCC are Imerys, Huber Engineered Materials and Speciality Minerals, while Global Stone and Franklin Minerals are leading producers of coarser grades based on limestone.

The plastics industry is the second largest user of GCC, accounting for an estimated 10.2 million TPA of demand in 2004. Demand is increasingly concentrated in Asia, largely as a result of growth in the Chinese market. A significant opportunity in Western Europe and the USA is the use of GCC in the manufacture of polyolefins, where fine-grained material is being used in breathable films. This market is well established in the production of diapers and will have other uses in disposable clothing and healthcare.

(Source: Roskill Research Group, <http://www.roskill.com/reports/ground>, 2004-2005)

### **Calcium Carbonate Industry in India**

The major units manufacturing Calcium Carbonate are located in and around Himachal Pradesh, while few units exist in Maharashtra and elsewhere. However, units in Maharashtra and other parts of the country are reported to be getting their requirement of Limestone from Himachal Pradesh itself. This highlights the importance of Himachal Pradesh in relation to the Calcium Carbonate industry in the country.

The Calcium Carbonate Industry consists of producers from organized and the unorganized sector. The country has sufficient installed capacity for meeting the requirements of various consumer industries. The total installed capacity is 3.45 lakh MT in the organized sector, and 1.0 lakh MT in the unorganized sector, which makes a total capacity of 4.45 lakhs MT.

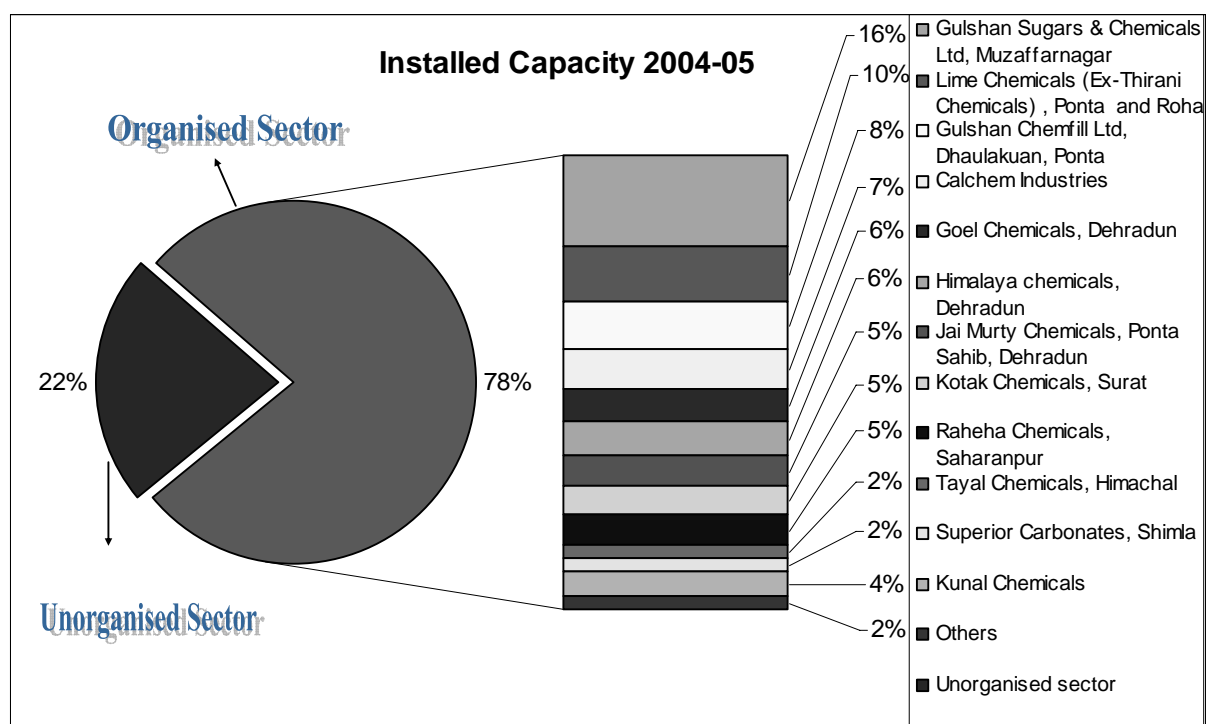
Mentioned below is the installed capacity for major producers of Calcium Carbonate in the organized sector:

<b>Sl. No.</b>	<b>Manufacturers of Calcium Carbonate in India</b>	<b>Installed Capacity (MT)</b>
1.	Gulshan Sugars & Chemicals Ltd., Muzaffarnagar, Uttar Pradesh	70,000
2.	Lime Chemicals (Ex-Thirani Chemicals), Ponta & Roha, Himachal Pradesh	42,500
3.	Gulshan Chemfill Ltd., Dhaulakuan, Himachal Pradesh	36,000
4.	Calchem Industries	30,000
5.	Goel Chemicals, Dehradun, Uttaranchal	25,000
6.	Himalaya chemicals, Dehradun, Uttaranchal	25,000
7.	Jai Murty Chemicals, Ponta Sahib, Himachal Pradesh	22,500
8.	Kotak Chemicals, Surat, Gujarat	22,500

9.	Raheha Chemicals, Saharanpur, Uttar Pradesh	22,500
10.	Tayal Chemicals, Himachal Pradesh	10,000
11.	Superior Carbonates, Shimla, Himachal Pradesh	10,000
12.	Kunal Chemicals	19,000
13.	Others (Deogiri Chemicals, Aurangabad; Kalinga Carbonate, Orissa; Radha Chemicals, Kolkata; Chemicals & Mineral Industries, Jodhpur etc.)	10,000
A.	<b>Total – Organized Sector</b>	<b>3,45,000</b>
B.	<b>Unorganised sector</b>	<b>1,00,000</b>
	Sturdia Chemicals, Rishikesh - Reported closed	35,000

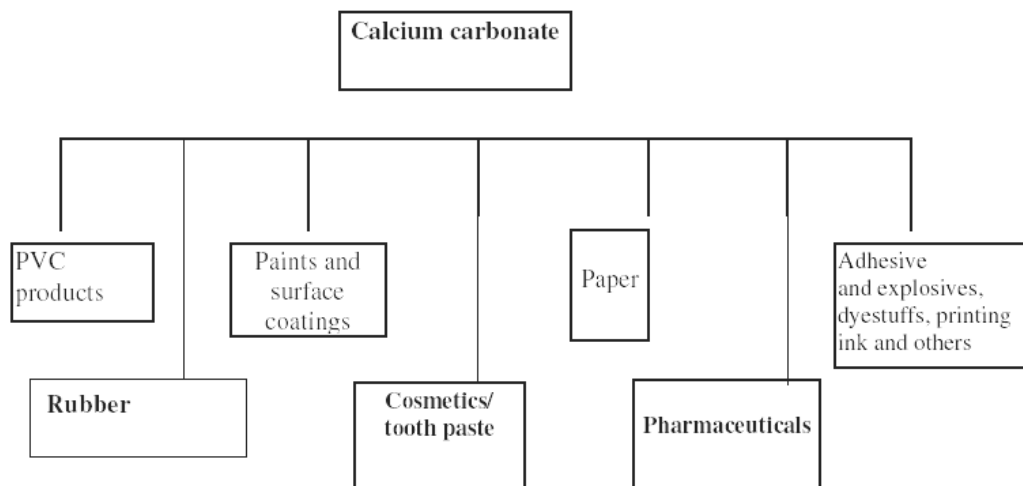
(Source: All India Calcium Carbonate Association Market Survey Report 2005-06)

Percentage-wise distribution of installed capacity for 2004-05 is as under:



----- Installed Capacity 2004-05 (%) -----

Thus the total installed capacity sums up to 4,45,000 MT. However, the total production from all the units (organised & unorganised) during the year 2003-04 was 2,60,000 MT.



Calcium Carbonate is used mainly as 'filler' in the following industries:

i. **Paper:**

Over the last 30 years, the use of Calcium Carbonate has grown significantly as technology in the paper industry has moved from acid to neutral sizing. Today, Calcium Carbonate is the most widely used mineral in papermaking. GCC and PCC are used both as 'filler' and a coating pigment, and help produce papers with high whiteness and gloss and good printing properties.

ii. **Plastics/PVC/Rubber:**

Calcium Carbonate is by far the most important mineral for compounding with polymers. By weight it accounts for more than 60% of the filler and reinforcements market. Main applications include plasticised and rigid PVC, unsaturated polyesters, polypropylene and polyethylene. Other important areas of use include rubber, foamed latex carpet-backings, sealants and adhesives.

Calcium Carbonate is not only a filler added to reduce costs and extend petroleum based resources, many properties of the plastic can be influenced by the use of Calcium Carbonate. Breathable PE-films for hygiene products and the building industry, for example, can only be produced with the incorporation of filler such as Calcium Carbonate.

iii. **Toothpastes and Cosmetics:**

The toothpaste industry in India is dominated by the organized sector. Even among the organised sector units, one giant, Colgate is currently the most dominant corporate, accounting for more than 50% of the organised sector tooth paste market in India. Other leading manufacturers are Dabur (Balsara Hygienic), Hindustan Lever, Hindustan Ciba Geigy, Geoffrey Manners and rest by others such as Nirma etc.

iv. **Paints & Coatings:** In paints and coatings, Calcium Carbonate has established itself as the main extender. Fineness and particle-size distribution can contribute to the opacity of coatings. Moreover, Calcium Carbonate can offer improvements in weather resistance, anti-corrosion and rheological properties, coupled with low abrasiveness, low electrolyte content, and a pH stabilising effect. In water-based systems Calcium Carbonate reduces the drying time.

iv. **Environment**

As a natural product, Calcium Carbonate is perfect for environmental protection applications. For example, flue gas desulphurisation, drinking water treatment, wastewater treatment and forest and lake liming for the neutralisation of acid rain, are all growth areas for the use of Calcium Carbonate. It has a natural buffer-effect and works as a pollution-filter. These properties, likewise, apply to the derivative products.

v. **Agriculture:**

Calcium fertilisers were one of the first to be widely used. The Greeks and Romans were aware of their attributes. Their use guarantees an adequate supply of calcium to plants and

stabilises the pH-value of the soil. These characteristics make Calcium Carbonate an important fertiliser for the agriculture and forestry sectors. Other agricultural-related uses of Calcium Carbonate include its use as a calcium supplement in animal feed compounds.

vi. **Construction/Architecture:**

Calcium Carbonate has found an innovative application in the concrete market. It is increasingly used as quality filler in concrete applications, such as concrete wares (paving-stones, tubes and sewage-tanks etc.), ready-mixed concrete and prefabricated elements. It improves the concrete density, pre-stability and durability. Its stable colour quality increases the aesthetics, which make it very suitable for architectural applications.

vii. **Others:**

A wide range of industrial manufacturers who rely on Calcium Carbonate produces Glass, ceramics and blackboard chalk, together with cleaning, dental care and cosmetic products. As a natural mineral, Calcium Carbonate has a multitude of characteristics that make it an ideal raw material for widely differing uses. No one Calcium Carbonate is exactly like another. Whatever property of Calcium Carbonate when required, there is high-grade product to meet the demand. Diverse requirements such as low iron oxide content for the production of high-quality glasses, the authorisation for uses in foodstuffs, good buffering-effect or low abrasion, can be met by an existing grade of Calcium Carbonate.

(Source: *Industrial Minerals Association, Europe, 2004-05, website link: [www.ima-eu.org/en/CalCarb05.pdf](http://www.ima-eu.org/en/CalCarb05.pdf) & All India Calcium Carbonate Association Market Survey Report 2005-06*)

## **MANUFACTURE OF CaCO<sub>3</sub>**

Precipitated Calcium Carbonate (PCC) is manufactured by calcinations of selected best quality lime stone containing highest percentage of Calcium Carbonate with lowest possible magnesia, silica, iron and other natural impurities, the calcium oxide so obtained is slacked to produce lime slurry, which is further carbonated into precipitated Calcium Carbonate in controlled conditions.

Activated Calcium Carbonate (ACC) is produced by surface coating the Precipitated Calcium Carbonate with fatty acids (stearic acid), titanate coupling agent and others, essentially to enhance its physical properties such as flow, waterproofing, dispersion, gloss and above all higher filler loading to give an added edge of better economic viability to end users.

## **GOVERNMENT POLICY**

Industrial Licenses are regulated under the Industries (Development & Regulation) Act, 1951. The requirements of Industrial Licences have been progressively reduced and Calcium Carbonate is not amongst the industries that require compulsory industrial licensing.

(Source: *Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India. Website Link: [http://dipp.nic.in/manual/manual\\_0403.pdf](http://dipp.nic.in/manual/manual_0403.pdf)*)

The technology to be used in the proposed project of producing 20,000 TPA of Ground Calcium Carbonate does not involve any chemical change in the product and the Limestone powder obtained after grinding is classifiable under Tariff Item 2521 00 90 which attracts a Nil Excise duty. Hence, the manufacture of Ground Calcium Carbonate through the proposed technology for expansion would be excise duty free.

(As per the Legal Opinion dated 22<sup>nd</sup> March, 2006 of Mr. V. Lakshmi Kumaran, Advocate, Lakshmi Kumaran and Sridharan, New Delhi, Legal expert in the area of Excise Duty)

## **RISKS AND CONCERNS/OPPORTUNITIES AND THREATS:**

The future growth in the industries where Calcium Carbonate finds major application including PVC products, Plastics and Rubber, Toothpastes, Paints and Coatings, Paper, Construction, Printing etc. would provide significant opportunities for increased demand of Calcium Carbonate.

## **Future Growth of the Industry**

### **I. Demand drivers for CaCO<sub>3</sub> industry:**

With the growth in demand from the various consumer industries, the demand in Calcium Carbonate is bound to increase.

#### **a. PVC Industry**

In India, PVC industry is currently the largest consumer of Calcium Carbonate accounting for around 40% of the total consumption. Worldwide by weight it accounts for more than 60% of the filler and reinforcements market. Main applications include plasticised and rigid PVC, unsaturated polyesters, polypropylene and polyethylene. The trend is visualized to continue in the future also. In the PVC industry, Calcium Carbonate is used in almost all flexible products whereas in the PVC rigid section, its use is mainly confined to the manufacture of PVC pipes and fittings.

Major PVC items where Calcium Carbonate is used as filler include PVC pipes and fittings, PVC wires and cables, PVC calendared sheets and leather cloth etc. It helps in controlled whiteness, it improves impact strength and it aids in processing and acts as a heat sink in exothermic curing systems. It also reduces costs by replacing expensive plastic resins.

*(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

##### ***PVC Pipes and Fittings***

Ever since the introduction in India for providing piped water supply, PVC rigid pipes industry has grown at a modest rate up to the mid Eighties. The period after mid eighties witnessed a spurt in the growth trend in this sector. The major impetus to the growth was delicensing of processing capacity and the government's policy on imports of PVC resin under Open General Licence (OGL).

Production of PVC rigid pipes during 2003-04 has been of the order of 3,00,000 MT of which the share of organized sector is about 70%. The production of organized sector units during 2003-04 is placed at around 2,10,000 MT and the share of unorganized sector is around 90,000 MT. Among the organized sector manufacturers, Finolex Pipes accounts for 70,000 MT and Bharat Pipes for 35,000 MT.

On the above basis, the consumption of Calcium Carbonate by the organized sector and the unorganized sector works out to 42,000 MT and 18,000 MT respectively during 2003-04. Thus, the total consumption of Calcium Carbonate by PVC pipes sector during 2003-04 is placed at 60,000 MT.

As far as the future is concerned, the perspective planning of petrochemical industry has envisaged an annual growth rate of 15% per annum for PVC rigid pipes upto the year 2007-08. However, based on the growth rate achieved during the past few years, and on the basis of reports of PVC pipe manufacturing units, it is estimated that the industry would grow at a rate of 14% per annum upto the year 2007-08. The likely demand for Calcium Carbonate by the year 2007-08 thus works out to approximately 1,04,900 MT.

*(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

##### ***PVC Wires and Cables***

The total consumption of Calcium Carbonate in the manufacture of PVC wires and cable industry during the year 2003-04 was 35,000 MT. This is expected to go up to a level of 55,073 MT by 2007-08. *(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

##### ***PVC Calendared Sheets***

This segment deals essentially with manufacture of PVC sheeting although to some extent calendaring process also makes PVC films. Major areas of application of PVC sheetings are Raincoats, Table covers, ladies valets etc.

The installed capacity for calendared sheets in the country at present is in the region of 30,000 MT. The total production of PVC calendared sheets during the year 2003-04 is placed at around 25,000 MT. The growth rate in this industry is estimated at about 10%, which is expected to give a production level of 35,000 MT by 2007-08.

Calcium Carbonate is used as filler in the PVC calendared sheets. The units in the organized sector have reported the consumption norm for Calcium Carbonate at around 10-11% of the final product. The units in the unorganized sector have reported a consumption ratio of 30%.



The total consumption of Calcium Carbonate in the manufacture of PVC calendared sheets during the year 2003-04 is thus placed at 9,500 MT. This is expected to go up to a level of 13,660 MT by 2007-08.

*(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

### **PVC Leather cloth**

The total assessed production of leather cloth in the organized sector during 2003-04 stands at 31.4 million. In addition to this, there is considerable manufacturing activity in the unorganized sector as well.

Based on the norm of consumption of PVC compound at 0.5 kg/metre length of leather cloth, the estimated consumption of PVC compound in leather cloth during 2003-04 works out to be 23,000 MT. At the rate of PVC content of 0.7 MT per MT of compounded material i.e., 70%, the corresponding requirement of PVC resin would be 16,100 MT approximately.

The total consumption of Calcium Carbonate in the manufacture of PVC leather cloth during the year 2003-04 was to the tune of 25,000 MT. This is expected to go up to a level of 39,340 MT by 2007-08.

*(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

### **Plastic, Rubber Product & Compounding**

In terms of consumption of Calcium Carbonate, the rubber products sector ranks second only to PVC products. Rubber Products industry consists of a large number units- both in the organized and unorganized sectors. The product range in the rubber goods industry include automobile tyres/ tubes, cycle tyres/ tubes, camel black, rubber footwear, belts/house, latex foam, cables and wires, battery boxes, dipped goods and other products.

Cycle tyres and tubes sector is the second largest consumer of rubber accounting for more than 60,000 MT of rubber or 14.2 per cent of the total rubber consumption during the year 2003-04. Cycle tyre and tube sector has a large concentration in the unorganized sector especially in Meerut (Uttar Pradesh) & Ludhiana (Punjab) region. Use of Calcium Carbonate as filler in cycle tyres and tubes sector is reported to be at a higher level than that of auto tyres and tubes. These mainly use the precipitated grade of Calcium Carbonate.

Footwear is expected to provide impetus to the growth of Calcium Carbonate. As far as the future is concerned, the perspective planning for petrochemicals envisages a growth rate of 10% for footwear during the 11<sup>th</sup> Plan.

Therefore assuming a growth rate of 10% for footwear and 8% for others, the demand for Calcium Carbonate by the rubber industry is estimated to reach a level of 1,09,220 MT by the year 2007-08.

## **b. Tooth Paste & Tooth Powder**

### **Tooth Paste**

The toothpaste industry in India is dominated by the organized sector. Even among the organised sector units, one giant, Colgate is currently the most dominant corporate, accounting for more than 50% of the organised sector tooth paste market in India. Other leading manufacturers are Dabur (Balsara Hygienic (around 10% market share), Hindustan Lever (about 10% market share), Hindustan Ciba Geigy (around 11% market share), Geoffrey Manners (around 5% market share) and rest by others such as Nirma etc.

The production of toothpaste in the country during the year 2003-04 is placed in the region of 60,420 MT of which the share of organised sector is placed at 50,420 MT and the unorganized sector at 10,000 MT.

Precipitated Calcium Carbonate (PCC) is used in the toothpaste industry as filler. Calcium Carbonate imparts Calcium, brightness, gloss and polishing properties to toothpastes. Toothpastes of some of the major players, such as Colgate, Hindustan Lever and Dabur use Calcium Carbonate upto 65%-70% by weight. Colgate has reported highest consumption of Calcium Carbonate, in the region of 18,000-20,000 MT.

### ***Tooth Powder***

The production of tooth powder has shown a modest growth rate in the past. The growth rate in the production in the past decade has ranged between 10-12% per annum. However, the growth in past 5 years has been estimated at 20%. The estimated production of tooth powder in 2003-04 was 21,500 MT, which is now expected to be 44,600 MT during 2007-08.

Assuming an overall conservative growth rate of 20% per annum, for the next five years the demand for Calcium Carbonate for the dentifrice sector works out to more than 1,05,140 MT in 2007-08.

*(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

### **c. Printing Inks**

Printing inks are colored coating comprising of a pigment, and additives such as wax compound and a drier used to impart special properties. The printing ink industry consists of a large number of units both in the organized and unorganised sector. A recent survey has indicated that as many as 94 per cent of the establishments are either proprietary or partnership concerns, highlighting the unorganised nature of the industry. There were about 10 units registered with SIA and about 100 units in the unorganised sector in 2003-04. Amongst the units registered with SIA are Coates of India, JBA printing, SICPA etc. The estimated consumption of Calcium Carbonate in printing ink sector in 2003-04 was 2,450 MT.

As far as the future is concerned, a recent study on printing ink industry has projected growth rate upto 2007-08 at 20% per annum. On the above basis the demand for Calcium Carbonate is assessed to grow to a level of around 5,080 MT by the year 2007-08.

*(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

### **d. Pharmaceuticals**

In the pharmaceuticals Calcium Carbonate (PCC) is used as filler mainly in the manufacture of antibiotics, Penicillin tablets, Calcium Lactate, etc.

Since the type of formulations where PCC is used are many, and the norms of consumption varies widely between various types, it is rather difficult to work out the exact norms of consumption. However based on an assessment of production levels of above pharmaceutical items as also discussions with the intellectuals in this field, it has been estimated that the consumption of Calcium Carbonate in the pharmaceutical industry during the year 2003-04 was around 9,000 MT. Based on an assessed growth rate of 12% per annum in the next few years upto 2007-08, the demand for Calcium Carbonate (PCC) is slated to increase to around 14,200 MT by then.

*(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

### **e. Cosmetic & Talcum Powder**

The Calcium Carbonate is used as filler in talcum powder/prickly heat powder. Ponds Ltd. and Procter & Gamble Ltd. is currently the largest user of Calcium Carbonate with a consumption of approximately 2,000 MT. Among other units, Glaxo uses Calcium Carbonate in the manufacture of 'Nycil' a prickly heat powder.

The total consumption of Calcium Carbonate in the talcum powder industry can be placed in the region of around 3,500 MT during the year 2003-04. The projected growth rate for cosmetics industry in the future upto 2007-08 is 15% per annum which would increase the demand for Calcium Carbonate to a level of around 6,120 MT by 2007-08.

*(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

### **f. Paints & Coatings Industry**

In paints and coatings, Calcium Carbonate has established itself as the main extender. Fineness and particle-size distribution can contribute to the opacity of coatings. Moreover, Calcium Carbonate can offer improvements in weather resistance, anti-corrosion and

rheological properties, coupled with low abrasiveness, low electrolyte content, and a pH stabilising effect. In water-based systems, Calcium Carbonate reduces the drying time.

Calcium Carbonate makes up about 20 percent of the pigments used in the paint industry. Calcium Carbonate is used to extend the resin or polymers because of its controlled color and low cost. Calcium Carbonate also is used to control the sheen or gloss in flat paints.

In India, all the paint manufacturers such as Asian Paints, Berger Paints, Nerolac etc use Calcium Carbonate in the process for quality product. The total consumption of Calcium Carbonate in the paint industry can be placed in the region of around 3,500 MT during the year 2003-04. The projected growth rate for cosmetics industry in the future upto 2007-08 is 15% per annum which would increase the demand for Calcium Carbonate to a level of around 6,120 MT by 2007-08.

*(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

#### **g. Paper Industry**

World wide, over the last 30 years, the use of Calcium Carbonate has grown significantly as technology in the paper industry has moved from acid to neutral sizing. Today, Calcium Carbonate is the most widely used mineral in papermaking. GCC and PCC are used both as filler and a coating pigment, and help produce papers with high whiteness and gloss and good printing properties. In paper coating applications, Calcium Carbonate, fine ground from 0.5 to 3.5 microns (the average width of a human hair is 100 microns) is used to make a whiter, brighter sheet. In paper filling applications, Calcium Carbonate can improve the whiteness of the sheet and reduce costs by replacing expensive fibre and pigments. The chemical properties of Calcium Carbonate are used to produce non-acidic paper.

Following the world trend, in India, almost all paper-manufacturing units are in the process of switching to use Calcium Carbonate. The field investigations suggest that in the paper industry, usage of Calcium Carbonate is now becoming a norm for all grades of paper as against China clay and limestone in part being used.

In India, few top players such as ITC Bhadrachalam, Triveni, and BILT were the first to introduce use of Calcium Carbonate to improve the quality of paper. Some players such as West Coast Paper, ITC Bhadrachalam have announced a total investment of more than Rs. 2,000 crores in their expansion which would be non acidic and would use Calcium Carbonate.

The country is currently importing Calcium Carbonate to meet the demand. The trend is now catching fire and is expected to be in favour of 'Onsite plant' for paper industry. Paper Industry itself has grown in the range of over 9% per annum during the past years.

Assuming that the trend of usage of neutral material (Calcium Carbonate) in place of acid would get momentum in the future, the demand for Calcium Carbonate by 2007-08 is expected to increase to more than 75,000 MT (Other than the Onsite plants as the big players would prefer on-site plants for Calcium Carbonate).

*(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)*

#### **h. Other Demand drivers:**

**Environment:** As a natural product, Calcium Carbonate is perfect for environmental protection applications. For example, flue gas desulphurisation, drinking water treatment, wastewater treatment and forest and lake liming for the neutralisation of acid rain, are all growth areas for the use of Calcium Carbonate. It has a natural buffer-effect and works as a pollution-filter. These properties, likewise, apply to the derivative products.

**Agriculture:** Calcium fertilisers were one of the first to be widely used. The Greeks and Romans were aware of their attributes. Their use guarantees an adequate supply of calcium to plants and stabilises the pH-value of the soil. These characteristics make Calcium Carbonate an important fertiliser for the agriculture and forestry sectors. Every year, in Europe alone, more than 4.5 million MT are supplied to this market. Other agricultural-related uses of Calcium Carbonate include its use as a calcium supplement in animal feed compounds.

**Construction/Architecture:** Calcium Carbonate has found an innovative application in the concrete market. It is increasingly used as quality filler in concrete applications, such as concrete wares (paving-stones, tubes and sewage-tanks), ready-mixed concrete and prefabricated elements. It improves the concrete density, pre-stability and durability. Its stable colour quality increases the aesthetics, which make it very suitable for architectural applications.

**Others:** Glass, ceramics and blackboard chalk, together with cleaning, dental care and cosmetic products are produced by a wide range of industrial manufacturers who rely on Calcium Carbonate. As a natural mineral, Calcium Carbonate has a multitude of characteristics that make it an ideal raw material for widely differing uses. Diverse requirements such as low iron oxide content for the production of high-quality glasses, the authorisation for uses in foodstuffs, good buffering-effect or low abrasion, can be met by an existing grade of Calcium Carbonate. An estimated quantity of 26,125 MT was consumed by the above industries during 2003-04, which is expected to grow by 20% per annum and the estimated demand in 2007-08 is placed at 54,170 MT.

(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)

## USE OF GROUND CALCIUM CARBONATE IN PAPER INDUSTRY

Around two-thirds of GCC consumption worldwide in 2002, was accounted for by the paper industry. Paper is an especially dominant end-use in North America (80% of GCC consumption), and Western Europe (70%). In recent years, paper has become the largest market for GCC in Asia and now accounts for an estimated 45% of regional demand. Increased demand from the paper industry has been the main factor behind the rapid growth in the use of GCC since the mid-1980s.

India's paper consumption is expected to grow at 6% p.a. The global paper and paper board consumption (mainly dominated by North America, Europe and Asia) is estimated to grow from the current 340 million tonnes to 402 million tonnes by 2010 largely led by spurt in consumption in Asia. India is expected to contribute substantially to total Asia's paper consumption, as it is one of the fastest growing economies in the World.

Fortune of paper industry is directly related to the growth of GDP of a country. As per estimates, the demand for paper is expected to grow at 7-10% p.a. if the GDP growth is about 6-8%. Analysts feel the demand for paper is expected to grow at around 8% CAGR for over 2-3 years.

Further, per capital consumption of paper in India is around 6 kg, much behind the global average of 53 kgs and below the average emerging economies like China (23 Kgs), Indonesia (22 Kgs) etc. There is expected potential for increase in consumption of paper per capita in future years.

According to Indian Paper Manufacturers Association, the demand for paper is expected to grow at 6.1% p.a., capacity expansion is estimated to grow at only 3.1% p.a. upto 2008-09. No green field expansion projects are expected in the medium term due to entry barriers like high capital costs and strict environment regulations. However, there are certain capacity expansions plans lined up by major players. By FY 2007, eight significant paper mills are set to invest over Rs.6100 crores and increase the installed capacities by 7.96 TPA as under:

Company	Current capacity (TPA)	Post expansion (TPA)
ITC	2,77,500	4,00,000
Ballarpur Industries	4,00,000	8,00,000
Star Paper	71,350	1,00,000
TNPL	2,30,000	2,45,000
West Coast Paper Mills	1,63,750	2,53,750
Andhra Pradesh Paper Mills	1,53,700	1,93,700
JK Paper	1,50,000	2,00,000
Sirpur Paper	83,000	1,33,000

Source: Asian CERC

ITC has been purchasing fine grade calcium carbonate from GSCL, which is used by the company in cigarette paper production. The usage of calcium carbonate has controlled the burning rate of cigarette. Other paper manufacturers have also started using fine grade calcium carbonate for better quality of the product and for achieving value addition. The

additional capacities being implemented by the paper giants would largely use GCC for quality paper. The present expansion proposed by GSCL would only cater to small requirement of GCC of the paper industry. Presently the Company will produce GCC in powder form and would supply to the end-users. However, to reduce the cost of transportation and to reduce one stage of conversion of GCC slurry into powder form, the production of GCC may be shifted to onsite facilities. At paper production site, the GCC slurry would be directly pumped into paper pulp, which would not only give better results but also would reduce the cost of GCC production. GSCL has plans to set up GCC plants at paper units production site in future to reduce cost and better results of paper.

(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)

## II. Supply drivers

Commercial manufacturing of Calcium Carbonate in India started some time in early sixteen century. Currently, there are about 11 major/medium units producing Calcium Carbonate. An equal number of small-scale units also exist. The major/medium units are reported to have combined installed capacity of around 3,45,000 MT and the small scale units have an assessed capacity of around 1,00,000 MT, thus giving a total estimated installed capacity of 4,45,000 MT during the year 2003-04. The production of the organized sector units is estimated at 2,25,000 MT and the small-scale units at 35,000 MT, thus giving a combined production of around 2,60,000 MT during the year 2003-04.

(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)

### Production trend

Production of Calcium Carbonate by the organized sector has shown a growth rate of 13% over the last decade and half. The production of Calcium Carbonate has grown from 13,827 MT in 1971-72 to 2,60,000 MT during 2003-04. The production trend has shown a higher growth rate of 13.5% from 1984-85 to 1988-89 mainly because of the increase in demand by PVC products, toothpaste and rubber industries. The current capacity utilization in the organized sector of the industry for the year 2003-04 is assessed at 65%.

(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)

### Capacity Utilization:

Following table depicts the trends in capacity utilization since 1988-89 till the year 2003-04:

Y e a r	Installed Capacity	Production MT	Capacity Utilization %
1989-90	74820	44476	60
1990-91	86043	49813	57
1991-92	96369	57285	52
1992-93	110824	64159	54
1993-94	124123	73783	62
1994-95	142742	82637	53
1995-96	159871	95033	55
1996-97	183851	106437	56
1997-98	205914	122403	58
1998-99	236801	137091	61
1999-00	265217	157655	58
2000-01	305000	176573	59
2003-04	345000	225000	69

(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)

## Import/Export

Import of Calcium Carbonate is hardly feasible owing to its low value sale in the market, but on account of need of special grades for special application like specialty paper, Cigarette and pharmaceutical application, manufacturers of these get the material imported from countries like Malaysia, China, Germany, Egypt etc.

There is further demand of various grades of calcium carbonate in India's International Trade. The total quantity of import of various grades of calcium carbonate for the last three years can be summarized as follows:

<b>Year/Grade</b>	<b>PCC</b>	<b>ACC</b>	<b>Calcium Carbonate</b>	<b>Total</b>
	<b>(Tonnes)</b>	<b>(Tonnes)</b>	<b>(Tonnes)</b>	<b>(Tonnes)</b>
01.01.03-31.12.03	85.06	2.00	2142.38	<b>2229.44</b>
01.01.04-31.12.04	216.30	0	3065.26	<b>3281.56</b>
01.01.05-31.12.05	630.60	48.00	2409.94	<b>3088.54</b>
<b>Total</b>	<b>931.96</b>	<b>50.00</b>	<b>7617.58</b>	<b>8599.54</b>

(Source: Online Publication, Chemical Weekly 2004-05, website: <http://www.chemicalweekly.com/chemimpex/show.php>)

The total quantity of different grades of calcium carbonate exported by India during the last 3 years is summarized as under:

<b>Year/Grade</b>	<b>PCC</b>	<b>ACC</b>	<b>Calcium Carbonate</b>	<b>Total</b>
	<b>(Tonnes)</b>	<b>(Tonnes)</b>	<b>(Tonnes)</b>	<b>(Tonnes)</b>
01.01.03-31.12.03	19.52	0.126	153.08	<b>172.73</b>
01.01.04-31.12.04	5.92	0	138.46	<b>144.38</b>
01.01.05-31.12.05	3.96	0.0005	N.A.	<b>3.96</b>
<b>Total</b>	<b>29.40</b>	<b>0.1265</b>	<b>291.54</b>	<b>321.07</b>

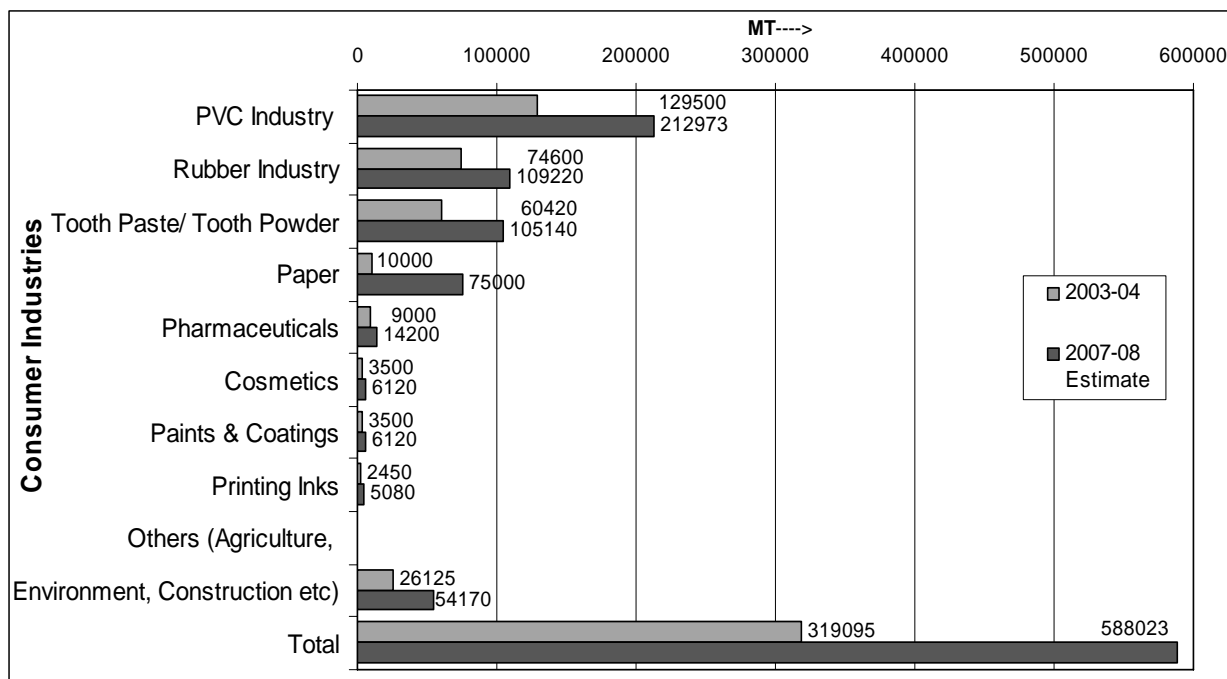
(Source: Online Publication, Chemical Weekly 2004-05, website: <http://www.chemicalweekly.com/chemimpex/show.php>)

## Conclusion:

Thus the total estimated demand for Calcium Carbonate, during 2003-04 as well as further in 2007-08, is placed at 3,19,095 MT and 5,88,023 MT respectively, as per the following break up:

<b>Sl. No.</b>	<b>Consumer Industry</b>	<b>Estimated Demand during the period (MT)</b>	
		<b>2003-04</b>	<b>2007-08</b>
1	PVC Industry (pipe, fittings, PVC wires, cables, calendared sheets, leather cloth etc.)	1,29,500	2,12,973
2	Rubber Industry	74,600	1,09,220
3	Tooth Paste/ Tooth Powder	60,420	1,05,140
4	Paper	10,000	75,000
5	Pharmaceuticals	9,000	14,200
6	Cosmetics	3,500	6,120
7	Paints & Coatings	3,500	6,120
8	Printing Inks	2,450	5,080
9	Others (Agriculture, Environment, Construction etc)	26,125	54,170
	<b>Total</b>	<b>3,19,095</b>	<b>5,88,023</b>

(Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006)



----- Calcium Carbonate Demand 2007-08 -----

One can fairly draw inference that:

- \* Domestic demand is likely to surpass production.
- \* India is likely to emerge as net importer of Calcium Carbonate over intermediate term
- \* To achieve the growing demand, better capacity utilization along with expansion programme would be required.

#### For Now, For the Future

As new products and new manufacturing techniques are developed, manufacturers of Calcium Carbonate will be striving to develop new products and services to meet those needs. Today's mills produce more products, more efficiently and more consistently than was possible years ago. Additionally, these processing facilities are capable of producing more value-added products than was dreamed of in the past.

Improving the quality of materials; extending the lives of other more limited natural resources; making manufactured goods available to the customer at a competitive cost; and even helping to improve the environment — *Calcium Carbonate is amongst the significant minerals of the future.*

## ii. BUSINESS OVERVIEW

The Company is a supplier and exporter of Precipitated Calcium Carbonate (PCC) and produces 19 grades of Calcium Carbonate to meet the growing demands of the industries. It manufactures Calcium Carbonate to suit the requirement of the following industries:

- Toothpaste (high bulk density)
- Rubber industry (low bulk density)
- Detergent industry (high water absorption)
- Paint industry (fine grade)
- Pharmaceuticals industry (99.5%  $\text{CaCO}_3$ , pH around 8)
- Cosmetics industry (different grades as per requirement)
- Moreover the company is working on development of Electric bulb powder (99.5%  $\text{CaCO}_3$ , pH around 8)

*(Appraisal Report of the Industrial Development Bank of India Limited)*

The specifications of the products are as per the following:

- Purity: 98.5% (99.5% food grade)
- Whiteness: 95% to 98%
- pH:  $9.5 \pm 0.5$  (around 8 for food grade)
- Bulk density: We offer various bulk densities ranging from 0.35g/ml to 0.80g/ml (the bulk density mentioned is obtained after 50 strokes)

The Company manufactures different grades of Precipitated Calcium Carbonate (PCC) for different industries. They also manufacture special grades to suit the special requirements of any customer, depending on the quantity of the order. Special grade Calcium Carbonate is highly pure containing 99.5%  $\text{CaCO}_3$ . Since other impurities are very low, the whiteness is high. Further processing is possible to remove any impurity as required by the customer.

In January 2006, the company has taken up a project to manufacture additional 20,000 MT dedicated primarily to Paper, and also to PVC industries as well as an additional 3 MW captive power plant to meet the increased requirement of capacities and balancing of power for standby requirements. The location is at the Company's present facilities at Muzaffarnagar, in the state of Uttar Pradesh, which is close to raw material source.

The proposed technology doesn't involve any chemical change in the product and the limestone powder obtained after grinding is classifiable under Tariff Item 2521 00 90 which attracts a Nil Excise duty. Hence, the manufacture of Ground Calcium Carbonate through the proposed technology for expansion would be excise duty free.

*(As per Legal Opinion dated 22<sup>nd</sup> March, 2006 of Mr. V. Lakshmi Kumaran, Advocate, Lakshmi Kumaran and Sridharan, New Delhi, Legal expert in the area of Excise Duty)*

The brief project plan of the Company is as mentioned herein below:

- 1) To expand the existing capacity by setting up a 20,000 TPA special grade Ground Calcium Carbonate Unit.
- 2) To set up an additional 3 MW captive power plant at its manufacturing facilities at Muzaffarnagar.
- 3) To meet the long-term working capital requirement of the company.
- 4) To raise resources for general corporate purposes, if any.



## **DETAILS OF THE BUSINESS**

### **Calcium Carbonate:**

Calcium Carbonate is known as  $\text{CaCO}_3$  in Chemical terminology. The chemical formula  $\text{CaCO}_3$  covers a raw material, which is widespread throughout nature, whether dissolved in rivers and oceans, in molten form as "cold" carbonatite-lava, or solid as a mineral in the form of stalactites, stalagmites or as the major constituent of whole mountain ranges. Plants and animals need Calcium Carbonate to form their skeletons and shells. In fact, when considering our lives, modern mankind could hardly imagine existing without Calcium Carbonate. Almost every product in our daily lives either contains Calcium Carbonate or has some association with the mineral during its production.

The Earth's crust contains more than 4% Calcium Carbonate. As a result, the three Calcium Carbonate minerals - Calcite, Aragonite and Vaterite - are among the most important rock-forming minerals. Rocks are not the only Calcium Carbonate deposits in nature, most stretches of water and countless plants and animals contain huge amounts of Calcium Carbonate. The link between these natural resources is the Calcium Carbonate cycle.

(Source: *The European Calcium Carbonate Association (Member of IMA-Europe, [www.ima-eu.org/cca.html](http://www.ima-eu.org/cca.html))*)

### **General Information:**

Formula:	$\text{CaCO}_3$
Names:	Calcium Carbonate, Limestone (and Marble), Chalk and Calcite
Molar Mass:	100.1 g
Percent Composition by Mass:	Ca= 40.1 %, C = 12.0%, O= 48.0 %
Percent Composition by Number:	Ca=20%, C= 20%, O = 60%
Bond Type:	Ionic- $\text{Ca}^{2+}$ ions and $\text{CO}_3^{2-}$ ions join to form crystals
Crystal Type:	Usually rhombohedra because of cleavage properties.
Cleavage:	Perfect in three directions
Melting Point:	826 degrees C
Color:	Usually white or transparent but comes in a variety of colors including yellow, pink and gray
Density:	2.7
Hardness:	3 (on Moh's scale)

Industrial Calcium Carbonate ( $\text{CaCO}_3$ ) is produced in two ways:

- by extraction / milling of natural ore (Ground Calcium Carbonate - GCC); and
- by chemical precipitation (Precipitated Calcium Carbonate – PCC & Activated Calcium Carbonate- ACC)

The suitable ore-bodies for producing GCC include chalk, limestone, marble, and taverine. Sufficiently pure ore-bodies are selected to allow direct exploitation. PCC is produced as a by-product of caustic soda synthesis or through a recarbonizing process. Both GCC and PCC fit to high-level specifications. Dolomite is a double carbonate of calcium and magnesium. The main applications of GCC, PCC and dolomite include paper, paints, plastics, pharmaceuticals, etc.

(Source: <http://www.ima-eu.org/en/calciumcarb.htm>)

The natural ground Calcium Carbonate and the precipitated material compete industrially, based primarily on particle size and the characteristics imparted to the product. A finer and more uniform particle size, a narrower particle size range and a higher degree of chemical purity distinguish the precipitated types.

### **PRECIPITATED CALCIUM CARBONATE**

Precipitated Calcium Carbonate is basically a Calcium Carbonate made under controlled condition, bleached, cleaned to get finest, brightest white micro particles. It is preferred in industry due to ease of dispersion and consistency.

Chemical Formula:  $\text{CaCO}_3$  (Max 98%)

Physical Properties:	Chemical Composition:
Sp. gravity: 2.5 to 2.7 Bulk density: 0.6 to 0.8 Oil absorption value: 40 to 50 pH of 10% sol.: 8.5 to 8.8 Loss on ignition: Max. 0.5 Water soluble matter: Max. 1% Volatiles: Max. 1%	Calcium Carbonate Content: Min. 98.0% Silica as $\text{SiO}_2$ : Max. 0.3% Magnesia as $\text{MgO}$ : Max. 0.5% Sulfate as $\text{SO}_4$ : Max. 0.3% Chloride as $\text{Cl}$ : Max. 0.1% Fe, Al, $\text{PO}_4$ , & Matter Insoluble: Max. 0.5% Soluble Alkali as $\text{Na}_2\text{O}$ : Max. 0.2%

#### Industrial Applications:

Plastics/PVC : Most preferred mineral in PVC chappal (slipper), wires & cables, PVC pipes and industrial products.

Rubber : Widely used in high value rubber products.

Paints : Versatile application in paint industry. Used in distempers, emulsion paints, architectural finishes, flat paints, traffic paints, industrial primer, undercoats, putties and many others.

Paper Industry : Most convenient filler in paper manufacture. Also used in soft boards.

Toothpastes : Used as filler in its production

Other Application: Used widely in construction chemical, rigid, PVC pipes, leather cloth industry, cable compound, and used for dusting, polishing, neutralising and other processes.

#### NATURAL CALCIUM CARBONATE

Chemical Formula:  $\text{CaCO}_3$  98% Min.,  $\text{MgCO}_3$  1%

Physical Properties	Chemical Composition
Sp. gravity : 2.7 Bulk density : 1.4 to 1.42 Oil absorption value : 13 to 22 pH of 10% slurry : 9 to 10 Water soluble matter: Max. 1% Volatile matter: Max. 0.5% Refractive index : 1.5	$\text{CaCO}_3$ : 98.5% $\text{MgCO}_3$ : 01.00% $\text{Fe}_2\text{O}_3$ : 00.03%

#### Industrial Applications :

1. Paints : Used in bulk in economic quality cement primer, wood primer, cement paint, metal primer, distemper, emulsion paint, texture coating and many others.
2. Plastics : Used in rigid PVC pipes, footwear, cables, leather cloth, and many others.
3. Rubber : Used in rubber industry as a bulk filler, in many rubber products.
4. Construction Chemical: Used in variety of construction chemical products, water proofing compounds etc.
5. Tiles and Ceramics: Important filler in tile manufacture and also as glazing material and body constituent of Ceramic tiles.
6. Misc. Application : Used in pollution control, neutralising chemicals for acid wash, and source of calcium salt. Applications of this are also in bulk industries like cement, steel and others.

#### Limestone: The basic raw material for Calcium Carbonate

Limestone is the most abundant of all commercially used sedimentary rocks. It is formed in marine, and sometimes-fresh water environments by the accumulation of shells and skeletons to form Calcium Carbonate layered beds.

In other cases, direct precipitation is responsible for limestone formed as Stalactites, Stalagmites, Oolitic Limestones and Travertine. Limestone commonly contains three minerals:

- Calcite
- Polymorph Aragonite
- Dolomite.

Physical properties of limestone, such as colour, reflectivity, crystal size, particle size, density, absorption characteristics and hardness, all are significant factors for uses in various fillers.

Limestone is generally abundant, but the high quality Limestones required by industry are uncommon. In terms of total tonnage, limestone ranks among the top four of all mineral commodities. Lime is the second most used chemical after silica in most countries.

(Source: Department of Natural Resources and Mines, The State of Queensland, 2005 website: <[www.nrm.qld.gov.au](http://www.nrm.qld.gov.au)> <<http://www.nrm.qld.gov.au/factsheets/pdf/mines/m12.pdf>>)

## **LOCATION OF THE PROJECT**

**Existing Project:** The Company is presently engaged in the manufacture of activated and precipitated Calcium Carbonate with an installed capacity of 70,000 MT per annum at the Registered Office and Factory at 9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh – 251 001, around 130 kms from Delhi. The production facilities are placed on 1,20,000 sq.m area with more than 15,000 sq.m covered space.

**Proposed Project:** The Company proposes to set up facilities having a capacity of 20,000 MT dedicated for Paper and PVC industry and an additional 3 MW captive power plant to meet the increased requirement of capacities and balancing of power for standby requirements. The location is at the existing manufacturing facilities at 9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh – 251 001. The Company has sufficient surplus land of 25,000 sq. metres for setting up the proposed GCC and Power plant.

The plant site of the Company has the following location advantages:

- i. The raw materials required for the plant is available in proximity, as major quarries exist in the nearby towns of Dehradun, in the state of Uttarakhand and Pantnagar, in the state of Himachal Pradesh.
- ii. Water, which is primarily sourced through tube well, is available in abundance.
- iii. Cheap and skilled manpower is available in plenty.
- iv. Paddy husk, bagasse, and Charcoal, being essential inputs for the Power plant are available locally.

**PLANT & MACHINERY, TECHNOLOGY, PROCESS ETC.**

*The following costs have been derived based on Appraisal Report of the Industrial Development Bank of India Limited, Quotations received from Suppliers, and the Company's estimates.*

**GROUND CALCIUM CARBONATE UNIT**

Details of Imported Machinery, which is proposed to be purchased are as follows and orders for the same have been placed:

Sl. No.	Particulars	No. of Units	Price (Rs. lakhs)	Name of Supplier from whom quotations have been obtained
1.	Classifier HTS 400/4 – 1 No.	1	60.00	IVA Industrieberatung GmbH, Germany Order No. : 40622/A Date of Order: December 12, 2005 Expected date of delivery: 1 Classifier HTS 400/2 consisting of 2 classifier heads have been received by the Company.
			65.00	Order No.: 40622 Date of Order: November 11, 2005 The order is yet to be placed. However, the Company intends ensuring delivery of the same on or before 31 <sup>st</sup> December, 2006.
	<b>TOTAL</b>		<b>125.00</b>	

Details of Indigenous Machinery, which is proposed to be purchased are as follows and the status of orders is as mentioned therein:

Sl. No.	Particulars	No. of Units	Price (Rs. lakhs)	Name of Supplier from whom quotations have been obtained
1.	Jaw Crusher Ball Mill	1	174.20	Being fabricated in-house.  Iron and Steel already procured and delivery received from M/s Khandelwal Steel Centre.  The equipment has already been fabricated in-house.
2.	Radial Fan	2	23.30	M/s Batliboi Quotation No. P/N/Gulshan/IF4506 dated 19.9.2005. Order yet to be placed.
3.	Rotary Valve	6	5.40	M/s Ricon Engineers Quotation No. RE/229/2005-2006 dated 16.9.2005. Order yet to be placed.
4.	Dedusting Filter	1	40.00	M/s SAF Filter (P) Ltd. Quotation No. SAF/KOL/OFF/GSCL/16 dated 16.11.2005. Order yet to be placed.
5.	Grinding Media	2000 Kgs	18.00	M/s Indo Glass Bead Ltd. Quotation No. IGB:028/2005-2006/Glass Beads dated 8.12.2005. Order yet to be placed.
6.	Bead Mill	4	50.00	Being fabricated in-house.  Iron and Steel already procured and delivery received from M/s Khandelwal Steel Centre.  The equipment has already been fabricated in-house.
7.	Miscellaneous Equipments - Dosing Pump	2	97.42	M/s B-tech Engineers Pvt. Ltd.

	<ul style="list-style-type: none"> <li>- Magnet Suitable</li> <li>- Flap</li> <li>- Roots Blower</li> <li>- Pressure Safety Device</li> <li>- Fluidization sets</li> <li>- Hopper, Packing</li> <li>- All related piping, connecting and pcs etc.</li> <li>- Film Driers</li> </ul>	20 10 1 4 16 1 1 4		Quotation No. bsb/del/039a dated 10.12.2005.  4 Film Driers costing Rs. 46 lakhs has already been fabricated. Orders are yet to be placed for the balance miscellaneous equipments.
8.	Wood Fired Gassifier	1	130.38	M/s Ankur Scientific Energy Technology Pvt. Ltd. Quotation No. IF/INTRO/05-06/816 dated 30.11.2005. Order yet to be placed.
9.	Fabricated Machines - Final Products SILO - SS Tanks constituting pumps, silo, diverted flap, slide screw, dosing screw, injectors, slide gates, sets of level indicators, spout packing scheme, control system, feed hopper	-	169.00	Iron and Steel already procured and delivery received from M/s Khandelwal Steel Centre.  All the equipments have been fabricated in-house except for the following: i. Final Products SILO: To be fabricated by November 2006. ii. Spout Packing Scheme to be fabricated by November 2006. iii. Control Sytems and Feed Hopper to be fabricated by November 2006.
	<b>TOTAL</b>		<b>707.70</b>	

#### POWER PLANT

Details of Indigenous Machinery, which is proposed to be purchased are as follows and the status of orders is as mentioned therein:

Sl. No.	Particulars	No. of Units	Price (Rs. lakhs)	Name of Supplier from whom quotations have been obtained
1.	Boiler 30 TPH 65 KG/COM2 G Pressure	1	424.00	M/s Thermodyne Technologies Pvt. Ltd. (The Company has received Quotation no. TTPL/SM/77 dated 30.11.2005 for 30 TPH 65 KG/Cm2 (g) Pressure.)  Order has been placed for the same vide Order No. GSCL/166C/2006-07 dated 20.9.2006. Date of Order: 20.9.2006 Date of Delivery: On or before January, 2007.
2.	3 MW back-Pressure Turbo Alternator Set	1	396.20	M/s Triveni Engineering and Industries Ltd. The Company has received Quotation dated 30.11.2005. Order No. GSCL/120A/2006-07 dated 20.9.2006. Date of Order: 20.9.2006. Date of Delivery: On or before February, 2007.
3.	Reverse Osmosis Plant	1	40.62	M/s Hyper Filtration Pvt. Ltd. Order No. GSCL/101/2005-06 dated March 29, 2006. Date of Order: 29.3.2006 Date of Delivery: In January, 2007.
4.	Air Drying and Cooling System	1	25.53	M/s MVS Engineering Ltd. Quotation No. MVS/11601 dated 28.11.2005. Order yet to be placed.
	<b>TOTAL</b>		<b>886.35</b>	

Details of the above are enumerated in the following paragraphs:

#### I. GROUND CALCIUM CARBONATE (GCC) UNIT WITH 20,000 TPA CAPACITY

##### A. Jaw Crusher and Ball Mill

Proposed Supplier: M/s. Precious Fab-Cast Pvt. Ltd. 4809, Phase IV, G.I.D.C. Ind. Estate, Vatva, Ahmedabad, India - 382445 vide their Quotation offer no. PFC:867:05 dated 26.9.2005

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	Jaw Crusher JP 24" x 16"	24" x 16" Double Toggle Machine 30 H.P. Power	Mild Steel lined with manganese steel	1
2.	Ball Mill PCBM - IV	1.6m x 5.7 m	Grinding Chamber wire slot Wall inside with manganese Steel lines	1
3.	Hammer Mill PHM 2B	Feed Rate - 0.5 mm Product Size - 0 to 5.0 mm 60 H.P.	Mild Steel lined with manganese steel	1
4.	Bucket Elevator	Size of Bucket 6" x 4" and height 12 metre	Mild Steel lined with manganese steel	1
5.	Conveying Screw	8" size and 12 metre long with 3 H.P. motor	Mild Steel lined with manganese steel	1
6.	Conveying Screw	12" and 5 meter long with 3 H.P. motor	Mild Steel lined with manganese steel	1

##### Estimated Cost of the Section:

Prices for Jaw Crusher, Ball Mill, Hammer Mill, Slide Screw, Dosing Screw and Conveying Screw are as under:

Rs. in lakhs		
Sl. No.	PARTICULARS	COST
1.	Jaw Crusher JP 24" x 16"	8.15
2.	Ball Mill PCBM – IV	112.21
3.	Hammer Mill PHM 2B	10.75
4.	Bucket Elevator	5.55
5.	Slide Screw	0.44
6.	Dosing Screw	1.20
7.	Conveying Screw	1.40
	<b>Basic Total</b>	<b>139.70</b>
	Excise Duty @ 16.32%	22.80
	Sales tax @ 4%	6.50
	Packing, forwarding, Transportation, Transit Insurance, Service tax etc.	5.20
	<b>TOTAL COST</b>	<b>174.20</b>

The equipment has already been fabricated in-house.

##### B. RADIAL FANS

Proposed Supplier: M/s. Batliboi, 25/26, Deonar Ancillary, Industrial Estate, Deonar, Govandi (W), Mumbai, India Pin – 400 043 vide their Quotation offer no. P/N/Gulshan/IF4506 dated 19.9.2005.

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	Radial Fan Big	600 m <sup>3</sup> / hr Flow volume total pressure 200 Pa with 2900 r.p.m.	MS: IS: 2062	1

2.	Radial Fan Small	Two Stage, Centrifugal Type, Flow rate 10,000 M <sup>3</sup> /Hr, connected motor rating 110 kw/2 pole.	MS:IS:2062	1
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#### Estimated Cost for Radial Fans

Rs. In lakhs

Sl. No.	PARTICULARS	COST
1.	Radial Fan Big	15.83
2.	Radial Fan Small	2.35
	<b>Basic Total</b>	<b>18.18</b>
	Excise Duty@ 16.32%	2.96
	Sales tax@ 4%	0.85
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	1.30
	<b>TOTAL COST</b>	<b>23.30</b>

Quotations received and Orders yet to be placed. Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus.

#### C. ROTARY VALVES

Proposed Supplier: M/s. Ricon Engineers, 6-A, Archana Ind. Estate, Opp. Ajit Mill, Rakhial, Ahmedabad, India- 380023 vide their Quotation offer no. RE/229/2005-2006 dated 16.09.2005

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	Small Size	8" size	Stainless Steel	2
2.	Medium Size	10" size	Stainless Steel	2
3.	Big Size	12" size	Stainless Steel	2

#### Estimated Cost for Rotary Valves

Rs. in lakhs

Sl. No.	PARTICULARS	COST
1.	Small Size (2 Nos.) @ Rs. 35,600 each	0.71
2.	Medium Size (2 Nos.) @ Rs. 59400 each	1.18
3.	Big Size (2 Nos.) @ Rs. 1,14,000 each	2.28
	<b>Basic Total</b>	<b>4.18</b>
	Excise Duty @ 16.32%	0.68
	Sales Tax @ 4%	0.20
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	0.35
	<b>TOTAL COST</b>	<b>5.40</b>

Quotations received and Orders yet to be placed. Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus.

#### D. DEDUSTING FILTERS

Proposed Supplier: M/s. SAF Filter (P) Limited, 34 Chittaranjan Avenue, Kolkata, West Bengal, India- 700012 vide their Quotation offer no. SAF/KOL/OFF/GSCL/16 dated 16.11.2005

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	Dust collector filter bags	140mm x 3 m Grade N-14 & Grade N-14 special finish	100% Polyester Imported 550 GSM Nonwoven Fabric	5200 x 2
2.	Wire Cage	4mm diameter	Mild steel	5200
3.	Ventury for above cage	-	Aluminium	5200

#### Estimated Cost

Rs. In lakhs		
SI. No.	PARTICULARS	COST
1.	Dedusting filters with total assembly	32.45
	<b>Basic Total</b>	<b>32.45</b>
2.	Excise Duty@ 8.16%	2.65
3.	Sales Tax @ 4%	1.40
4.	Packing, forwarding, transportation, transit Insurance, Service tax etc.	3.50
	<b>TOTAL COST</b>	<b>40.00</b>

Quotations received and Orders yet to be placed. Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus.

#### E. GRINDING MEDIA

Proposed Supplier: M/s. Indo Glass Beads Limited, H-2, Panchal Industrial Estate, God Deo Road, Bhayander (East), Distt.-Thane (W.Rly), Maharastra, India- 401105 vide their Quotation offer no. IGB: 028/2005-2006/Glass Beads dated 8.12.2005.

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	Grinding Media	Size 0.8mm to 1.2mm	Soda Lime Silica Glass Beads	2000 kgs

#### Estimated Cost

Rs. In lakhs		
SI. No.	PARTICULARS	COST
1.	2000 Kg of Grinding Media	14.00
	<b>Basic Total</b>	<b>14.00</b>
	Excise Duty	-
	Vat @ 12.55%	1.76
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	2.24
	<b>TOTAL COST</b>	<b>18.00</b>

Quotations received and Orders yet to be placed. Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus.

#### F. BEAD MILL

Proposed Supplier: M/s. Sellon Dynamics Pvt. Ltd., Ground Floor, Parnakuti, Tilak Mandir Road, Ville Parle East, Mumbai, India- 400057 vide their Quotation offer no. Nil dated 15.12.2005.

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	Continuous Bead (Sand) Mill	Vertical Open Type Continuous Bead Mill. Discharge upto 40 LPM. 30 HP Drive	Stainless Steel	1



**Estimated Cost**

		Rs. In lakhs
Sl. No.	PARTICULARS	COST
1.	Continuous Bead (Sand) Mill	9.12
	<b>Basic Total</b>	<b>9.12</b>
	Excise Duty @ 16%	1.46
	Sales Tax @ 4%	0.42
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	1.50
	<b>TOTAL COST per machine</b>	<b>12.50</b>
	<b>TOTAL COST for 4 machines</b>	<b>50.00</b>

The equipment has already been fabricated in-house.

**G. MISCELLANEOUS EQUIPMENTS**

Proposed Supplier: M/s B-tech Engineers Pvt. Ltd., F-3 A, Mukh Ram Garden, Tilak Nagar, New Delhi-110018 vide their Quotation offer no. bsb/del/039a dated 10.12.2005

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	Dosing Pump	Flow Rate 5000 Litres per second, reciprocal type	Mild Steel	2
2.	Magnet Suitable	200 weber intensity, 4 x 4 inch		20
3.	Flap	8" size	Rubber (Neoprene)	10
4.	Roots Blower	Dia. 200 inch, Lobe type with rate of flow 5500 M <sup>3</sup> /hr and pressure of 1250 Pa	Mild Steel	1
5.	Pressure Safety Device	Spring Type, maximum pressure 5 Kg/cm <sup>2</sup>	Mild Steel	4
6.	Fluidization Sets	Spray type rate of flow 500 LPH	Mild Steel	16
7.	Hopper, Packing	Automatic operations with Capacity 120 bags/hr	Mild Steel	1
8.	All related piping connecting & pcs etc.	Accessories include Bends, elbows, joint and fittings	Mild Steel	1
9.	Film Driers	Dimensions 6"x 8"	Mild Steel	8

**Estimated Cost:**

		Rs. in lakhs
Sl. No.	PARTICULARS	COST
1.	Dosing Pump	3.00
2.	Magnet Suitable	3.50
3.	Flap of 8"	1.80
4.	Roots Blower	4.10
5.	Pressure Safety Device	1.00
6.	Fluidisation Sets	5.70
7.	Hopper, Packing	10.00
8.	All related pipings connecting & pcs etc.	15.00
9.	Film Driers	40.00
	<b>Basic Total</b>	<b>84.10</b>
	Duties/Taxes/Freight etc.	13.32
	<b>TOTAL COST</b>	<b>97.42</b>

The Film Driers have already been fabricated in-house. Quotations received for the balance equipments, and Orders for the said equipments yet to be placed. Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus.

## H. WOOD FIRED GASIFIER

Proposed Supplier: M/s. Ankur Scientific Energy Technology Pvt. Ltd., "Ankur", Near Old Sama Jakat Naka, Baroda, India- 390008 vide their Quotation offer no. IF/INTRO/05-06/816 dated 30.11.2005.

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	Biomass Gasifier Model AG-500	Specific Fuel Consumption Diesel: 100 C.C. Wood: 1 Kg. Rice Husk: 1.4 Kgs.	Mild Steel	1

### Estimated Cost

		Rs. in lakhs
SI. No.	PARTICULARS	COST
1.	Biomass Gasifier with all accessories and auxiliaries inclusive of gas cooling and cleaning system as well as automatic controls	64.65
	<b>Basic Total</b>	<b>64.65</b>
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	0.54
	<b>TOTAL COST per machine</b>	<b>65.19</b>
	<b>TOTAL COST for 2 machines</b>	<b>130.38</b>

Quotations received and Orders yet to be placed. Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus.

## I. FABRICATED MACHINES

Proposed Supplier: Local dealers and suppliers of iron and steel. Shall be made through negotiated transaction. The machines would be fabricated at the current plant location through inhouse technology.

### Estimated Cost

		Rs. In lakhs
PARTICULARS	VALUE	
Final Products SILO	70.00	
Wet Process:		
SS Tanks :		
2M3 with agitators with pumps	4.00	
6M3 with agitators with pumps	8.00	
15M3 with agitators with pumps	15.00	
Silo	10.00	
Diverter Flap	2.20	
Set of Level Indicators	0.60	
Slide Screw	0.50	
Dosing Screw	1.90	
Injectors	1.00	
Sets of Level Indicators	1.30	
Slide Gates	1.00	
1 Spout Packing Scheme	17.50	
Control System	33.00	
Feed Hopper	3.00	
<b>TOTAL (Fabricated equipments)</b>	<b>169.00</b>	

(As per Industrial Development Bank of India Limited)

Orders placed for supplies of Steel, and substantial deliveries made.

The SS Tanks, Silo, Diverter Flap, Set of Level Indicators, Slide Screw, Dosing Screw, Injectors, Set of level indicators, and Slide Gates have already been fabricated in-house. The Final Products Silo, 1 Spout Packing Scheme, Control System, and Feed Hopper is likely to be fabricated in-house by November, 2006. For details of the fabrication and supplies of Steel, please refer to page no. 87 to 88 below in this Prospectus. Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus.

#### J. IMPORTED MACHINES

Proposed Supplier: M/s. IVA- Industrieberatung GmbH, Junkersstraße, 1 ½, D-86343, Königsbrunn, Germany vide their Contract/Order Confirmation no. 40622 dated 10.11.2005.

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	Classifier	Turbo-classifier Type HTS 400/1 with 1 wheel of dia. 400mm, single 15kW Motor and max. speed of 3000 rpm.	Mild Steel	1
2.	Classifier	Turbo-classifier Type HTS 400/3 with 3 wheel of dia. 400mm, three 15kW Motor and max. speed of 3000 rpm.	Mild Steel	1

#### Estimated Cost

				Rs. In lakhs
SI. No.	PARTICULARS	EURO	INR	COST
1.	Classifier HTS	120,000		
2.	Packing and Forwarding	10%		
3.	Shipping and Freight	12%		
4.	Insurance	2.5%		
		<b>25%</b>		
		29,400		
		<b>1,49,400</b>		
	Conversion Rate	1 € = 60 INR	89,64,000	89.64
	Customs Duty	16%	14,34,240	14.34
	Sub Total	15%	1,03,98,240	103.98
	CVD		15,59,736	15.60
	Local Transportation		5,00,000	5.00
	<b>TOTAL COST</b>			<b>124.58</b>

**Say Rs. 125 lakhs**

Cost of the Equipment : EURO 1,20,000 FOB European Port or FOB German Seaport

#### Payment Schedule :

Payment 30% down payment against receipt of contract/order confirmation  
And down payment invoice by T/T transfer  
Against irrevocable, confirmed L/C, payable at sight, issued by a prime bank.

65% against shipping documents  
5% against acceptance certificate, but not later than 4 months after delivery

All commission and charges will be paid by GSCL.

Time of Delivery : Approximately 4-5 months after receipt of Order and clarification of all technical and commercial details, as well as receipt of down payment.

Order has been placed by the Company for procurement of One Classifier HTS 400/2 vide their Contract/Order Confirmation no. 40622/A dated December 12, 2005.

The Company has paid an advance of EURO 17,250 on January 12, 2006 on an exchange rate of 1 EURO equalling Rs. 54/-. The Company has made a further payment of 37,375 EUROS on an exchange rate of 1 EURO equalling Rs. 59.59/-

M/s IVA Industrieberatung GmbH, Germany has delivered 1 Classifier HTS 400/2 consisting of two classifier heads to the Company.

### **Project Management Work**

The Company has also entered into an agreement with IVA Industrieberatung GmbH, Germany for supply of technology, equipments, design and drawings, clarification of raw material quality and grindability, visit if reference plants, project management and consultancy; vide order confirmation no. 10615 dated 10.11.2005.

The total cost of Project Management:

EURO (€) 40,000 = Rs. 24,00,000/- at a conversion rate of 1 € = Rs. 60.00

Payment Schedule:

1. 50% down payment against receipt of contract/ order confirmation and down payment invoice by T/T transfer.
2. 50% against presentation of the documentation by T/T transfer.

For details regarding technical collaborations please refer to Technical Collaboration Section on page number 89 to 91 of the Prospectus.

The Company has paid an advance of EURO 20,000 towards Project Management Work on November 2, 2005, at an exchange rate of 1 EURO equalling Rs. 54.81.

## **II. 3 MW CAPTIVE POWER PLANT**

For the Captive Power Plant, GSCL proposes to purchase Boiler with rating of 30 TPH, 65 KG/ CM<sup>2</sup> G, 485 degree C from Thermodyne Technologies Pvt. Limited, 3 MW steam extraction cum condensing turbine from Triveni Engineering and Industries Ltd.; Reverse Osmosis Plant from Hyper Filtration Pvt. Limited; and Air Drying and Cooling Unit from MVS Engineering Limited.

### **i. BOILER 30 TPH 65KG/CM<sup>2</sup> G PRESSURE**

Proposed Supplier: M/s. Thermodyne Technologies Pvt. Limited, No. 25, 12<sup>th</sup> Cross Street, Shastri Nagar, Adyar, Chennai, India, Pin - 600020 vide their Quotation offer no. TTPL/SM 77 dated 30.11.2005.

- 1 No. Steam drum with dished ends and necessary drum internals.
- 1 No. Water drums with dished ends.
- Water wall bottom headers and top headers.
- Risers and downcomers.
- Furnace water walls of Membrane Panel construction.
- Two stage super heater consisting of SH coils, inlet & outlet headers.
- Interstage spray type Attenuator.
- Boiler bank tubes.
- Necessary buckstays for the furnace.
- Dumping grate with 2 sections.
- 2 Nos. of pneumatic spreaders for bagasse.
- 2 Nos. of drum feeders 2 Nos. screw feeders for bagasse drive
- 1 No. forced draft fan with squirrel cage induction motor.
- Necessary supporting structure, platforms, ladders.
- 1 No. 2 pass tubular air heater with supporting structure.
- 1 No. bare tube economiser with inlet and outlet headers, supporting structure.
- Gas ducting from boiler to economiser, economiser to air heater, air heater to ID fan through dust collector and ID fan to chimney (max 10 N) with damper and expansion joints.
- Air ducting from ID fan to the air heater, air heater to bottom of the grate and from secondary air fan to pneumatic spreaders and overfire air nozzles with necessary dampers and expansion joints.
- Refractory for combustion chamber and Insulation for the boiler, air heater economiser, dust collector, flue gas ducting and hot air ducting.

- Aluminium cladding for boiler and bitumen finish for ductings and auxiliaries.
- 5 Nos. of soot blowers with isolation valves and drain valves.
- Valves and fittings as declared elsewhere in this proposal.
- Controls and Instrumentation as described elsewhere in this proposal.
- 1 No. boiler instrument control panel with necessary indicators and gauges.
- Feed piping from feed pumps to economiser and economiser to boiler drum.
- Auxiliary steam piping for soot blowers
- 1 No. drain header with drain piping upto blow down tank.
- 1 No. Mechanical Milticlone type Dust collector with hopper, rotary air lock valve with drive and supporting structure.
- Fuel Chutes from feeder to spreader.
- 2 Nos. electrically driven feed pumps with squirrel cage induction motor.
- 1 Nos. of electrically driven transfer pumps with motors.
- 1 No. Deaerator tank of 25 Cu.M/hr capacity with controls.
- 1 No. Deaerator tank of 10 cu.M capacity.
- 1 No. Feed Water tank of 10 cu.M capacity along with supporting structure.
- The set of HP and LP loading systems.
- Feed piping from transfer pumps to deaerator, deaerator to feed pumps inlet and feed pump recirculation line to deaerator tank.
- One number mild steel blow down tank (within 10 m of boiler house)
- Meter control Centre and electrical cabling from MCC to motors.
- 2 Nos. fuel silo of 10 minutes storage bagasse.
- Bagasse handling system upto inlet of bagasse silo.
- Ash handling system including ash storage silo.
- Chimney.

### **Instrumentations**

Following instruments complete with necessary pipes, leads between panel and the points of measurement are provided.

1. Steam flow meter of integrating, indicating and recording type.
2. CO<sub>2</sub> recorder.
3. Pressure gauges for boiler drum and superheater
4. Draft Gauge
 

a. On furnace	-	gas
b. Before economizer	-	gas
c. Before air heater	-	gas
d. Before mech. Dust collector	-	gas
e. Before ID fan	-	gas
f. After SA Fan	-	air
g. After FD Fan	-	air
h. After Air Heater	-	air
5. Multi point temperature indicator outfits for indicating the temp. of steam, feed water flue gases at the boiler outlet, economizer outlet, air heater outlet, air temperature at air preheater outlet, water temperature at economizer inlet and outlet.
6. Feed water outlet pressure gauge for boiler feed water pumps.
7. Steam pressure recorder- Feed water temperature recorder
8. Water flow meter of integrating, indicating and recording type- Flue gas temperature recorder (boiler outlet)
9. Three element level control
10. Direct reading level gauges in Steam Drum
11. Remote Level indicator
12. Deaerator level control
13. Deserator pressure control
14. Fuel feeder control
15. Temperature gauges for fluidized bed.

### **Boiler Controls**

Following are the controls provided for the boiler (All controls are micro processor based):

1. Three element drum level control
2. Furnace Draft Control
3. Combustion control
4. Deaerator Level Control
5. Deaerator Pressure Control
6. Attemperator Control

## Estimated Cost

		Rs. In lakhs
SI. No.	PARTICULARS	COST
1.	Boiler and Fuel Handling System	334.90
	<b>Basic Total</b>	<b>334.90</b>
	Excise Duty@ 16%	53.60
	Sales tax@ 4%	15.50
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	20.00
	<b>TOTAL COST</b>	<b>424.00</b>

Order has been placed for the same vide Order No. GSCL/166C/2006-07 dated September 20, 2006. The expected date of delivery is on or before January, 2007. Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus.

### ii. 3 MW BACK-PRESSURE TURBO ALTERNATOR SET

Proposed Supplier: Triveni Engineering and Industries Ltd. vide their Quotation dated 30.11.2005

#### Salient Features:

Quantity	One number
Output	3000 KW
Turbine Model Drive	Alternator
Rated Speed of Turbine	8325 RPM
Gear Output Shaft Speed	1500 RPM
Inlet Steam Pressure (Kg/cm2g)	65
Inlet Steam Temperature (Deg c)	485
Exhaust Steam Pressure (Kg/cm2)	1.5
Steam Flow (TPH)	20.0
Dimension of turbine	3600mm x 2600mm x 2500 mm
Weight	12500 KG
Type of Governor	Mechanical

		Rs. in lakhs
SI. No.	PARTICULARS	COST
1.	Basic Price for TG Set, Control Panel, Distribution Panel & De-superheating station and Process H.P./ L.P. Piping etc.	322.20
	<b>Basic Total</b>	<b>322.20</b>
	Excise Duty@ 16%	51.50
	Sales tax@ 4%	15.00
	Packing, forwarding, transportation, transit Insurance, Service tax etc.	7.50
	<b>TOTAL COST</b>	<b>396.20</b>

Order has been placed for the same vide Order No. GSCL/120A/2006-07 dated September 20, 2006. The expected date of delivery is on or before February, 2007. . Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus. Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus.

### iii. REVERSE OSMOSIS PLANT (15000 LPH)

Proposed Supplier: M/s. Hyper Filtration Pvt. Limited, 16/1, A-4, Site – IV, Industrial Area, Sahibabad, Distt., Ghaziabad, U.P., India- 201010.

## Salient Features:

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	<b>Pre-treatment for Reverse Osmosis System</b>			
	a. Raw Water Feed Pump	Mono-block 25000 LPH discharge capacity 7.5 H.P. drive motor	CI Body	2
	b. M.S. Rubber lined Multi-grade Sand Bed Filter	Operating Flow Rate 22000 LPH Operating Working Pressure 4.0Kg/cm <sup>2</sup>	MS Sheet IS2062 Internally rubber lined	1
	c. Antiscalant Treatment by Food Grade Chemicals	5 LPH capacity 0.3 H.P. Electronic metering Pumps		2
	d. Y-type Filters			2
	e. Micron Cartridge Filter	Rating 5 microns Flow rate 22000 LPH	Stainless Steel-316	6
2.	<b>Desalination by Reverse Osmosis</b>			
	a. Desalination Element Membrane	High rejection brackish water type, Size 8" x 40"	Composite Polyamide	15
	b. Membrane Housing	Horizontal pressure vessel type, testing pressure 600 PSI.	Heavy-duty FRP externally reinforce with SS-316	3
	c. High Pressure Pump	Vertical Multistage Centrifugal Type, discharge capacity 25000 LPH at 180 PSIG, 15 HP drive motor	SS-316	2
3.	<b>Post Treatment for Boiler Feed Water</b>			
	a. Aeration tower to achieve desired pH	Working Flow Rate 15000 LPH diameter 700 mm, height 2800mm, Max. working pressure 3.5 Kg/cm <sup>2</sup>	SS-316	1
	b. Air Blower for Degasser	Centrifugal type, discharge 1000 CFM@100 WC	MS	1
	c. Degased Water Storage Tank	Capacity 7500 ltrs.	HDPE	1
	d. Treated water feed pump	Horizontal Multistage/ Centrifugal, capacity 25000 LPH @ 40 MWC		2
	e. LP Dosing unit for pH Boosting	5 LPH capacity at 5 bar synchronized auto operation		1
	f. MS Rubber lined Mix bed polisher unit- I	CO Flow type 15000 LPH working flow rate with max. working pressure 3.5 Kg./cm <sup>2</sup>	MS Sheet IS 2069 Internally rubber lined	1
	g. MS Rubber lined Mix bed polisher unit- II to produce high purity demineralised water for high pressure boiler feed	CO Flow type 15000 LPH working flow rate with max. working pressure 3.5 Kg./cm <sup>2</sup>	MS Sheet IS 2069 Internally rubber lined	1
4.	<b>Routine membrane Flushing/ Cleaning system with tank SS flushing pump, micron filter and adequate</b>			

	<b>control system</b>			
	a. Permeate Water Storage tank	Capacity 3000 Litres	HDPE	1
	b. Flushing Pump	Horizontal Monoblock Centrifugal Type, discharge capacity 15000 LPH at 30 MWC, 5 HP drive motor	SS-316	1
	c. Micron Cartridge Filter	Rating 5 microns Flow rate 15000 LPH	Polypropylene	1
5.	<b>Process Control Instruments</b>			
	a. Flow Meter	Rotameter type		2
	b. Pressure Gauges	Rating 0-7 kg/cm <sup>2</sup> Back mounted type		8
	c. Testing Clock			2
	d. Low Pressure Switch	Capacity 0-100 OSIG		1
	e. High Pressure Switch	Capacity 0-400 PSIG		1

#### Estimated Cost

Rs. in lakhs		
Sl. No.	PARTICULARS	COST
1.	Water Purification Plant	35.50
	<b>Basic Total</b>	<b>35.50</b>
	Packing, forwarding, transportation, transit insurance, service tax etc.	5.12
	<b>TOTAL COST</b>	<b>40.62</b>

Order has been placed by the Company for procurement of Reverse Osmosis Plant vide their order no. GSCL/101/2005-06 dated 29.3.2006, the details of which are as under:

**Terms of payment :**

- Rs. 5 lakhs as advance.
- Rs. 30.62 lakhs payable against despatch of documents along with payment of duties, taxes, freight etc.
- Balance Rs. 5 lakhs after 60 days from successful run of the equipment.

**Delivery Schedule :** The Complete water treatment plant will be delivered in January, 2007.

#### iv. Air Drying and Cooling System

Proposed Supplier: M/s. MVS Engineering Limited, MVS House, E-24, East of Kailash, New Delhi, India-110065 vide their Quotation offer no. MVS/11601 dated 28.11.2005.

SL. NO	DESCRIPTION	TECHNICAL DATA	MATERIAL OF CONSTRUCTION	QTY.
1.	Air Compressor	Water cooled reciprocating lubricated vertical type, Capacity 100 CF, pressure at discharge 7 KG/cm <sup>2</sup> , 30 H.P.	Steel	1
2.	Electric Motors for compressor	30 H.P. 1440 r.p.m rating, with 415V, 50 Hz	Steel	1
3.	After Cooler	100 CFM capacity, Inlet temp 140° C, Outlet temp. 40° C, Flow Rate 1.5 M <sup>3</sup> /hr at 32° C	Carbon Steel	1
4.	Air Dryer	Heatless type, automatic 100 CFM capacity, operating pressure 7 Kg/cm <sup>2</sup> , Pressure at outlet 6.8 Kg/ cm <sup>2</sup>	Steel	1



5.	Cooling Tower	Rectangular shaped with 100 cubic meter per hour water circulating rate and In/Out temperature 40-32 Deg. C.	Mild Steel	1
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#### Utilities Requirement

- a. Electric Power at 415 Volts 18 KWH/Hr  
b. Cooling Water at 32° C temperature and 2.0 Kg/ cm<sup>2</sup>g Pressure 1.5 M<sup>3</sup>/Hr

#### ESTIMATED COST

		Rs. in lakhs
SI. No.	PARTICULARS	COST
1.	Air Drying System	17.49
2.	Cooling Water Unit	1.19
	<b>Basic Total</b>	<b>18.67</b>
3.	Excise Duty@ 16%	2.99
4.	Sales tax@ 4%	0.87
5.	Packing, forwarding, transportation, transit Insurance, Service tax etc.	3.00
	<b>TOTAL COST</b>	<b>25.53</b>

Quotations received and Orders yet to be placed. Please refer to para on Implementation Schedule at page no. 43-44 of the Prospectus.

*The Company, on account of the escalation made by the above Suppliers and the apprehension of further escalation in the price with respect to the Quotation, the Company has decided to design and fabricate the Jaw Crusher and Ball Mill, along with other accessories in-house instead of buying from the above Supplier. The cost of fabrication of such machines, and the cost of Steel that has been, and is proposed, to be procured to carry out the fabrications is as under:*

(Rs in lakhs)

		Original Cost	Purchase Price	-----Cost of Fabrication -----				
Name of the Equipment		Steel (MT)	Steel	Spare Parts, Gears etc	Machining & Motors	Other Labour Cost	Installation Accessories	Total
		Bought-out Cost					Revised	
Jaw Crusher	10.00	15.00	4.50	1.88	1.80	1.20	0.62	10.00
Ball Mill including Motor	139.20	180.00	54.00	36.75	25.06	16.70	6.69	139.20
Hammer Mill	13.10	18.00	5.40	2.85	2.36	1.84	0.65	13.10
Bucket Elevator	7.00	10.00	3.00	1.55	1.26	0.84	0.35	7.00
Conveying Belt - (Bought out)	2.80							2.80
Conveyer Screw	2.10	3.00	0.90	0.40	0.38	0.25	0.17	2.10
<b>Sub-total (Jaw crusher &amp; ball mill)</b>	<b>174.20</b>							<b>174.20</b>
Open Type Bead Mill (4 Numbers)	50.00	75.00	22.50	9.25	8.50	5.50	4.25	50.00
<b>Sub-total (Bead Mills)</b>	<b>50.00</b>							<b>50.00</b>
Miscellaneous Equipments								
Film Driers (4 Numbers)	46.00	75.00	22.50	10.12	6.50	3.50	3.38	46.00
<b>Sub-total (Film driers)</b>	<b>46.00</b>							<b>46.00</b>

*With the support of technical input from IVA Industrieberatung GmbH, the Company has started fabricating the above equipment at its production site. It has placed orders for procuring Steel (major construction material), from M/s Khandelwal Steel Centre, 71, Navyug Market, Ghaziabad, Uttar Pradesh. The Company has already taken delivery of the following material vide its Purchase Orders mentioned hereunder:*

i. Order No. 6-7/02/110 dated 17.2.2006 for an amount of Rs. 34.78 lakhs

				<b>Rs. in lakhs</b>
<b>Sl.No.</b>	<b>Description of Goods</b>	<b>Quantity (Kgs.)</b>	<b>Rate</b>	<b>Amount</b>
1.	ISMB 300 MM X 140 MM	23,067	34.00	7.84
2.	ISMB 250 MM X 125 M	42,000	32.00	13.44
3.	ISMB 200 MM X 100 MM	45,000	30.00	13.50
	<b>TOTAL</b>			<b>34.78</b>

ii. Order No. 6-7/102/120 dated 28.2.2006 for an amount of Rs. 24.33 lakhs

				<b>Rs. in lakhs</b>
<b>Sl.No.</b>	<b>Description of Goods</b>	<b>Quantity (Kgs.)</b>	<b>Rate</b>	<b>Amount</b>
1.	ISMC 175 MM X 75 MM	27,000	33.00	8.91
2.	ISMC 150 MM X 75 M	20,100	32.00	6.43
3.	ISMC 100 MM X 50 MM	31,000	29.00	8.99
	<b>TOTAL</b>			<b>24.33</b>

iii. Order No. 6-7/03/101 dated 16.3.2006 for an amount of Rs. 18.86 lakhs

				<b>Rs. in lakhs</b>
<b>Sl.No.</b>	<b>Description of Goods</b>	<b>Quantity (Kgs.)</b>	<b>Rate</b>	<b>Amount</b>
1.	ISA 65 MM X 6 MM	22,000	28.00	6.16
2.	ISA 50 MM X 6 M	18,000	26.00	4.68
3.	ISA 40 MM X 5 MM	15,000	26.50	3.97
4.	ISA 30 MM X 5 MM	15,000	27.00	4.05
	<b>TOTAL</b>			<b>18.86</b>

iv. Order No. 6-7/03/105 dated 24.3.2006 for an amount of Rs. 85.08 lakhs

				<b>Rs. in lakhs</b>
<b>Sl.No.</b>	<b>Description of Goods</b>	<b>Quantity (Kgs.)</b>	<b>Rate</b>	<b>Amount</b>
1.	ISMB 200 MM X 100 MM	52,000	30.00	15.60
2.	ISMC 100 MM X 50 M	53,000	29.00	15.37
3.	ISA 50 MM X 6 MM	42,000	26.00	10.92
4.	MS FLAT 75 MM X 8 MM	36,000	28.00	10.08
5.	MS SHEET 3 MM	42,000	32.00	13.44
6.	MS PLATE 8 MM	28,000	32.00	8.96
7.	MS ROUND 20 MM	42,000	25.50	10.71
	<b>TOTAL</b>			<b>85.08</b>

**GRAND TOTAL OF [ i + ii + iii + iv]**

**163.05**

All the above Orders aggregate to Rs. 163.05 lakhs.

#### **SUMMARY OF ORDER**

<b>SL.NO.</b>	<b>PARTICULARS</b>		<b>VALUE</b>	<b>%AGE</b>
A.	<b>Total Cost of Plant &amp; Machinery:</b>			
	- Domestic	1760.00		
	- Imported	125.00	1885.00	100.00%
B.	<b>Value of Orders placed:</b>			
	- Domestic	1300.00		
	- Imported	60.00	1360.00	72.15%
C.	<b>Value of Orders yet to be placed:</b>			
	- Domestic	460.00		
	- Imported	65.00	525.00	27.85%

No second hand machinery has been bought and neither is any proposed to be bought.

## TECHNOLOGY

### For manufacture of PCC

The Company presently has been using precipitation process for production of various grades of PCC. In this process, lime stone is subjected to calcination under very high temperature. Lime is obtained from the bottom and the gasses are removed from the top. Lime so obtained is hydrolised and subjected to fine sieving to remove the foreign materials. The gasses so obtained at the top are subjected to washing. Hydrolised lime and vent gasses are passed through a reactor where carbonation is obtained at specified conditions. The carbonated slurry is dried to achieve the final product in the specially designed dryers.

### Technology for manufacture of GCC

Lime stones obtained from quarries are fed to the crushing plant where a size of 50mm-70 mm is obtained. It is further crushed to 5 mm size by a hammer mill. The product is ground in a ball mill for achieving further finer sizes of 0-5 mm. The GCC so obtained is separated into various sizes ranging from 6 microns to 20 microns. The GCC of more than 20 microns is recycled for further processing in the ball mill. The process is environmental friendly as it envisages the installation of de-dusting automatic filters. From the above technology, GCC of minimum particle size distribution (PSD) of 6 microns are produced. For PSD below 6 microns, further steps will be carried out by way of wet grinding process. In this process, PSD above 6 microns will be subjected to grinding in wet grinding machine equipped with specific grinding media so as to produce PSD of about 2 microns.

### *Selection of GCC technology for paper industry*

PCC technology is conventionally a precipitation technology where functional fillers are produced. PCC finds application where areas of functional coupling with molecules are required i.e., toothpastes, pharmaceuticals and other hygienic applications. Whereas, paper industry focuses on improvement of its physical properties. The same is achieved by GCC as it disperses between the paper fibres.

## TECHNICAL COLLABORATION FOR PROPOSED PROJECT

GSCL has entered into an agreement with IVA Industrieberatung, GmbH, Germany (IBG) vide Contract/Order Confirmation No. 10615 dated November 10, 2005 for setting up the GCC project. The scope of work includes supply of technology, providing design and drawings, equipment design and drawing for indigenous equipment, supply of all the major equipment, their installation, erection and project management work.

The project management work includes following services:

- Clarification of raw material quality and grindability.
- Visit of reference plants.
  - IVA will arrange a visit of 4 plant people from GSCL in Germany to visit IVA's reference plant at Geomin. The expenses for this visit will be covered by GSCL.
- Clarification of plant concept.
- Flowsheet
- PID diagram
- Layout
- Electrical interlocking and electrical panel circuit diagram
- Specification for purchase orders for local supplied equipment
- Engineering for local parts
- Assistance for purchasing
- Standard steel structure building drawing
- Foundation drawings
- Consultancy visit after layout
- Assistance for erection (supervision)
- Commissioning of the plant

For the above services, the collaborator would charge a fee of EURO (€) 40,000 (which is equivalent to Rs. 24,00,000/- at a conversion rate of 1 € = Rs. 60.00).

Terms of Payment : 50% down payment against receipt of order by T/T transfer.  
50% after presentation of the documentation by T/T transport.

Time of Delivery : 3 months after receipt of order and clarification of all technical and commercial details, as well as receipt of down payment.

### **About IVA Industrieberatung, GmbH, Germany (IBG)**

IBG is a Germany based company having expertise on ground natural materials mainly lime stone, china clay, soap stone, feldspar, kaolin, etc. They have supplied their technical know how as well as capital plant to the above core industries across the globe. They have set up/supplied more than 500 plants in various countries including Germany, China, Thailand, Indonesia, Malaysia, etc.

#### **1. Place of registration and Year of incorporation.**

IVA Industrieberatung GmbH was established in 1991.  
Address : IVA Industrieberatung GmbH  
Junkersstrasse 1 ½  
D-86343  
Konigsbrunn  
Germany  
Official Registry Court : Amtsgericht Augsburg  
Registry Number : HRB 12098  
Telephone : +49 8231 5022  
Fax : +49 8231 33482  
E-mail : iva-gmbh@t-online.de  
Website : <http://www.iva-gmbh.de>

#### **2. General information**

IVA is a specialist in the field of mechanical processing technology for following applications:

- Minerals as filler for paints, plastic and paper
- Minerals as filler for ceramic products
- Minerals with specific structure
- Chemical products
- Pharmaceutical products
- Foodstuff
- Drugs and Spices
- Waxes and Fats
- Pigments and Paints
- Abrasives
- Recycling

IVA Industrieberatung GmbH was established in 1991. The founder Mr. Bernd Kretschmer, Managing Director was already 25 years busy in the field of powder processing technology. Together with a selected staff of engineers, IVA became one of the most innovative companies in the mineral processing business worldwide.

Besides the delivery of complete turnkey plants, IBG also can supply only main equipment, which is necessary for the process performance. Other equipment can be manufactured on site according to IBG-engineering and specification. Furthermore the integration of second-hand equipment is possible as well as the modification of existing systems.

### **Scope of Collaboration**

The scope of the collaboration is as under:

1. Technical services
  - Supply of design and drawings
  - Operational manuals
  - Technical data sheet
  - List of spare part/wear parts
  - Training of personnel
  - Installation and commissioning
  - Trial runs

2. Equipment supply
  - Crushing equipment
  - Grinding and classifying equipment
  - Packing equipment
  - Electrical equipment
  - Laboratory equipment
3. Technical assistance for procurement of indigenous equipment

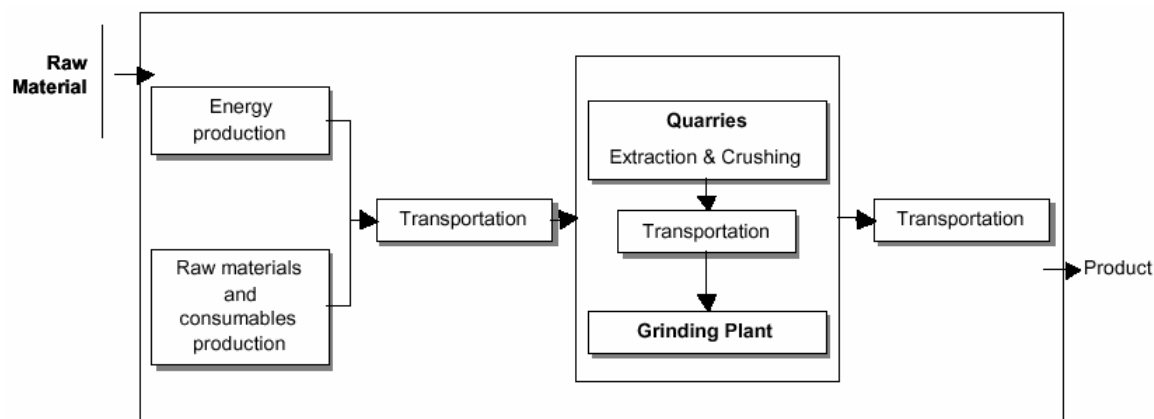
### **Basic and Detailed Engineering**

In terms of collaboration agreement, the basic and detailed engineering for the project would be provided by IBG. The building and civil works would be carried out under the supervision of IBG. For this purpose the contractor would be appointed by GSCL in consultation with IBG. The estimates of civil works and building construction have been worked on the basis of estimates of IBG and the technical team of GSCL. The building and civil works would be done by the local contractors who had been associated with the company in the past.

*(Source: IDBI Appraisal Report dated 2.3.2006)*

## Manufacturing Process

Process Flow diagram depicting movement of Raw Materials to Finished Products:



The Company manufactures various grades of Precipitated Calcium Carbonate (PCC) for different industries. Also, to meet specific requirements of a customer, special grades of  $\text{CaCO}_3$  are manufactured with a purity of  $\text{CaCO}_3$  as high as 99.5%.

The Company has been focussed in a single product segment i.e., Calcium Carbonate. The present manufacturing facilities are engaged in production of Precipitated Calcium Carbonate and Activated Calcium Carbonate. The technology being procured would enable the company to manufacture Ground Calcium Carbonate (GCC), which finds application in Paper and PVC Industry. Since the new technology does not involve any chemical changes to the raw material while reducing the size of limestone to 2-5 microns, the manufacturing of GCC through this technology is excise duty free.

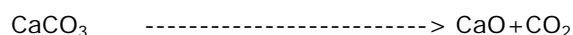
## Manufacturing Process of Precipitated and Activated Calcium Carbonate

Precipitated Calcium Carbonate is manufactured by calcining limestone and recarbonating the hydrated slaked lime in vertical carbonation towers.

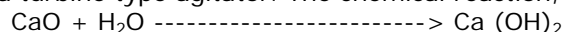
*The process of production of PCC can be divided into four sub-processes:*

**Generation of producer gas:** The coke is burnt in presence of steam for its conversion into producer gas. The generator is a fully integrated unit having a water-cooling jacket around it and a rotary ash removal system at the bottom. Alternate fuels could be LNG (Liquefied Natural Gas), LPG (Liquefied Petroleum Gas), LDO (Light Diesel Oil) or F.O. (Furnace Oil).

**Calcination process:** As suitable grade of limestone is calcined into a vertical shaft kiln using liquid or gaseous fuel. The process is endothermic and the following reaction takes place:



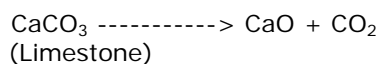
**Slaking process:** The quicklime is hydrolysed into slaked lime slurry with water in a reactor equipped with a turbine type agitator. The chemical reaction, which takes place is:

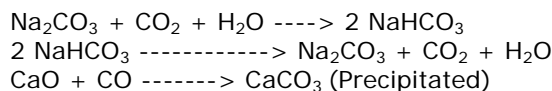


**Carbonation process:** The hydrated lime slurry is fed to the carbonation tank provided with mechanical stirrers. Pure  $\text{CO}_2$  is bubbled through this slurry to obtain PCC, which is subsequently dried and sent for packaging.

*(Source: TIFAC, an autonomous organisation under Department of Science and Technology chaired by Dr. R. Chidambaram, Former Chairman, Atomic Energy Commission & Secretary, Deptt of Atomic Energy, Link: <http://www.tifac.org.in/offer/tsw/apctt18.htm>)*

The reaction is exothermic and proper temperature control is maintained to get desired quality of the product.

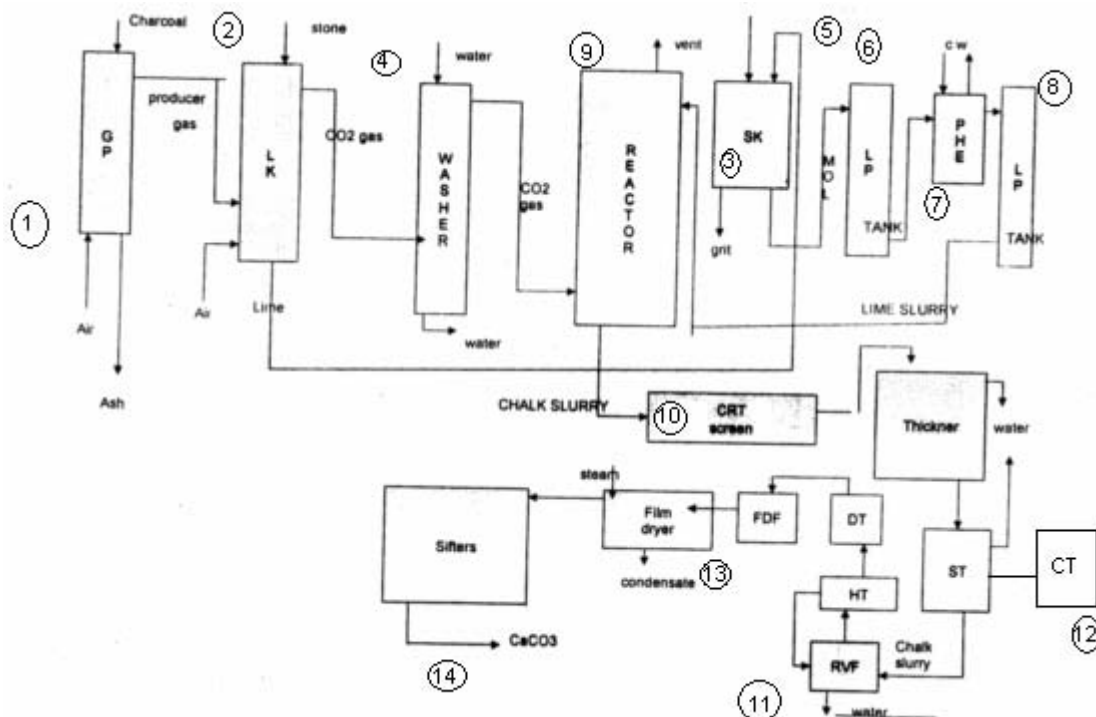




## **I. Steps involved during manufacturing of Precipitated and Activated Calcium Carbonate (Existing Technology)**

1. **Producer Gas:** Producer gas is generated from Gas Producer and this gas is used for the Calcination of Lime Stone in the Lime Kiln.
2. **Calcination:** Lime stone is calcined in the limekiln with the help of producer gas to get quick lime and CO<sub>2</sub> gas.
3. **Slaking:** Quick lime from the limekiln is slaked in the slackers with water to get calcium hydroxide slurry.
4. **Washing of Gas:** CO<sub>2</sub> gas produced from the limekiln is washed in the washers with the help of water spray.
5. **Screening of lime Slurry:** Lime slurry obtained after slaking is screened on the vibrating screens.
6. **Lime Slurry Holding:** Lime slurry after screening is held in lime slurry holding tanks.
7. **Chilling of Lime Slurry:** Chilling of lime slurry from lime slurry holding tanks is performed with the help of chilling plant and plate heat exchanger.
8. **Chilled Lime Slurry Holding:** Chilled lime slurry is held in the insulated tanks where the required parameters are maintained for lime slurry such as concentration, temperature and other parameters.
9. **Carbonation:** After maintaining the parameter of lime slurry, the lime slurry is charged in the carbonators where the reaction of lime slurry and CO<sub>2</sub> gas (which is obtained during the Calcination) takes place. After completion of carbonation, we discharge the carbonated slurry in the CRT Tanks. This carbonated slurry is called Chalk Slurry.
10. **Screening of Chalk Slurry:** Carbonated slurry is screened through suitable mesh size and stored in the settling tanks. After settling the slurry, water is removed from it.
11. **Preparation of Concentrated Chalk Slurry:** The settled chalk slurry is passed through R.V.F. to get desired concentration of chalk slurry.
12. **Coating of Chalk Slurry for ACC grade:** Coating of chalk slurry is performed with Sodium Stearate solution/Stearic Acid to produce Activated Calcium Carbonate.
13. **Drying:** Concentrated chalk slurry is dried at film dryers and micronizers to get finished product.
14. **Packing:** After drying, the material is packed in H.D.P.E. bags along with inside liner.

### Process Flow Diagram for PCC and ACC



For manufacturing of ACC, steps no. 1 to 14 are to be followed; and for manufacturing of PCC all the steps i.e., 1 to 14 are required, excepting Step no. 12.

Lime stone is first brought to site, screened to remove dust particles and washed with water and stacked in the bins. This Lime stone is fed in skip hoist for being fed in the limekiln from the top. The Limekiln in annular vertical shaft type and fired with producer gas. The firing of gas into the kiln is done by burners at various levels. Gas line is supported with primary and secondary gas blowers for providing combustion air. Limekiln works in the induced draft, which is generated by root blowers installed in the flue gas line. Limekiln is fully filled with lime stone and the material travels gradually in it with continuous discharge. The lime stone travels through pre-heating zone, pre-calcination zone, calcination zone and cooling zone and thereafter converted into quick lime. In calcination zone, it has temperature ranging from 1100 degrees C. The discharged lime is cooled to the temperature of 50 to 80 degree C.

Flue gases are drawn through the pipe connected to the top of kiln by means of blower, which in its course induces vacuum in the whole system. Low-pressure flue gas is discharged through scrubbers and washers and results in clean and cooled gas, which afterwards is passed through carbonation section for reaction with calcium hydroxide.

The lime drawn from the bottom of the kiln is sorted out and is taken into slaking tanks. Here the lime kiln (CaO) is converted into calcium hydroxide  $\text{Ca(OH)}_2$  slurry. This is diluted in the form of slurry of pre-determined strength and is known as lime slurry. This slurry is passed through vibro screens to remove the grits and is called Milk of Lime. This Milk of Lime is then transferred to stock tanks known as Lime Holding Tanks (LHT). After maintaining the requisite temperature and concentration of slurry, this is pumped to the carbonator. This is Horizontal, cylindrical/rectangular reactor and is fitted with charge and discharge nozzles for slurry and gas. Reactors are fitted and properly designed so that homogenous reaction takes place.

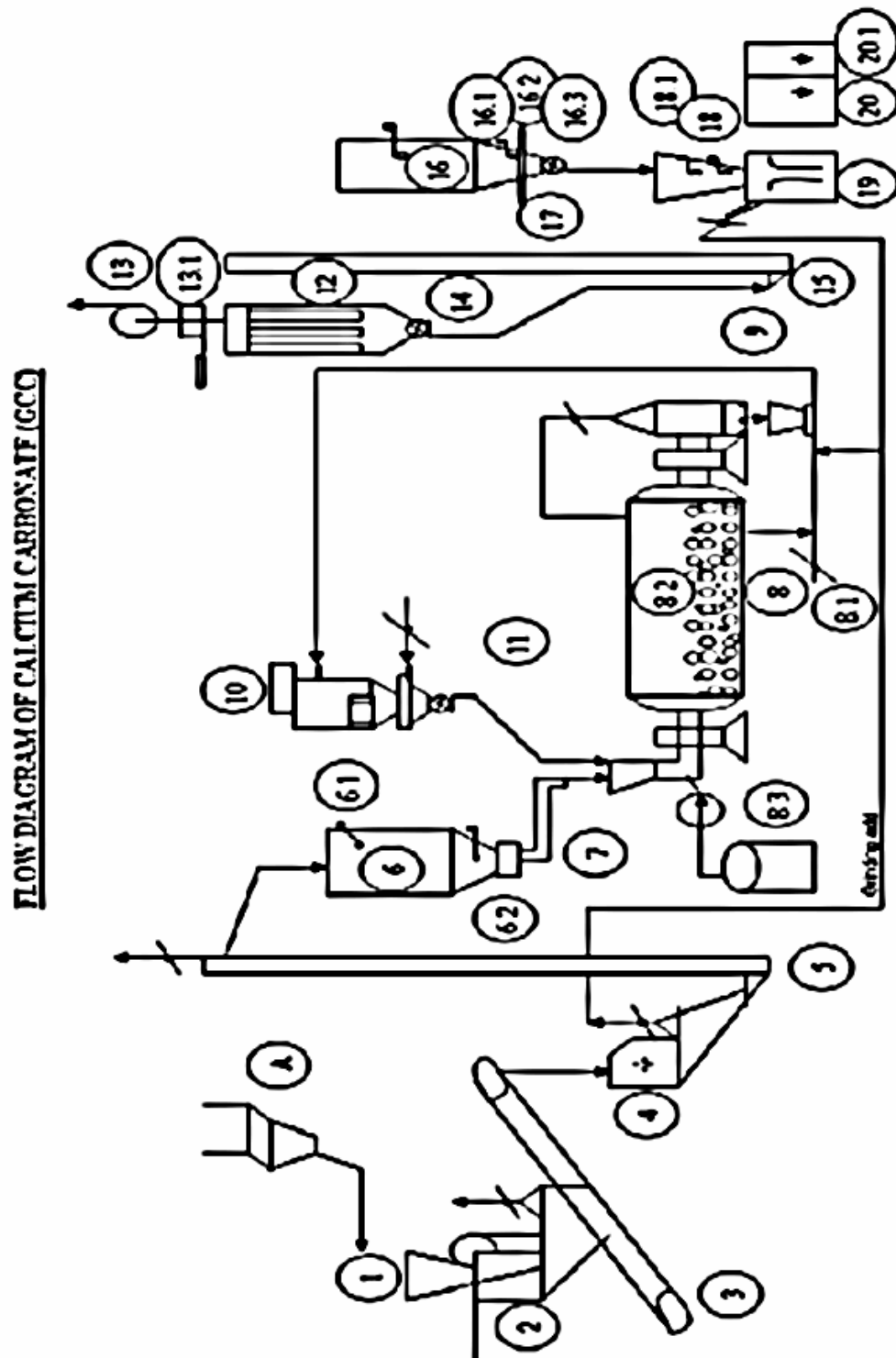
Thus obtained precipitated Calcium Carbonate goes in the suspension. Carbonation is done batch wise. Carbo-slurry obtained from carbonation is subject to vibro screening, washed and concentrated either by RVF or settling and further subjected to film dryers for which steam is used as heating media. Thus, dry product is packed into the bags and subject to quality control testing before shipment.



## GROUND CALCIUM CARBONATE (GCC)

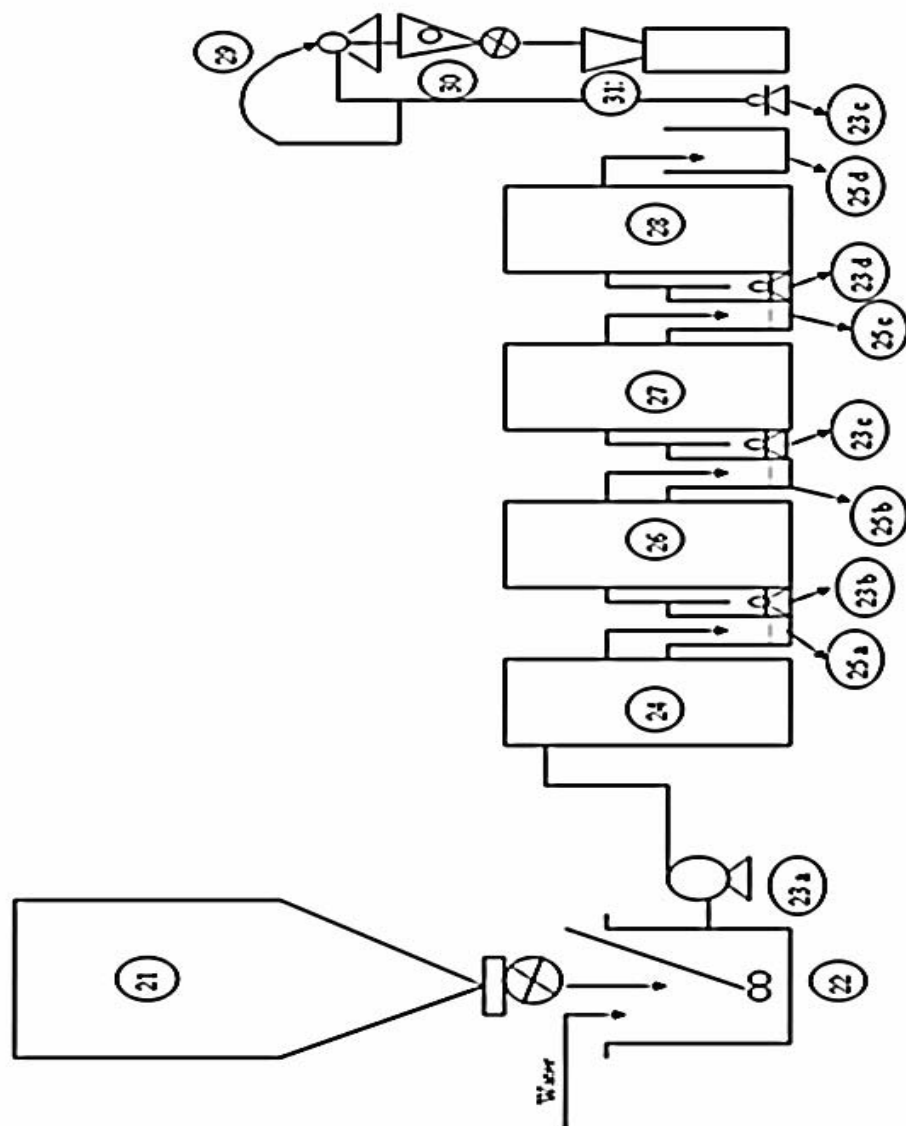
### Flow Diagram of Manufacturing Process

II. Steps involved during manufacturing of Ground Calcium Carbonate (Proposed Technology)



1. The limestone with a size of about 150 mm, is brought to the site where it is fed to feed crusher.
2. The above material moves to the crusher through the feed hopper.
3. In the crusher, the material is crushed to a size of less than 15 mm.
4. The above material is carried through belt conveyor for charging in the hammer mill.
5. In the hammer mill, the material so obtained is further sized before charging to the process.
6. The material is taken in bucket elevator for charging in silo.
7. The material is stored in silo, which has capacity of at least 1-day storage of the produce.
8. From the silo, the material is moved through screw conveyor to the ball mill.
9. The ball mill has a maximum capacity of 8 tonnes/hour. Here the material is rotated and pressed on so that size deduction is carried out.
10. The material from ball mill is taken to surge vessel for movement of material to classifier.
11. In the classifier, the material of size less than 2 mm is taken to dedusting filter and the material size more than 2 mm is again charged to ball mill.
12. The material to be charged to ball mill is moved through rotary walls in control conditions.
13. The dedusting filter forces the material for further movement through bucket elevator.
14. The ID fans help in suction of materials and movement thereof.
15. The rotary wall helps the movement of goods in the process in control condition.
16. The bucket elevator helps the movement of material into silo as a finished product.
17. The silo holds the finished goods for further packing.
- 18/ 19/ 20. The movement of material is carried out through rotary walls into surge hopper for packing.

# ADDITIONAL STEPS FOR WET PROCESS



In case the quality of the product obtained above is further required to be refined as per the customer specification for lower micron size, fineness and uniformity, the next process is wet process where the material produced from the dry process would be further subject to wet process. As the name suggests, the slurry is made of the product so obtained from the dry process, and the following additional steps are required:

21. Silo: The finished goods obtained by the above dry process is transferred to the Silo.
22. Slurry Preparation Tank: The above product is mixed with water through silo in this tank and slurry is prepared.
23. Slurry Pumps (a to d) : These are used to push the slurry from Slurry preparation tank to Bead Mill.
24. Bead Mill : is a machine having various rolling balls by which the particles of Calcium Carbonate present in the slurry be further crushed to obtain the desired micron size.
25. Intermediate Slurry Tanks are used to transfer the slurry to the tanks.
- 26, 27 & 28: Bead Mill II /III/ IV: The process is repeated through the bead mills to obtain desired fineness and uniformity.
29. Film Driers: The material so obtained passes through the film driers to remove the water present in the process with the use of steam. In the process, the water is taken out separately and the dried powder is obtained separately.
30. Hopper: The dry material so obtained is kept in the hopper for packing.
31. Packing Material.

For details regarding the various grades of  $\text{CaCO}_3$  manufactured by GSCL, please refer to page numbers 103 to 106 of the Prospectus.

#### **Details regarding Effluent Treatment Plant:**

##### **A. Existing Plant:**

The main sources producing effluent waste at various stages of operation are as follows:

1. Slakers.
  2. Washing of equipments like Carbonators, Tanks etc.
  3. Centrifuge (Filterate water).
1. Slakers: In the manufacturing process, slakers are used for hydrolysing the quick lime available from lime kilns. During the hydrolyzing grits, undissolved particles as well as other foreign materials are removed by bottom fitted conveyor and sieving screen of 100 Mesh. The above solid material also carries the wastewater along with it. The rate of flow of these effluents is:

Solid Waste            150 kg/Hr

Waste Water            1.5 M<sup>3</sup>/Hr

2. Washing of equipments: After operation of 15 days each, reactor is subjected to cleaning through water to flush up the unwanted nuclea growth, which is a negative to achieve particle morphology. On an hourly basis, the following is discharged:

Solid Waste            20 kg/Hr

Waste Water            0.5 M<sup>3</sup>/Hr

3. In this section, slurry Calcium Carbonate is dewatered in the decanter/ centrifuge. The wastewater obtained constitutes followings:

Solid Waste            75 kg/Hr

Waste water            2.5 M<sup>3</sup>/Hr

Thus the above three streams are collected in a pit with a total wastewater flow of 4.5 M<sup>3</sup>/hour with solid content of 245 kg/hour.

On a daily basis, flow of 108 M<sup>3</sup>/day, loaded with solid content of 2%, is subjected to 16 settling tanks where one-by-one the slurry gets settled and finally clear water is obtained which is available for recycling.

The present process is capable of recycling 25% of process water used and 50% of the process water shall be utilized in the manufacture of Calcium Carbonate as finished product, hence, the balance 25% of the total process water used is discharged as industrial process effluent.

The clear effluent from clarifiers can be safely disposed off in the Kukra Nallah (Drainage).

The emission and flue gas analysis from the stack of the boiler is quite normal as the company has completely integrated the energy saving equipments so as to obtain a temperature of 140 deg C to 150 deg C in the flue gas. The SPM level in flue gas is well within the limit.

## **LIQUID EFFLUENTS**

As detailed out in the preceding pages, it has been found that 108 M<sup>3</sup>/ day of effluent discharge from the process is to be treated in the effluent treatment plant. The effluent treatment plant is fully equipped with all necessary equipments so as to treat completely the above discharge of wastewater.

## **SOLID WASTE**

As such the process route for the production of Calcium Carbonate is totally recyclable in nature, so there is no solid waste generated/ discharged from the process except the grit or un-burnt stone or impurities like mud and clay contained in the limestone. The various impurities contained in the basic raw material, limestone, comes out to be around 2%, this makes a net solid waste of around 6 tonnes/ day. This quantity is utilised for filling of low-lying areas.

### **B. Proposed GCC Unit:**

In the proposed GCC unit there is no liquid discharge. Only gaseous emissions are there loaded with the material. The complete material is conveyed pneumatically to high efficiency classifier with mass flow rate of 60,00 kg/hour. In this equipment 70% of material meeting to the quality i.e., 4000 kg/hour is fed to dedusting filter and balance coarse material is sent for further processing in the ball Mill.

Almost all material is obtained as finished product and sent to Silos. Only 1500 Grams/hour of material is vented out along with conveying air through I.D. fan of capacity 10,000 M<sup>3</sup>/hour. Thus material is recovered by way of installing high efficiency cyclone as well as dust bag collectors, so as to obtain the air venting to atmosphere with SPM of not more than 150 mg/m<sup>3</sup> in keeping with the State Pollution Control Board Norms.

### **Status of post expansion pollution control scheme**

Existing ETP system is capable of treating the wastewater load post-expansion, hence the proposed technology is Eco-friendly.

As per the agreement of IBG, noise protection would be achieved by special design of the building with minimisation of noise by placement of vibrations absorbing equipment on vibration absorbers, part-wise connections and exhaust silencers. The plant will use high-class filter elements to protect dust emission into atmosphere.

## **INFRASTRUCTURE FACILITIES**

### **A. RAW MATERIAL**

#### **I. Limestone**

The main raw material for the production of calcium carbonate is limestone.

The Company has been procuring lime stone from the mines in the state of Himachal Pradesh. For production the of existing 70,000 TPA of calcium carbonate, the total requirement of lime stone is estimated at about 84,000 TPA. On the proposed capacity of 20,000 TPA GCC, the requirement of lime stone is estimated at about 20,800 TPA. It is estimated that lime stone reserves in India is atleast 250 years. Therefore, the Company does not foresee any difficulty in meeting the additional requirement of lime stone in future.

The current capacity of the Plant is 70,000 MT and the requirement of limestone is 84,000 MT per year.

The current process of manufacture of Calcium Carbonate involves Calcination, slurry preparation and drying of slurry. The required input of limestone is 1.20 MT to produce 1.0 MT of finished Calcium Carbonate. The rest 0.20 MT is waste in the form of fine dust, unburnt lime stone, leakage of slurry during preparation and settling thereof, waste by way of airing into the atmosphere during drying and filling process of the product, and resultant sludge.

#### **Proposed GCC Project:**

The proposed new process of manufacture is different than the existing one. It is based on grinding technology and therefore the process requires no Calcination and Slurry preparation.

It requires only 1.04 MT of limestone to produce 1.0 MT of finished product. Hence, the additional capacity of 20,000 MT would require approximately 20,800 MT of limestone.

Thus, the total requirement of limestone at the enhanced capacity would be 1,04,800 MT.

#### **Availability of Limestone in India:**

The Company has been procuring limestone from the quarries/mines in the state of Himachal Pradesh. The number of Limestone mines reported in India in 2004-2005 was 571, up 4% from 549 reported in 2003-2004 forming about 18% of the total 3168 reported mines for all the minerals.

(Source: Indian Bureau of Mines under Ministry of Mines, GOI, <http://ibm.nic.in/reportingmines.html>, 2004-05).

As on 1.4.2000, the total recoverable reserves for Limestone in India stood at 75678.89 million tonnes. (Source: Indian Bureau of Mines, under Ministry of Mines, GOI, <http://ibm.nic.in/reserves.html>, 2004-05). At this figure, the life index for Limestone estimated during 2000 is about 250 years (Source: Ministry of Mines, GOI, <http://mines.nic.in/imsene.html>, 2004-05). Thus there is an abundant availability of Limestone in India with comfortable levels of reserves for the future demand.

Following are the important suppliers of Limestone for GSCL:

<b>Sl. No.</b>	<b>NAME OF SUPPLIERS OF LIMESTONE</b>
1.	M/s Agarwal Minerals & Chemicals
2.	M/s Tomar Enterprises
3.	M/s Jaisingh Thakur & Sons
4.	M/s Mamchand Goyal & Sons
5.	M/s Subhash Chand Chawla & Sons
6.	M/s Uttam Chand Chawla & Sons

## II. Paddy husk & Bagasse

GSCL proposes to set up an additional captive power plant of 3 MW capacity to meet the power requirement of expansion project. For production of 3 MW of power, total requirement of rice husk/bagasse is estimated at 60 tonnes per day. Thus total husk/bagasse required for 3 MW power plant per annum would be 21,000 tonnes. Western UP is rich in rice and cane growing area. Therefore, the Company does not foresee any difficulty in procuring the raw material for the power plant.

Some of the important suppliers of Paddy Husk to GSCL are:

SI. No.	NAME OF SUPPLIER OF PADDY HUSK
1.	M/s Ambrish Kumar, M/s Mohd Ammar
2.	M/s Abhinav Agrawal Corporation
3.	M/s Sanjay Mohan & Sons

## III. Charcoal

Charcoal is required for burning in Gas Producer unit, which generates required gas in the limekiln. Charcoal is purchased from various suppliers in Moradabad, Rajasthan and Southern part of the country. This is bought in rail racks supplied from Chennai area.

Some of the important suppliers of Charcoal to GSCL are:

SI. No.	NAME OF SUPPLIER OF CHARCOAL
1.	M/s Jain Coal Agencies
2.	M/s National Traders
3.	M/s Shiva Traders
4.	M/s Luxmi Trading Company,
5.	M/s Hintendra Traders
6.	M/s Santosh Coal Suppliers etc.

## B. WATER

The requirement of water for Calcium Carbonate is for making slurry i.e., One M.T. of finished product requires 6,000 litres approx., and out of the 6,000 litres water, 50% is recycled and again put in use. Therefore, practically only 3,000 litres of water is used/required for the one MT production of Calcium Carbonate. Based on total capacity of the plant i.e., 70,000 MT based on calcination route, the total water requirement works out to 2,100 lakh litres per annum and 6,00,000 litres per day or 25,000 litres per hour.

Presently, the Company also requires water for the existing power plant and the requirement is 15,000 litres per hour (approx) and out of the 15,000 litres water, 55% is recycled and again put in use. Therefore, practically only 7,000 litres of water is used/required every hour for power plant. In other words, the total water requirement works out to 588 lakh litres per annum and 1,68,000 litres per day or 7,000 litres per hour.

### Proposed Project:

The requirement of water for making Ground Calcium Carbonate is 700 litres/ MT for making slurry. The Company proposed to manufacture the 50% of the proposed capacity i.e., 10,000 MT through wet process and the balance 10,000 MT through dry process. Based on the total capacity of the plant i.e., 20,000 MT (10,000 MT for wet process), the total water requirement works out to 70 lakh litres per annum and 20,000 litres per day or 833 litres per hour.

Further, the Company will also require water for the proposed power plant and the requirement is 15,000 litres per hour (approx) and out of the 15,000 litres of water, 55% is recycled and again put in use. Therefore, practically only 7,000 litres of water is used/required every hour for power plant. In other words, the total water requirement works out to 588 lakh litres per annum and 1,68,000 litres per day or 7000 litres per hour.

The total requirement of water is as under:

	Requirement per year in litre
<b>Existing</b>	
- For Calcium Carbonate	2100 Lakhs
- Power Plant	588 Lakhs
<b>Proposed</b>	
- Calcium Carbonate	70 Lakhs
- Power Plant	588 Lakhs

The location of the plant is on the Ganges river belt, which is very close to the pilgrimage town of Haridwar. Good quality soft water is available underground. The total requirement of the plant is currently met from the underground water by bore well installed within the factory premises and there is no difficulty in meeting the requirement. Water does not require any purification as the quality of water is very pure and does not carry foreign particles, which are injurious to maintain product specification. Moreover, during the process, the impurities, if any, are taken out in the process of settling, concentration and drying the slurry. Further, limestone being a natural mineral itself is a water purifier.

Total water requirement for proposed project is estimated at 15 cum per hour. The same would be met from one additional borewell proposed in the project.

### C. POWER

The manufacturing process of Calcium Carbonate requires power and fuel in the form of electricity and steam. The Company does not have power connection from state level body. It has facilities for own generation of power from the power plant of the capacity of 3 MW. The turbine has been supplied by M/s Triveni Engineering. The power plant is run from the steam generated by boiler (Thermodyne make), which has the capacity of 20 MT/hour having a pressure of 65 Kg. The boiler is run by burning the feedstock of paddy husk and coal mix, which is available in plenty locally.

The steam generated from the boiler is partly fed to the manufacturing process for drying of slurry to make the product in powder form and part is supplied to the Turbine of power plant to generate the electricity.

The matrix of the power requirement for the product is as under:

1. Power required @ 195 units/MT of Calcium Carbonate.
2. Current capacity of Calcium Carbonate 70,000 MT
3. The total requirement of power, therefore, is 136.50 lakh units, which is equivalent to 1.75 MW.
4. The existing capacity of power is 3 MW and with an operational level at 80% works out to 2.4 MW. Considering the load factor of 80%, generate electricity of 1.92 MW.
5. Out of the power so generated, some of the power units are consumed in non-production facilities and the net available power is just sufficient for producing the required capacity of Calcium Carbonate.
6. To meet the scheduled shut down for regular repair and maintenance of boiler and turbine, and also for standby arrangement, the Company has back-up of DG sets for a total capacity of 3 MW. The backup facilities comprise of 1 DG set (Cummins make) of 1,000 KVA, 2 DG sets (SKODA make) of 1,470 KVA each and 1 DG set (Cummins make) of 320 KVA. The running and maintenance of DG sets for power generation is expensive as it runs on Diesel, and the cost per unit works out to in excess of Rs. 9/- per unit.

The above DG sets are standby arrangement for scheduled and unscheduled shut down of boiler and/or turbine, and also meets the additional requirement of power in case of higher production. In fact, the net availability of power for the product is equivalent to approximately 200 tonnes per day based on 350 days production in the year. The last expansion of 10,000 MT capacities has been carried out in January 2006 and currently the entire requirement is being met from the present power plant, which is working at more than 90% efficiency level.

Per ton production of GCC would require 500 unit consumption of power. For production of 20,000 Tonnes per annum of GCC, the Company would require 100 lakh units of power. The proposed 3 MW power plant would generate about 13.8 million units at 80% operating



efficiency and 80% Power Load Factor. The additional 38 lakh units would be utilised by the Company in its existing operations and will give cushion for further expansion in future.

#### D. Steam

The boiler in power plant would generate steam of 22.50 tonnes per hour. The entire steam so generated would be internally used by the power plant (10 tonnes) and the existing PCC plant (12.50 tonnes).

#### E. Manpower

GSCL is already engaged in similar business, prior to expansion, and does not foresee any difficulty in employing requisite manpower. However, as estimated by the Company's technical team, GSCL would employ about 32 additional employees/workers (Managerial/ Supervisory 4, Skilled workers 12, Semi-skilled 6 and Unskilled workers 10) for its expansion project. GSCL has already employed about 8 employees and it does not foresee any problem in employing the remaining personnel at Muzaffarnagar and its nearby areas.

### PRODUCTS

At present, the Company manufactures different grades of Precipitated Calcium Carbonate (PCC) for different industries. Also to meet specific requirements of various customers, special grades of CaCO<sub>3</sub> are manufactured with a purity of CaCO<sub>3</sub> as high as 99.5%.

#### Grades of Calcium Carbonate manufactured by Gulshan Sugars and Chemicals Ltd.

The various grades being manufactured by Gulshan Sugars and Chemicals Ltd. are as follows:

Sl. No.	Grades	Application In various Industries	Application	ACC/ PCC
1.	GSC-11	Plastic Pipes  PVC  Rubber etc.	As a filler in rigid and plasticized PVC to improve impact strength.  As a filler in PVC footwear, wire and cable compounds/cables to improve surface gloss and other physical properties.  As a reinforcing filler in natural and synthetic rubber for tyre and tube application	PCC
2.	GSC-12	Plastic  Footwear  Rubber Polymer etc.	As a filler in rigid and plasticized PVC to improve impact strength.  As a filler in PVC footwear, wire and cable compounds/cables to improve surface gloss and other physical properties.  As a reinforcing filler in natural and synthetic rubber for tyre and tube application	PCC
3.	GSC-111 Extra light	Plastics  Rubber  Food & Beverages	As a filler in rigid and plasticized PVC to improve impact strength.  As a filler in PVC footwear, wire and cable compounds/cables to improve surface gloss and other physical properties.  As a reinforcing filler in natural and synthetic rubber for tyre and tube application  In chewing gum, as a calcium supplement.  In effervescent powder drinks, to neutralize excess acid in food; and wine manufacture as a filtration aid	PCC

4.	GSC-121 Light for (PVC)	<p>Plastics</p> <p>Rubber</p> <p>Paper</p> <p>Pharmaceutical</p> <p>Cosmetics</p> <p>Dentifrice</p> <p>Food &amp; Beverages</p>	<p>As a filler in rigid and plasticized PVC to improve impact strength.</p> <p>As a filler in PVC footwear, wire and cable compounds/cables to improve surface gloss and other physical properties</p> <p>As a reinforcing filler in natural and synthetic rubber for tyre and tube application</p> <p>In paper coating for brightness, smoothness, opacity and ink receptivity.</p> <p>As a calcium source, as an antacid, as a neutralization and filtration aid in antibiotic manufacture, as a buffering and dissolution aid in soluble tablets, as a bulking agent in tableting.</p> <p>In talcum powder to increase fluffiness and control absorption characteristics, in depilatory creams, in face powder as a perfume carrier, in sunscreen preparations</p> <p>In powders and pastes as a cleaning and polishing agent</p> <p>In chewing gum, As a calcium supplement, in effervescent powder drinks, to neutralize excess acid in food and wine manufacture, as a filtration aid.</p>	PCC
5.	GSC-131 Medium	Dentifrice	In powders and pastes as a cleaning and polishing agent.	PCC
6.	GSC-141 Dense	Dentifrice	In powders and pastes as a cleaning and polishing agent.	PCC
7.	GSC-101	<p>Plastic Polymers</p> <p>Leather</p> <p>Paints</p>	<p>As a filler in PVC footwear, wire and cable compounds/PVC film to improve surface gloss and other physical properties.</p> <p>As a filler in leather-cloth / sheeting.</p> <p>In emulsion paints, as a white opacifying agent.</p> <p>As an anti-setting agent in paints, in printing inks as an extender assisting in the control strength and body of the ink, as a polishing agent in window and mirror cleaners and polishes, in power coating.</p>	PCC
8.	GSC-333	<p>Plastics</p> <p>Surface coating</p>	<p>As a filler in PVC footwear, wire and cable compounds/PVC film to improve surface gloss and other physical properties.</p> <p>As a filler in leather-cloth / sheeting.</p> <p>In emulsion paints as a white opacifying agent As an antisetting agent in paints, in printing inks as an extender assisting in the control strength and body of the ink, as a polishing agent in window and mirror cleaners and polishes, in power coating.</p>	PCC
9.	GSC-222	<p>Plastics</p> <p>Surface coating</p>	<p>As a filler in PVC footwear, wire and cable compounds/PVC film to improve surface gloss and other physical properties.</p> <p>In emulsion paints as a white opacifying</p>	PCC

			agent, as an antisetting agent in paints, in printing inks as an extender assisting in the control strength and body of the ink, as a polishing agent in window and mirror cleaners and polishes, in power coating.	
10.	GSC-303	Plastics	As a filler in PVC footwear, wire and cable compounds/PVC film to improve surface gloss and other physical properties.	PCC
11.	Gulcal F	Paper	Used as filler requirement in different grades of paper specially writing printing paper, bible paper, cigarette paper, and other permanent grades of paper to increase brightness, opacity and bulk.	PCC
12.	Gulcal F (M)	Paper	Used as filler requirement in different grades of paper specially writing printing paper, bible paper, cigarette paper, and other permanent grades of paper to increase brightness, opacity and bulk.	PCC
13.	Gulcal-60 (M)	Paper coating	Used as coating pigment and in size press application suitable for all grades of coated papers and paperboards, duplex boards etc to increase brightness opacity, ink-set and printability results.	
14.	Gulcal 60	Paper/Plastic/  Pipes etc.	Used as filler requirement in different grades of paper specially writing printing paper, bible paper, cigarette paper, and other permanent grades of paper to increase brightness, opacity and bulk.  Used as coating pigment and in size press application suitable for all grades of coated papers and paperboards, duplex boards etc to increase brightness opacity, ink-set and printability results  As a filler in rigid and plasticized PVC to improve impact strength. As a filler in PVC footwear, wire and cable compounds/cables to improve surface gloss and other physical properties	PCC
15.	GSC-555	Cosmetics  Rubber	In talcum powder to increase fluffiness and control absorption characteristics, in depilatory creams, in face powders as a perfume carrier, in sunscreen preparations  As a reinforcing filler in natural and synthetic rubber for tyre and tube application. As a filler for hawaii chappals/soles/straps to improve the strength as well as whiteness	ACC
16.	GSC-505	Plastics  Rubber  Surface Coating	As a filler in rigid and plasticized PVC to improve impact strength. As a filler in PVC footwear, wire and cable compounds/cables to improve surface gloss and other physical properties  As a filler in leather-cloth/sheeting.  As a reinforcing filler in natural and synthetic rubber for tyre and tube application.  In emulsion paints as a white opacifying agent, as an antisetting agent in paints, in	ACC

		Sealants & Mastics	<p>printing inks as an extender assisting in the control strength and body of the ink, as a polishing agent in window and mirror cleaners and polishes, in power coating</p> <p>In PVC plastisols as a rheology modifier particularly for car underbody, Sealant applications on polyurethane, Polysulphide and silicone, Sealants for construction and insulation glass applications as rheology modifier giving slump control</p>	
17.	GSC-505 (T)	PVC/Chemicals/ Plastic etc	<p>Used as filler requirement in different grades of paper specially writing printing paper, bible paper, cigarette paper, and other permanent grades of paper to increase brightness, opacity and bulk.</p> <p>Used as coating pigment and in size press application suitable for all grades of coated papers and paperboards, duplex boards etc to increase brightness opacity, ink-set and printability results</p> <p>As a filler in rigid and plasticized PVC to improve impact strength. As a filler in PVC footwear, wire and cable compounds/cables to improve surface gloss and other physical properties</p>	Titrate Coated
18.	GSC-303 coated	Plastic/PVC/ Chemicals etc.	<p>As a filler in rigid and plasticized PVC to improve impact strength. As a filler in PVC footwear, wire and cable compounds/cables to improve surface gloss and other physical properties</p> <p>As a filler in leather-cloth/sheeting.</p> <p>In talcum powder to increase fluffiness and control absorption characteristics, in depilatory creams, in face powders as a perfume carrier, in sunscreen preparations</p>	ACC
19.	Gulcal-D	Rubber	<p>As a reinforcing filler in natural and synthetic rubber for tyre and tube application. As a filler for hawai chappals/soles/straps to improve the strength as well as whiteness</p>	PCC

The proposed technology would be employed to manufacture Ground Calcium Carbonate through wet as well as dry process. The major applications for that would exist in the Paper industry.

**INSTALLED CAPACITY OF COMPANY'S PRODUCT SINCE INCEPTION:**

Year	Calcium Carbonate		Sorbitol		Paper	
	Licensed Capacity	Installed Capacity	Licensed Capacity	Installed Capacity	Licensed Capacity	Installed Capacity
1982	4500	2100				
1983	4500	4500				
1983-84	6900	10500				
1984-86	15000	10500				
1986-87	15000	10500				
1987-88	15000	10500				
1988-89	15000	20000				
1989-90	35000	22500				
1990-91	35000	22500				
1991-92	64000	28500			5500	5000
1992-93	44000	28500			5500	5500
1993-94	44000	28500			Business was discontinued*	
1994-95	44000	40000			-	-
1995-96	70000	50000			-	-
1996-97	70000	50000			-	-
1997-98	70000	50000	15000	15000	-	-
1998-99	70000	50000	15000	15000	-	-
1999-00	70000	60000	15000	15000 \$	-	-
2000-01	70000	48000 <sup>\$</sup>	-	-	-	-
2001-02	70000	48000	-	-	-	-
2002-03	70000	48000	-	-	-	-
2003-04	70000	48000	-	-	-	-
2004-05	70000	60000	-	-	-	-
2005-06	70000	70000	-	-	-	-
2006-07	90000	90000 #	-	-	-	-

\* **Reasons for discontinuation:** Paper business was hived-off because it was not the core area of business of the Company. Further, the business was not viable and it was foreseen as having insignificant potential of growth.

\$ Gulshan Sugars and Chemicals Ltd. had effected a demerger in 2000-2001 by which two units were hived out of Gulshan Sugars and Chemicals Ltd., namely Gulshan Polyols Ltd. and Gulshan Chemfill Ltd.

The Hon'ble High Court of Allahabad vide its order dated 28<sup>th</sup> February, 2001 allowed the transfer of Sorbitol division of Gulshan Sugars and Chemicals Ltd. to Gulshan Polyols Ltd., and Precipitated Calcium Carbonate unit into Gulshan Chemfills Ltd.

# Estimated upon completion of proposed expansion.

**MARKETING STRATEGY****Existing Marketing Arrangement**

GSCL has its own marketing offices located at Delhi, Chennai, Mumbai, Hyderabad, Ahmedabad, Bangalore and Indore. These offices are owned/rented and manned by the Company. GSCL's own marketing offices procure the orders from the consumer industries directly. Calcium Carbonate, being in powder form, is packed in HDPE bags of 50 Kg each and is transported by road. At 12 places, where GSCL has no marketing offices, the Company has appointed dealers for marketing the product.

**Production of CaCO<sub>3</sub> in India**

The table given below depicts the production of CaCO<sub>3</sub> in India and in GSCL, in terms of percentage of the net production in India, for the following prior years:

**Tonnes Per Annum**

<b>Year</b>	<b># INDIA</b>	<b>* GSCL</b>	<b>Percentage</b>
1997-98	122403	49887	40.76%
1998-99	137091	47096	34.35%
1999-00	157655	44862	28.46%
2000-01	176573	40468	22.92%
2003-04	225000	54371	24.16%

# (Source: Market Survey Report, All India Calcium Carbonate Manufacturers Association, 2005-2006 & Audited Annual Reports of the Company)

\* As per Notes to Accounts for respective years

**PRODUCT SEGMENT: CALCIUM CARBONATE**

**Major Customers**

The Company has some of the major players spread out in various industries as its clientele and continuous efforts are being made to add more to the list. Mentioned below are the top 10 customers for the first quarter (April 2006 to June 2006).

<b>Sl. No.</b>	<b>NAME OF CUSTOMER</b>
1.	Colgate Group <i>(Colgate Palmolive India Ltd., Aurangabad; Advanced Oral Care Product Private Limited, Kundaim; SS Oral Hygiene Product Ltd., Balanagar; Professional Oral Care Product Pvt. Ltd., Kundaim)</i>
2.	ITC Group <i>(ITC Bhadrachalam; ITC Ltd.)</i>
3.	Prakash Industries Ltd. <i>(Prakash Industries Ltd., Kashipur &amp; Rayya)</i>
4.	Tirupati Tubes (Group) <i>(Tirupati Structurals Ltd., Ghaziabad; Tirupati Tubes, Ghaziabad)</i>
5.	Jain Polyvin (Group) <i>(Surya Polyvin Ltd., Samana; Jain Polyvin Pvt Ltd., Patiala)</i>
6.	Geem Emm Polyvin Ltd. (Group) <i>(Geem Emm Polyvin Ltd., Samana; Durable Pipes Pvt. Ltd., Samana)</i>
7.	Metzeller Automotive Prof India P Ltd.
8.	Ambica Polytubes
9.	Samana Plastics (Group) <i>(Surya PVC Prod Pvt. Ltd., Samana; Samana Plastics Ltd., Samana)</i>
10.	Chems Deal

**Industry wise:**

Following detail gives an overview of the various industries where the products manufactured by the Company find applications:

<b>Industries</b>	<b>Important Clients</b>
Toothpaste/ Cosmetic Industry	Colgate Palmolive Hindustan Lever Balsara Products Dabur Amar Remedies Parsona Choice Laboratories Vicco Laboratories
Paint Industry	Asian Paints Berger Paints Goodlass Nerolac Advance Paints Shalimar Paints Ltd.
Plastic/ Pipe/ Rubber/ Cable/ Polymers Industry	Tirupati Structurals Ltd. Prakash Industries Integrated Thermoplastic Prince Plastics Reliance Pipes

	Sintex Industries Ace Chemicals J. P. Industries Vindhya Pipe Roongta Irrigation Surya Polvin Delton Cables, Samana Plastics Triveni Rubber Industrial Cable Matzeller Automotive Prakash Industries Henkel Spic V-John Apollo Pipes Kirti Industries Kothari Industries Pidilite Industries Elastrex Polymers Pvt. Ltd. Havells India Ltd. Hiten Impex Pvt. Ltd. Preston India Pvt. Ltd.
Leather Industry	Lakhani Rubber Relaxo Paragon Barithi Bata India
Paper Industry	ITC Century Paper Magnum Paper Pudumjee Paper Mohit Paper

### **SUBSEQUENT TO PROPOSED EXPANSION**

The Company would continue to adopt the existing methodology of marketing in future also. GSCL's customers include Colgate, Hindustan lever, Asian paints, Berger paints, Bata, Dabur, etc across various industries.

In the paper segment, present customer profile of GSCL include ITC, Century Paper, and Padmini Paper. The Company is in discussion and sample testing for finalization of supply of PCC to major players in paper industry.

Considering the fact that GSCL is the largest producer of calcium carbonate of various grades, and since the usage of PCC in the paper industry is slated to go up, the Company does not foresee any difficulty in marketing/selling PCC to the paper industry.

The Company has neither any export obligations of any nature, nor are there any export possibilities in the near future.

### **SWOT ANALYSIS**

#### **Strengths**

- Experienced and resourceful promoters
- GSCL having vast experience in setting-up PCC plant and power plant in the past.
- Sufficient availability of lime stone in nearby areas.
- Largest producer of PCC
- Largest market share of PCC
- Setting up the project for meeting growing demand of GCC by paper industry
- Captive generation of Power
- Satisfactory Management set-up and Experienced executives
- Strong marketing network

**Weaknesses**

- Lime stone is procured from the mines from Uttarakhand and HP. The company does not have lime stone mines. This may become weakness for GSCL if some large-scale project comes in HP/Uttarakhand and suppliers of lime stone make a cartel.
- Large-scale units are there in unorganised sector and they give competition on pricing front.

**Opportunities**

- Largest unit in organised sector
- Use of GCC in Paper industry is a new avenue in India and the consumption is expected to increase substantially in the future years.
- Major players have announced capacity expansion in paper industry and would use GCC for better product and to achieve value addition.
- GSCL has the infrastructure to produce paper grade GCC for meeting the requirement of large players in paper industry
- Paper grade GCC will be initially manufactured by GSCL in powder form at Muzaffarnagar and would be transported to paper industry. However, in the later stages, the company has plans to produce GCC on site so that the GCC could be pumped to paper manufacturer at slurry stage directly. This will not only reduce one stage of conversion of slurry into powder but would also reduce the transportation cost. The results of mixing GCC slurry into paper pulp would give better result in terms of quality of paper than mixing GCC in the powder form.

**Threats**

- The Company faces competition from unorganised sector/tiny sector whose costs are lower due to exemption from Excise duty.
- The players in unorganised sector change their formulations to absorb some of cheaper ground material to lower their cost of production and in turn reducing their pricing.
- The growth of paper industry and consumer industry would indirectly guide the pricing and utilisation of GCC.

*(As per IDBI Appraisal Report dated March 2, 2006)*



## BUSINESS STRATEGY

The Company is a supplier and exporter of Precipitated Calcium Carbonate (PCC). It manufactures Calcium Carbonate to suit the requirement of the following industries:

- Toothpaste (high bulk density)
- Rubber industry (low bulk density)
- Detergent industry (high water absorption)
- Paint industry (fine grade)
- Pharmaceuticals industry (99.5% CaCO<sub>3</sub>, pH around 8)
- Cosmetics industry (different grades as per requirement)

The company is focused on providing quality products to meet the competition and is engaged in continuous product development for providing better services to its clients. Regular R & D activities are taken up to develop products that meet specific requirement of the customers. At the same time, the Company regularly takes feedback from its customers, which enables it to serve them in an improved and better manner.

The Company would continue to adopt the existing methodology of marketing in future also. GSCL's customers include Colgate, Hindustan lever, Nirma, Asian paints, Berger paints, Pfizer, Bata, IPCA Laboratories, ICI, Dabur, Novartis, Action, E-Merck, etc across various industries.

In the paper segment, present customer profile of GSCL include ITC, Century Paper, J K Paper, BILT, Rama News Print, Sharda Paper, Padmini Paper and West Coast Paper. The Company is in discussion and sample testing for finalisation of supply of PCC to major players in paper industry.

Considering the fact that GSCL is the largest producer of calcium carbonate of various grades, and since the usage of PCC in the paper industry is slated to go up, the Company does not foresee any difficulty in marketing/selling PCC to the paper industry.

The Company has neither any export obligations of any nature, nor are there any export possibilities in the near future.

*(As per the IDBI Appraisal Report dated 02.03.2006)*

With increasing demand for Calcium Carbonate from the Paper Industry, in line with trends worldwide, the companies manufacturing paper in the country are likely to go in for onsite plants, wherein GSCL will explore possibilities of setting up on-site plants within the premises, or in the vicinity, of such paper manufacturing units. Also, in order to capture the market in a more effective and penetrative manner, the Company will explore the potential of setting up coastal plants to manufacture Calcium Carbonate in order to broaden geographical reach, facilitate the units in taking care of customers within their territorial jurisdiction.

The proposed technology doesn't involve any chemical change in the product and the limestone powder obtained after grinding is classifiable under Tariff Item 2521 00 90 which attracts a Nil Excise duty. Hence, the manufacture of Ground Calcium Carbonate through the proposed technology for expansion plant would be excise duty free.

*(As per Legal Opinion dated 22<sup>nd</sup> March, 2006 of Mr. V. Lakshmi Kumaran, Advocate, Lakshmi Kumaran and Sridharan, New Delhi, Legal expert in the area of Excise Duty)*

## LICENSED & INSTALLED CAPACITY FOR PAST THREE YEARS:

-----2005-06----- 2004-05----- 2003-04 -----										
ITEMS	Unit	Licensed Capacity	Installed Capacity	Utilized Capacity	Licensed Capacity	Installed Capacity	Utilized Capacity	Licensed Capacity	Installed Capacity	Utilized Capacity
Calcium Carbonate	TPA	70,000	70,000	57,072.45	70,000	60,000	60,037	70,000	48,000	54,371
Capacity Utilisation	%			81.53%			100.06%			113.27%

The installed capacity to produce calcium carbonate was 48,000 TPA during 2003-04. The Company installed certain balancing and additional equipments during that year that were in the nature of giving permanent effect for increase in the capacity. The company produced 54,371 MT during 2003-04 resulting in a capacity utilization of over 113%.

During 2004-05, the balancing and additional equipments installed during the previous years alongwith other capital expenditure stabilized, and the capacity increased to 60,000 TPA. The actual production during 2004-05 was 60,037 MT. The capacity utilization worked out to 100% of the installed capacity.

**PROPOSED CAPACITY FOR THE 20,000 TPA UNIT FOR NEXT THREE YEARS FROM THE COMMENCEMENT OF COMMERCIAL PRODUCTION:**

-----2007-08-----      -----2008-09-----      -----2009-10 -----										
ITEMS	Unit	Licensed Capacity	Installed Capacity	Utilized Capacity	Licensed Capacity	Installed Capacity	Utilized Capacity	Licensed Capacity	Installed Capacity	Utilized Capacity
Calcium Carbonate	TPA	20,000	20,000	16,000	20,000	20,000	17,000	20,000	20,000	18,000
Capacity Utilisation	%			80%			85%			90%

*(As per the IDBI Appraisal Report dated 02.03.2006)*

**PROPOSED CAPACITY FOR THE COMPANY AS A WHOLE FOR NEXT THREE YEARS FROM THE COMMENCEMENT OF COMMERCIAL PRODUCTION:**

-----2007-08-----      -----2008-09-----      -----2009-10 -----										
ITEMS	Unit	Licensed Capacity	Installed Capacity	Utilized Capacity	Licensed Capacity	Installed Capacity	Utilized Capacity	Licensed Capacity	Installed Capacity	Utilized Capacity
Calcium Carbonate	TPA	90,000	90,000	86,000	90,000	90,000	87,000	90,000	90,000	88,000
Capacity Utilisation	%			96%			97%			98%

*(As per the IDBI Appraisal Report dated 02.03.2006)*

**COMPETITION**

In the industry to which the Company belongs, the Company faces competition from established Indian and International products operating in the markets where the Company is present.

## INSURANCE

Name of the Insurance Company	Description of Property	Total sum Insured in Indian currency	Name of Bank/Financer	Policy Number	Date of expiry	Date of commencement
The New India Assurance Company Limited	(a). Building (b). Plant / Machinery and Accessories	4, 84, 50,000/- (Four crore eighty-four lakh fifty thousand only) towards Standard Fire and Special Perils Policy	(a). Industrial Development Bank of India (b). Bank of Baroda	321600/11/05/00947	19-01-2007	20-01-2006
The New India Assurance Company Limited	Stock of Calcium Carbonate (finished stock)	30,00,000/- (Thirty lakhs) towards Standard Fire and Special Perils Policy	Bank of Baroda	321600/11/05/00871	19-12-2006	20-12-2005
The New India Assurance Company Limited	On stock of stores, finished goods lying in main process and in storage godown, raw material, and stock in process	3,90,00, 000/- (Three crores ninety lakhs only) towards Standard Fire and Special Perils policy	Bank of Baroda	321600/11/05/00738	09-11-2006	10-11-2005
The New India Assurance Company Limited	Plant/ Machinery along with spares and accessories	2,00,00,000/- (Two crores only) towards Standard Fire and Special Perils policy	(a). Industrial Development Bank of India (b). Bank of Baroda	321600/11/05/00737	09-11-2006	10-11-2005
The New India Assurance Company Limited	Stock of Calcium Carbonate (finished stock)	30,00,000/- (Thirty lakhs only) towards Burglary	Bank of Baroda	321600/46/05/00526	19-12-2006	20-12-2005
The New India Assurance Company Limited	On stock of stored, finished goods lying in main process and in storage godwon, raw material, and stock in process	3,90.00,000 (Three crores ninety lakhs only) towards Burglary policy	Bank of Baroda	321600/46/05/00427	09-11-2006	10-11-2005
The New India Assurance Company Limited	Plant/ Machinery of Specialty Division	2,55,00,000/- (Two crores fifty five lakhs only) towards Standard Fire and Special Perils policy	(a). Bank of Baroda (b). Industrial Development Bank of India	321600/11/06/11/00000445	09-09-2007	10-09-2006

**KEYMAN INSURANCE POLICIES:** The details concerning the Keyman Insurance Policies are mentioned below.

Sl. No.	Name of Insurance Company	Name of Life Assured	Date of Maturity	Sum Assured Rs.	Policy number	Date of commencement
1.	Life Insurance Corporation of India	A.K. Maheshwari	15.2.2014	5,00,000	112597604	15.2.1999
2.	Life Insurance Corporation of India	Ashwani Kumar Vats	15.3.2016	5,00,000	113120873	15.3.2001
3.	Life Insurance Corporation of India	Chandra Kumar Jain	13.3.2018	2,23,00,000	113584388	13.3.2003
4.	Life Insurance Corporation of India	Dr. Chandra Kumar Jain	3.12.2014	2,00,00,000	114123300	3.12.2004

The Company has taken insurance policies insuring major risks relating to its stocks, building, plant & machinery, accessories, furniture and fixtures and stocks at its plant at Muzaffarnagar.

The Company has also taken Keyman insurance policies for its key executives. The Company has no other policy in force other than as stated herein above. Further, all normal risks associated with

the business (including premises) are adequately insured. There are no pending claims with regard to the insurance policies held by the Company.

## PROPERTY

Title/Ownership	Nature	Location	Area (Hectares)	Khasra/ Khatauni
Gulshan Sugars & Chemicals Ltd.	Freehold Industrial Land	Village Humayunpur, Tehsil Muzaffarnagar	1.209 *	1.1 M
		Village Shernagar, Tehsil Muzaffarnagar	10.24	1043,1044, 1053, 1067, 1049, 1050, 1042, 1054, 1055, 1041, 1051, 1052
		Village Naraina, Tehsil Muzaffarnagar	2.131	14
Presteege Fibres Ltd. (Now with GSCL, after amalgamation)	Agricultural Land	Village Shernagar, Tehsil Muzaffarnagar	5.434	1214, 1215, 1216, 1225, 1240, 1241, 1226, 1227, 1228, 1230, 1242, 1239, 1232, 1229 M, 1238
		Village Humayunpur, Tehsil Muzaffarnagar	5.741	28
Presteege Fibres Ltd. (Now with GSCL, after amalgamation)	Agricultural Land	Village Kasampur Khola	0.799	658/1, 654

\* In village Humayunpur property, out of the total 1.209 hectares, 0.057 hectares comprising 5 biswas and 12 biswansis bearing Khasra No. 1 Min. have been mortgaged to IDBI against loans taken.

### Details of the above properties:

#### List of Sale Deeds of Gulshan Sugar and Chemicals Ltd [“GSCL”]

Date of Sale Deed	Name of Purchaser	Particulars of Property	Registration	Comments
28.7.1997	GSCL	At village Humayunpur, Pargana, Tehsil and district Muzaffar Nagar. ½ part of Land area measuring 1.152 Hectare in Khasra no.1	Registered on 28-7-97, book No.I, volume 1004 at serial no.5183 with sub registrar Muzaffar Nagar	Declared as Non-agricultural. Purchased from Mr. Vinay Kumar Jain for Rs. 1,40,625
28.7.1997	GSCL	At village Humayunpur, Pargana, Tehsil and district Muzaffar Nagar. 1/2 part of Khasra No. 1M/ 1.152 Hectare	Registered on 28-7-97, book No. I, volume 1005 at serial no.5198 with sub registrar Muzaffar Nagar	Declared as Non-agricultural. Purchased from Mr. Vinay Kumar Jain for Rs. 1,40,625
14.8.1997	GSCL	At village Shernagar, Pargana Muzaffar Nagar. ½ part of Khasra number 1043, measuring 1.315 Hectare.	Registered on 14.8.97, book No. I, volume 1014 at serial no.5500 with sub registrar Muzaffar Nagar	Declared as Non-agricultural. Purchased from Mr. Vinay Kumar Jain for Rs. 1,60,440
13.8.1997	GSCL	At village Shernagar, Pargana Muzaffar Nagar. ½ part of Khasra number 1043, (rural area), measuring 1.315 hectares.	Registered on 13-8-97, book No. I, volume 1014 at serial no.5494 with sub registrar Muzaffar Nagar	Declared as Non-agricultural. Purchased from Mr. Vinay Kumar Jain for Rs. 1,60,440
13.8.1997	GSCL	At village Shernagar, Pargana Muzaffar Nagar. Khasra number.1043, (rural area) area 0.543 hectare land.	Registered on 13-8-97, book No.I, volume 1014 at serial no.5492 with sub registrar Muzaffar Nagar	Declared as Non-agricultural. Purchased from Mr. Vinay Kumar Jain for Rs. 1,32,500
28.2.2002	GSCL	At village Shernagar, Pargana Muzaffar Nagar. Khasra number 1041, area 1.485 hectare.	Registered on 28-2-2002, book No.I, volume 4137 at serial no.1905 with sub Registrar Muzaffar Nagar	Declared as Non-Agricultural. Purchased from Gulshan Rai Charitable Trust for Rs. 3,50,000
28.2.2002	GSCL	At village Shernagar, Pargana Muzaffar Nagar. Khasra number. 1049/0.440 hectares,1050/ 0.379 H,1051/ 0.041, 1052/0.174 Hectares	Registered on 28-2-2002, book No.I, volume 4137 at serial no.1906 with sub Registrar Muzaffar Nagar	Declared as Non-Agricultural. Purchased from Gulshan Rai Charitable Trust for Rs. 2,50,000

24.9.1980	GSCL	At village Shernagar, Pargana Muzaffar Nagar. Khasra number 1044 measuring 3 bighas, 10 biswas equivalent to 0.717 hectares.	Registered on 3-11-80, book No.I, volume 2169 at serial no.8676 with sub Registrar Muzaffar Nagar	Declared as Non-agricultural. Purchased from Mr. Prem chand for Rs. 5000.
8.5.1995	GSCL	Property Khasra no. 1042 measuring 2 bighas pukhta, situated at village Shernagar. Muzaffar Nagar, equivalent to 0.4095 hectares.	Registered on 20-5-95, book No.I, volume 725 at serial no.3120 with sub Registrar Muzaffar Nagar	Industrial Land purchased from Chitrakali for Rs. 40,000.
8.5.1995	GSCL	Property comprising 2 bighas equivalent to 0.4095 hectares pukhta, situated at village Shernagar, pargana and district Muzaffar Nagar, Khasra No.1042	Registered on 20-5-95 book No.I, volume 725 at serial no.3118 with sub Registrar Muzaffar Nagar	Industrial Land purchased from Chitrakali for Rs. 40,000.
8.5.1995	GSCL	Property comprising 0.309 hectares, situated at village Shernagar, pargana and district Muzaffar Nagar, Khasra No. 1054	Registered on 20-5-95 book No.I, volume 725 at serial no.3117 with sub Registrar Muzaffar Nagar	Industrial Land purchased from Chitrakali for Rs. 30,150.
8.5.1995	GSCL	Property situated at village Shernagar, pargana and district Muzaffar Nagar, Khasra No.1054 / 0.029 Hectares and 1042/0.041 Hectares.	Registered on 20-5-95 book No.I, volume 725 at serial no.3121 with sub Registrar Muzaffar Nagar	Industrial Land purchased from Chitrakali for Rs. 6,650.
8.5.1995	GSCL	Property situated at village Shernagar, pargana and district Muzaffar Nagar, Khasra no. 1055 comprising 1 bigha and 10 biswas, equivalent to 0.307 hectares.	Registered on 20-5-95 book No.I, volume 725 at serial no.3119 with sub Registrar Muzaffar Nagar	Non-Agricultural Land purchased from Chitrakali for Rs.30,000.

Mr. Vinay Kumar Jain and Mr. Prem Chand, sellers of some of the above properties are not related to any of the promoters/directors of the Company. Mrs. Chitrakali, the seller of few of the properties mentioned above, is the mother of Dr. Chandra Kumar Jain, the mother-in-law of Mrs. Mridula Jain, and the grandmother of Ms. Anubha Jain, all of them being promoters of the Company. Gulshan Rai Charitable Trust, being one of the sellers, is run by Dr. Chandra Kumar Jain, Promoter of the Company.

The land acquired by the Company is free from all encumbrances and has a clear title. The above land is registered in the name of the Company. No approval is required to be taken by the Company pertaining to the said Land.

#### **Properties on Lease and also the Sale Deeds of GSCL in UP, Mumbai, Ahmedabad and Bangalore**

1. Registered Lease Deed dated 2<sup>nd</sup> May 1997 executed between the Governor of Uttar Pradesh ("the Lessor") and GSCL, ("the Lessee"). The lessee purchased 52.38 Acres of land from Bhumidhar owners thereof in villages Kelapur Jasmore and Kasampur Khola, Tehsil Jansath, District Muzaffarnagar, to hold the same unto the Lessee for the time of 30 years w.e.f 2.5.1995. The Lease Deed also provides that such renewed term of 30 years shall not exceed in aggregate 90 years. This lease is for the purpose of setting up an Industrial complex for a manufacturing unit and the establishment of a Research and Development Centre. This is duly registered and the stamp duty is paid. The lessee has paid a token premium of Rs. 11,816 and is required to pay yearly rent equivalent to the land revenue payable from time to time.
2. Indenture of Sale dated 9 May 1997 entered into between Mrs. Shanta Satish Thawani as the vendor/transferor and GSCL as the purchaser/ transferees. The property consists of GSCL's office premises no. 111 on the first floor of Balaji Darshan Building situated at Tilak Road, Santacruz (W), Mumbai-54 admeasuring area 340 sq.ft. (super built-up). The Indenture of Sale is duly stamped. The purchase was for amount of Rs. 11,05,000. Mrs. Shanta Satish Thawani is not related to any of the promoters/directors of the Company. The land acquired by the Company is free from all encumbrances and has a clear title. The above land is registered in the name of the Company. No approval is required to be taken by the Company pertaining to the said Land.
3. Agreement dated 15<sup>th</sup> April 1995, between Saumya Construction Private Limited, [" the Builders"] and GSCL as the "Prospective Allottee". The property is Apartment No. 703, Aditya Building Mithakali Road, Ahmedabad. It measures 696 sq.ft. The Agreement is duly stamped. The allotment was for amount of Rs. 2,95,800.

4. Sale Deed executed at Bangalore on 25 February 2000 between (i) Mrs. Shailaja. B. Bhat and (ii) Mrs. U. Netravathi Bhat in favour of GSCL. The property is Apartment No. S-418A, Manipal Center, in Bangalore admeasuring 411 sq. ft. This Sale Deed is duly stamped and registered with the Sub-Registrar, Bangalore. The purchase was for an amount of Rs. 4,80,000. Mrs. Shailaja B. Bhat is not related to any of the promoters/directors of the Company. The property acquired by the Company is free from all encumbrances and has a clear title. The above property is registered in the name of the Company. No approval is required to be taken by the Company pertaining to the said property.

**List of Sale Deeds of Presteege Fibres Ltd ["PFL"]**

Date of Sale Deed	Name of Purchaser	Registration	Details of Property
13.12.1983	Presteege Fibres Ltd.	Registered with Sub Registrar in book No.I volume 1528 and 1535 pages 173/73-74, S. No. 9507 on 14.12.1983 comprising 2 Bighas in Khasra No. 658.	Property at village Kasampur Khola Pargana Bhumma Sambalhedi property is forest uncultivated land purchased from Mr. Bundi for Rs. 1800
1.3.1984	Presteege Fibres Ltd.	Registered with Sub Registrar in book No.I volume 1539 and 1556 at pages 198/180-183, S.No.1570 on 1.3.1984; comprising 1 Bigha 18 Biswansis in Khasra No. 654, and 6 Bighas 3 Biswansis in Khasra No. 655.	Property at village Kasampur Khola Pargana bhumma sambalhedi. and Khasra No. 654. and Khsara No.655 purchased from Mr. Sohanbir for Rs.9,660
4.6.1986	Presteege Fibres Ltd.	Registered on 11.7.1986 with Sub Registrar in book No.I volume 2856, S.no.6873, comprising 2/3 part of 8 Bighas 8 Biswansis in Khasra No. 1232.	Industrial Land purchased from Shad Illahi for Rs.84,000
4.6.1986	Presteege Fibres Ltd.	Registered on 11.7.1986 with Sub Registrar in Book No. I volume 2856, S.no. 6874, comprising 1 Bigha 16 Biswansis in Khasra No. 1214; 1 Bigha 8 Biswansis in Khasra No. 1215; and 1 Bigha 16 Biswansis in Khasra No. 1216.	Property is situated at village Shernagar Tehsil purchased from Shad Illahi & Dilshad Illahi for Rs. 50,000
4.6.1986	Presteege Fibres Ltd.	Registered on 11.7.1986 with Sub Registrar in book No. I volume 2856, S.no. 6877, comprising 2 Bighas 1 Biswas in Khasra No. 1226; 1 Bigha in Khasra No. 1227; and 4 Bighas in Khasra No. 1230.	Industrial Land purchased from Dilshad Illahi for Rs.70,500
4.6.1986	Presteege Fibres Ltd.	Registered on 11.7.1986 with Sub Registrar in book No.I volume 2856, S.no. 6876, comprising 1 Bigha 2 Biswansis in Khasra No. 1239; 1/6 <sup>th</sup> part of 18 Biswansis in Khasra No. 1242; ½ part of 1 Bigha 3 Biswansis in Khasra No. 1238; 2 Bighas 6 Biswansis in Khasra No. 1240; 2/3 <sup>rd</sup> part of 3 Bighas 4 Biswansis in Khasra No. 1241; ½ part of 2 Bighas 1 Biswansis in Khasra No. 1228.	Industrial Land purchased from Shad Illahi & Dilshad Illahi for Rs. 61,000
4.6.1986	Presteege Fibres Ltd.	Registered on 11.7.1986 with Sub Registrar in Muzaffar Nagar in Book No. 1, Volume 2856, Serial No. 6875, comprising ½ part of 1 Bigha 16 Biswansis in Khasra No. 1225; and 1/6 <sup>th</sup> part of 2 Bighas 1 Biswansis in Khasra No. 1228.	Industrial Land purchased from Shad Illahi & Dilshad Illahi for Rs. 18,500
4.6.1986	Presteege Fibres Ltd.	Registered on 11.7.1986 with Sub Registrar in Muzaffar Nagar in Book No. 1, Volume 2856, Serial No. 6872 comprising 1 Bigha 10 Biswansis in Khasra No. 28.	Property is situated at village Humayunpur, District Muzaffarnagar and is an industrial land purchased from Dilshad Illahi for Rs. 22,500

The sellers of the above properties of Presteege Fibres Limited are not related to any of the promoters/directors of the Company.

The land acquired by the Company is free from all encumbrances and has a clear title. The above land is registered in the name of the Company. No approval is required to be taken by the Company pertaining to the said Land.

**Purchase of Property**

No property is proposed to be purchased out of the proceeds of this Issue.

**KEY INDUSTRIAL REGULATIONS**

Industrial Licenses are regulated under the Industries (Development & Regulation) Act, 1951. The requirements of Industrial Licences have been progressively reduced and Calcium Carbonate is not amongst the industries that require compulsory industrial licensing.

*(Source: Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India. Website Link: [http://dipp.nic.in/manual/manual\\_0403.pdf](http://dipp.nic.in/manual/manual_0403.pdf))*

### iii. HISTORY AND CORPORATE STRUCTURE OF THE ISSUER COMPANY

#### Incorporation and Initial Progress:

Gulshan Sugars & Chemicals Limited (GSCL) was promoted by Late Shri Gulshan Rai Jain and his son Dr. Chandra Kumar Jain. The Company was originally incorporated as Gulshan Sugars and Chemicals Private Ltd. on May 23, 1980 with the Registrar of Companies, Uttar Pradesh. It started the business of manufacturing of Calcium Carbonate in December 1981. Subsequently it was converted into a Public Limited Company on March 18, 1986 and the name of the Company was changed to Gulshan Sugars and Chemicals Limited.

The Registered Office of the company is located at 9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh, and the Corporate Office is situated at G-81, Preet Vihar, Delhi. The concerned Registrar of Companies is ROC at Kanpur and the equity shares of the Company are listed at Bombay Stock Exchange (BSE). The Company's production facilities are located at the premises housing the Registered Office of the Company.

#### Major events in the history of the Company are as follows:

YEAR	MAJOR EVENTS
1981	<ul style="list-style-type: none"> <li>Incorporated as Gulshan Sugars and Chemicals Private Ltd. on May 23, 1980 with the Registrar of Companies, Uttar Pradesh. In December 1981, it commenced commercial production of Calcium Carbonate with an initial capacity of 2100 MT per annum.</li> </ul>
1982-85	<ul style="list-style-type: none"> <li>Increased the capacity of Calcium Carbonate unit from 2100 MT to 4500 MT, then it increased the capacity from 4500 MT to 6900 TPA in 1983 and further to 10500 TPA in 1984.</li> <li>The Registered Office of the Company since incorporation was located at 45-B, New Mandi, Muzaffarnagar, and shifted to its factory at 9<sup>th</sup> K.M., Jansath Road, Muzaffarnagar between the period May 5, 1983 and June 29, 1985.</li> </ul>
1986	<ul style="list-style-type: none"> <li>The Company issued Bonus in the ratio of 1: 1 to its shareholders.</li> </ul>
1989	<ul style="list-style-type: none"> <li>Increase of capacity from 10500 TPA to 22500 TPA.</li> <li>The Company issued Bonus in the ratio of 1: 1 to its shareholders.</li> </ul>
1991	<ul style="list-style-type: none"> <li>The Company came with an IPO for financing its Modernization-cum-energy conservation schemes. The Company completed the project as per the following details: <div style="margin-left: 40px;"> <p><b>Cost of the project</b> Rs. 417 lakhs</p> <p><b>Means of Finance</b></p> <p>Public Issue Rs. 175 lakhs</p> <p>Term Loans Rs. 242 lakhs</p> <p>The major objectives of the public issue was as under:</p> <ol style="list-style-type: none"> <li>1. Installation of a high efficiency boiler of 20 ton per hour capacity to reduce the cost of steam.</li> <li>2. Installation of 3 producer gas plants based on hard coke instead of pearl coke, which is expected to reduce the cost of steam.</li> <li>3. Installation of high-pressure turbine and lime kiln which is expected to reduce its power use as well as to achieve higher capacity utilization of the plant.</li> </ol> </div> </li> </ul>
1992	<ul style="list-style-type: none"> <li>Subsequently, the Company during the period from 1992 to 1994 expanded the capacities from the then existing 22500 MT to 28500 MT and financed the same from internal generations.</li> </ul>
1993	<ul style="list-style-type: none"> <li>Presteege Fibres Limited and Gulshan Sugars &amp; Chemicals Limited were amalgamated under Chapter V of the Companies Act, 1956, whereby upon amalgamation, the resultant amalgamated company was Gulshan Sugars &amp; Chemicals Ltd. As per the Order of the Hon'ble High Court of Allahabad, the Company allotted 2,94,993 fully paid Unsecured Fully Convertible Interest Free Debentures of Rs. 100/- each on 1st April, 1993 in the proportion of one debenture for every ten fully paid-up equity shares of Rs. 10/- each of Presteege Fibres Limited. The Unsecured Fully Convertible Debentures of GSCL with the face value of Rs. 100/- each, comprised of four parts as under: <div style="margin-left: 40px;"> <p>Part A Representing 10% of the face value of the Debenture.</p> <p>Part B Representing 10% of the face value of the Debenture.</p> </div> </li> </ul>



	<div>Part C                      Representing 40% of the face value of the Debenture.</div> <div>Part D                      Representing 40% of the face value of the Debenture.</div> <p>The Unsecured Fully Convertible Interest Free Debentures were to be automatically converted into fully paid-up equity shares of GSCL in the following proportion:</p> <table><tr><td>Part A</td><td>One fully paid-up equity share of Rs. 10/- each of GSCL at par for every Debenture held.</td><td>Immediately on allotment.</td></tr><tr><td>Part B</td><td>One fully paid-up equity share of Rs. 10/- each of GSCL at par for every Debenture held.</td><td>One year after allotment.</td></tr><tr><td>Part C</td><td>Four fully paid-up equity shares of Rs. 10/- each of GSCL at par for every Debenture held.</td><td>Three years after allotment.</td></tr><tr><td>Part D</td><td>Four fully paid-up equity shares of Rs. 10/- each of GSCL at par for every Debenture held.</td><td>Five years after allotment.</td></tr></table> <p>The Promoters of Gulshan Sugars &amp; Chemicals Ltd. were shareholders of Presteege Fibres Ltd. before the amalgamation of the two companies.</p> <ul style="list-style-type: none"><li>M/s Presteege Fibers Ltd., which was engaged in manufacturing of paper was amalgamated with GSCL. In terms of the approved scheme and consequent upon the merger, the equity share capital of GSCL increased by an amount of Rs. 294.99 lakhs during the period 1.4.1993 to 1.4.1998. However, due to uneconomic operations, the operations of the paper unit were closed permanently.</li></ul>	Part A	One fully paid-up equity share of Rs. 10/- each of GSCL at par for every Debenture held.	Immediately on allotment.	Part B	One fully paid-up equity share of Rs. 10/- each of GSCL at par for every Debenture held.	One year after allotment.	Part C	Four fully paid-up equity shares of Rs. 10/- each of GSCL at par for every Debenture held.	Three years after allotment.	Part D	Four fully paid-up equity shares of Rs. 10/- each of GSCL at par for every Debenture held.	Five years after allotment.
Part A	One fully paid-up equity share of Rs. 10/- each of GSCL at par for every Debenture held.	Immediately on allotment.											
Part B	One fully paid-up equity share of Rs. 10/- each of GSCL at par for every Debenture held.	One year after allotment.											
Part C	Four fully paid-up equity shares of Rs. 10/- each of GSCL at par for every Debenture held.	Three years after allotment.											
Part D	Four fully paid-up equity shares of Rs. 10/- each of GSCL at par for every Debenture held.	Five years after allotment.											
1994	<ul style="list-style-type: none"><li>The Company expanded the capacity by 3,500 MT by installation of balancing equipments.</li><li>In December 1994, IDBI sanctioned term loan of Rs. 500 lakhs under project finance scheme for its modernization-cum-expansion scheme envisaging increase in manufacturing capacity by 10,000 TPA. The project was completed by the Company in March 1996. Further, the capacities were enhanced by 10000 MT raising the total capacity to 60000 MT till 2000.</li><li>The Company revalued its Fixed Assets comprising Land, Building, and Plant &amp; Machinery earlier during the financial year 1993-94. The above properties were located at 9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh. On account of the revaluation, the gross block of the Land increased by Rs. 48.50 lakhs, the Buildings by Rs. 51.50 lakhs, and Plant and Machinery by Rs. 154.59 lakhs, aggregating Rs. 254.59 lakhs.</li></ul> <p>The above amount was credited to Revaluation Reserves, and the accounts were approved by the Shareholders at their Annual General Meeting held on July 20, 1994. The same was adopted in the Company's books.</p>												
1995	<ul style="list-style-type: none"><li>The Company acquired a running unit of Calcium Carbonate at Begrajur, Muzaffarnagar having a capacity of 8,000 MT in auction from PICUP thereby raising the total capacity to 40,000 MT as on 31.3.1995. (This unit has since been transferred to Gulshan Chemfill Ltd. under arrangement/ the scheme of Demerger w.e.f. April 1, 2000).</li><li>The Equity Shares of the Company were delisted w.e.f. 17.4.1995 from Ahmedabad Stock Exchange due to non-payment of Annual Fees vide their letter Ref No. DEL/LST/37/95 dated 21.4.1995.</li></ul>												
1996	<ul style="list-style-type: none"><li>In April 1996, IDBI sanctioned another term loan of Rs. 960 lakhs under project finance scheme to GSCL for diversification and setting up a new project of 15000 TPA Sorbitol project at Jhagadia Industrial Estate, Distt. Bharuch, Gujarat. The company commenced commercial production of Sorbitol in August 1997. (This unit has since been transferred to Gulshan Polyols Ltd. under arrangement/the scheme of Demerger w.e.f. April 1, 2000).</li></ul>												

2000	<ul style="list-style-type: none"> <li>The company effected a demerger by hiving off two units and transferring them to two new companies. The company obtained all necessary approvals including that of the Hon'ble High Court, Allahabad and the arrangement/ scheme of Demerger was implemented w.e.f. April 1, 2000. In terms of the arrangement/ scheme of Demerger, the Sorbitol unit (capacity 15000 TPA) located at Bharuch (Gujarat) stood transferred to M/s Gulshan Polyols Ltd. The sick unit purchased from PICUP, which manufactured Precipitated Calcium Carbonate (PCC) unit (capacity 12000 TPA) located at Begrajpur, Distt. Muzaffarnagar (UP) was transferred to M/s Gulshan Chemfill Ltd. The main unit of the company engaged in manufacturing of Calcium Carbonate (capacity 48000 TPA) located at 9th K.M., Jansath Road, Muzaffarnagar (UP) has been retained in Gulshan Sugars &amp; Chemicals Ltd itself.</li> </ul>
2003	<ul style="list-style-type: none"> <li>A 3 MW captive power plant was set up, which was financed by IDBI. A total loan of Rs. 6 crores was sanctioned but the availed amount was Rs. 5.75 crores.</li> </ul>
2004	<ul style="list-style-type: none"> <li>The equity shares of the Company were voluntarily delisted from the Delhi Stock Exchange w.e.f. 11.12.2004 vide their letter no. DSE/LIST/343 and from the Kanpur Stock Exchange w.e.f. 1.12.2004 vide their letter no. UPSE/LC/2004-2005/3675.</li> </ul>
2005	<ul style="list-style-type: none"> <li>Another expansion of capacity by 12000 MT carried out thereby increasing the total capacity to 60,000 TPA in 2004-05. This was financed by way of corporate loan from IDBI of Rs. 500 lakhs and promoter's contribution.</li> </ul>
2006	<ul style="list-style-type: none"> <li>In January 2006, the Company took up another project to manufacture additional 20,000 MT dedicated for Paper and PVC industry and an additional 3 MW Captive Power Plant to meet the increased requirement of capacities and balancing of power for standby requirements. The location is at the Company's present site at Muzaffarnagar (UP), which is close to raw material source.</li> <li>The Company being the market leader has been developing paper grade PCC for past few years. It has entered into an agreement with IVA INDUSTRIE BERATUNG GMBH, Germany for supply of technology, supply of some equipments and design &amp; drawings for indigenous equipments and project management.</li> </ul>

#### **Main Objects of the Company:**

The main objects of the company as set forth in the memorandum of association of the company are as follows.

1. To manufacture, produce, refine, prepare, import, export, purchase, sell and generally to deal in Sugar beets, Sugar cane, Gur, Rab, Khandsari, Jaggery, molasses, yeast, syrups and alcohol of all kinds and all products, and bye-products thereof, and in connection therewith to acquire on lease or other-wise, construct and operate mills, factories, refineries, buildings, distilleries and other works.
2. To carry on the business as manufacturers, dealers, exporters, importers in all type of chemicals-organic, inorganic, Activated and Precipitated Calcium Carbonate of all grades and specifications, Calcium Carbide, Fertilisers, manures, medicines of all kinds including acids, alkalies, salts Dyes, caustic soda, soda ash, glass etc., pharmaceuticals, mineral and material products, petroleum and other oils and their bye-products, derivatives, compounds, mixtures, formulations and all kinds of commodities having chemical properties, industrial greases and lubricants, Glycerine, Distilled water, water for injection, Laboratory, and scientific equipment and/ or otherwise deal in such commodities either as principals or as agents, distributors, stockists, partner, members of Association of person.
3. To buy, sell manufacture, import and export and/ or otherwise deal in all such plant and machinery, equipment, components, raw materials, stores, packing material as are necessary for manufacture, treating, repacking, mixing, combining, extracting, distilling, sterlising, refining, synthesising and/or otherwise producing of any of the aforesaid commodities.
4. To manufacture, import, buy, sell, let on hire, exchange, alter, improve, manipulate, prepare for market and/or otherwise deal in all kinds of plants, machineries, machine parts, tools & Equipments, apparatus, chemicals, raw materials and/or other substances, necessary for carrying of any of the above specified activities.

**Changes in Memorandum of Association of Gulshan Sugars and Chemicals Limited**

Since incorporation, the following changes have taken place in the Company's Memorandum of Association:

<b>Date of Amendment</b>	<b>Amendment</b>
26.2.1986	i. Change in Authorised capital i.e., increase of Equity Share Capital from Rs. 40 lakhs to Rs. 2 Crores. ii. Change in status of the Company from 'private limited' to ' public limited', and consequent change of name from 'Gulshan Sugars and Chemicals Private Ltd.' to 'Gulshan Sugars and Chemicals Ltd.'
27.8.1990	Change in Authorised Share Capital i.e., increase of Equity Share Capital from Rs. 2 Crores to 4.25 Crores.
20.7.1994	Change in Authorised Share Capital i.e., increase of Equity Share Capital from Rs. 4.25 Crores to Rs. 10.25 Crores.
28.2.2001	Reduction in face value of Equity Share from Rs. 10/- to Rs. 8/- and the number of equity shares in Authorized Share Capital increased from 1 crores to 1.25 Crores.
29.9.2004	Change in Authorised Share Capital (i.e., increase in Preference Share Capital of 4,00,000 Redeemable Preference Shares) resulting in an increase from Rs. 10.25 Crores to Rs. 14.25 Crores.
6.3.2006	Change in Authorised Share Capital i.e., increase of Equity Share Capital from Rs. 14.25 Crore to Rs. 16.25 Crore.

The details of the capital raised are given in the section Capital Structure on page no. 15 of the Prospectus.

**Subsidiaries of the Issuers Company**

The Company has no subsidiaries as on date.

**Shareholders agreements**

At present there are no shareholding agreements between the Company and any other person.

**Other agreements**

The Company has not entered into any such agreements.

**Strategic Partners**

The Company, as on date, has no strategic partners.

**Financial Partners**

The Company has no financial partners.

#### iv. MANAGEMENT

As per the Articles of Association, the Company shall not have less than three (3) and not more than twelve (12) Directors unless otherwise determined by the Company in a General Meeting. As of October 20, 2006, the Company has six (6) Directors out of which only three (3) are full time Directors.

#### Board of Directors

The following table sets forth the details regarding the Board of Directors.

Sl. No.	Name, Designation, Qualification, Address, Occupation, Term, Date of Birth (DOB) and Age	Date of Appointment	Other Directorships
1.	Mr. Ishwar Chand Agarwal, <i>Chairman &amp; Independent Director</i> S/o Late Mr. B.L. Todi B. Com. B-9, Ganpati Enclave Ajmer Road, Jaipur Rajsathan DOB: 19.4.1950 56 Years Business  Retire by Rotation	Appointed as Additional Director on 5.10.2005. Approved in the AGM held on 22.9.2006	1. Genus Overseas Electronics Ltd. 2. Genus Electrotech Ltd. 3. Kailash Coal & Coke Co. Ltd. 4. Kailash Paper Products Ltd. 5. Kailash Industries Ltd. 6. Kailash Vidyut & Ispat Ltd. 7. Mahajan Edible Oil Ltd. 8. Godavari Commodities Ltd 9. Gulshan Polyols Ltd.
2.	Dr. Chandra Kumar Jain <i>Managing Director</i> S/o Late Mr. Gulshan Rai Jain B.Sc., ANSI, Ph.D. (Chemistry), N-142, Panchsheel Park New Delhi – 110 017 DOB: 4.6.1948 58 Years Industrialist  Term: 3 Years (February 20, 2004 to February 19, 2007)	Reappointed as Managing Director w.e.f. 20.2.2004	1. Gulshan Polyols Ltd. 2. Gulshan Chemfill Ltd. 3. Gulshan Agro Foods Ltd. 4. Gulshan Capital Ltd. 5. Gulshan Industries Ltd. 6. Gulshan Holdings Pvt. Ltd. 7. Gulshan Micro Minerals Pvt. Ltd. (Under Defunct proceedings) 8. Gulshan Lameepack Pvt. Ltd. 9. Gulshan Mercantile Urban Co-operative Bank Ltd. Genus Overseas Electronics Ltd.
3.	Mrs. Mridula Jain <i>Non-Executive Director</i> W/o Dr. Chandra Kumar Jain Master of Arts N-142, Panchsheel Park New Delhi – 110 017 DOB: 10.3.1953 53 Years Business  Retire by Rotation	Appointed as Additional Director on 24.12.2005. Approved in the AGM held on 22.9.2006	10. Gulshan Polyols Ltd. 11. Gulshan Chemfill Ltd. 12. Gulshan Agro Foods Ltd. 13. Gulshan Capital Ltd. 14. Gulshan Industries Ltd. 15. Gulshan Holdings Pvt. Ltd. 16. Gulshan Micro Minerals Pvt. Ltd. (Under Defunct proceedings) 8. Gulshan Mercantile Urban Co-operative Bank Ltd.
4.	Mr. A.K. Maheshwari <i>Director (Finance) &amp; Company Secretary</i> S/o Mr. A.P. Somani FCA, ACS D-141, Pocket-B Mayur Vihar Phase –II Delhi - 110 091 DOB: 20.8.1964 42 Years Service  Term: 3 Years (April 1, 2004 to March 31, 2007)	1.4.2004	1. Gulshan Impex Pvt. Ltd.

5.	Mr. Ashwani Kumar Vats <i>Executive Director</i> S/o M.C. Sharma B.Com., Diploma in Marketing Management, A-10, Surajmal Vihar Delhi-110092, DOB: 15.6.1962 44 Years  Term: 3 Years (April 1, 2005 to March 31, 2008)	1.4.2005	1. New Hind Fin Lease Pvt. Ltd.
6.	Mr. Mukul Maheswari <i>Non-Executive &amp; Independent Director</i> S/o Late Dr. T.N. Maheshwari FCA, AICWA, ACS A-34, Sector 14 Noida – 201301 DOB: 1.7.1964 42 Years  Retire by Rotation	Appointed as Additional Director on 5.6.2006 w.e.f 3.6.2006. Approved in the AGM held on 22.9.2006	1. Radex Financial Services (P) Ltd. 2. Maheswari Mukul & Associate Chartered Accountants <i>Proprietor</i>

**Besides the above directorship, the trusts wherein Dr. Chandra Kumar Jain, Mrs. Mridula Jain, Mr. A.K. Maheshwari and Mr. A.K. Vats are associated as Trustees is mentioned hereunder:**

Trust Name	Date of Incorporation	Place & Address of business	Line of Activity	Trustees	Other Trustees
Mridul Literacy Society	17.6.1999	G-81, Preet Vihar Delhi – 110 092	Charitable Trust	Mrs. Mridula Jain	Mr. A.K. Maheshwari, Mr. Ashwani Kumar Vats, Mrs. Rita Dutta, Mr.Y.K. Sharma, Mr. A.K. Garg, Mr. Ajay Sant
GEE EMM Education Foundation (Not Active)	5.12.2002	303, Kanishka Commercial Complex, 3rd Floor, Sainik Enclave, Vikas Marg Delhi - 110093	Charitable Trust	Dr. Chandra Kumar Jain  Mrs. Mridula Jain.	Mr. Mahendra Kumar, Smt Satyawati, Mr. Deepak Kumar Ms. Arushi Jain
Gulshan Education Foundation	12.12.2002	G-81, Preet Vihar Delhi – 110 092	Charitable Trust	Dr. Chandra Kumar Jain  Mrs. Mridula Jain.	Ms. Arushi Jain Ms. Aditi Jain Mr. Rahul Jain
Gulshan Sugars & Chemicals Ltd. Employees Group Gratuity Trust	29.4.1999	G-81, Preet Vihar Delhi-110092	Gratuity Trust	Dr. Chandra Kumar Jain	Mr. Parveen Kr. Jain, Mr. A.K. Maheshwari
Gulshan Education Academy (Not Active)	3.12.2004	G-81, Preet Vihar Delhi-110092	Charitable Trust	Dr. Chandra Kumar Jain  Mrs. Mridula Jain.	Ms. Arushi Jain Ms. Aditi Jain Mr. Rahul Jain
Gulshan Education Society (Not Active)	3.12.2004	G-81, Preet Vihar Delhi-110092	Charitable Trust	Dr. Chandra Kumar Jain  Mrs. Mridula Jain.	Ms. Arushi Jain Ms. Aditi Jain Mr. Rahul Jain
GSCL Education Foundation		G-81, Preet Vihar Delhi-110092	Charitable Trust		

GSCL Technical & Management Institute	3.12.2004	G-81, Preet Vihar Delhi-110092	Charitable Trust	Dr. Chandra Kumar Jain Mrs. Mridula Jain.	Ms. Arushi Jain Ms. Aditi Jain Mr. Rahul Jain
GSCL Academy for Management & Technical Studies	3.12.2004	G-81, Preet Vihar Delhi-110092	Charitable Trust	Dr. Chandra Kumar Jain Mrs. Mridula Jain.	Ms. Arushi Jain Ms. Aditi Jain Mr. Rahul Jain
Gulshan Rai Charitable Trust	13.4.1977	45B, New Mandi Muzaffarnagar	Charitable Trust	Dr. Chandra Kumar Jain	Shri Champat Rai, Shri Shitta Prasad, Smt. Hem Lata
GSCL Education Foundation	27.3.2003	G-81, Preet Vihar Delhi-110092	Charitable Trust	Dr. Chandra Kumar Jain Mrs. Mridula Jain	Ms. Arushi Jain Ms. Aditi Jain Mr. Rahul Jain

### **BRIEF PROFILE OF THE DIRECTORS**

#### **Mr. Ishwar Chand Agarwal, *Chairman & Independent Director***

Aged 56, he has a Bachelor of Commerce degree from Calcutta University. He is an established industrialist with experience in various industries including Paper, Coal & Coke, Steel, Power, Electronics and Electricals. He has vast experience and knowledge of more than 30 years in managing business affairs with specialized experience in various businesses such as about 4 years of experience in paper Industry, 30 years of experience in coal and coke Industry, 4 years of experience in Guar Gum Industry, 4 years of experience in Cement Industry and 12 years of experience in Electronics Industry. He is a Non-Executive and Independent Director of the company. He was appointed as Additional Director on October 5, 2005. His appointment was approved in the Annual General Meeting held on September 22, 2006.

#### **Dr. Chandra Kumar Jain, *Managing Director***

Dr. Chandra Kumar Jain, aged about 58 years, is the Managing Director of the Company. He is amongst the founder member of the company and has been associated with it since incorporation on May 23, 1980. He has a B.Sc. degree from Lucknow University, an Associateship in National Sugar Institute (ANSI) and PhD in Chemistry, and possesses over 33 years of rich experience in the Calcium Carbonate industry. Dr. Chandra Kumar Jain was first appointed as Managing Director on February 20, 1989 for a period of 5 years, then reappointed for further period of 5 years on February 20, 1994, February 20, 1999, and on February 20, 2004.

#### **Mrs. Mridula Jain, *Non-Executive Director***

Mrs. Mridula Jain is aged 53 Years and an M.A. by qualification. She is one of the Promoters of the Company. She possesses about 28 years experience in business, and her association with the Company as Director is more than 13 years old. She gives valuable contribution during the Board Meetings and Remuneration Committee meeting of the Company on regular basis. She was appointed as Additional Director on December 24, 2005, which was later approved in the Annual General Meeting held on September 22, 2006.

#### **Mr. A.K. Maheshwari, *Director (Finance) & Company Secretary***

Aged 42, he is a qualified Chartered Accountant and Company Secretary having more than 20 years of experience. He has been associated with GSCL since October, 1995 and handles important financial functions of the company including Project Finance, Banking, Accounts, Audit, Taxation and Secretarial matters. He was appointed as Whole Time Director for a period of three years with effect from April 1, 2004. He is a member of the Project Management and FPO Committee of the Company.

#### **Mr. Ashwani Kumar Vats, *Executive Director***

Aged 44 Years, he has a B.Com degree and Diploma in Marketing Management. He has over 24 years of experience having been associated with the Company for the last 20 years. He is responsible for the business and marketing affairs (for Eastern & Northern India) of the Company as well as day-to-day affairs of the factory. He was appointed as Whole Time Director for a period of three years with effect from April 1, 2005. He is a member of the Project Management and FPO Committee of the Company.

### **Mr. Mukul Maheswari, Non-Executive & Independent Director**

Mr. Mukul Maheswari, aged 42 years, is a qualified Chartered Accountant, Cost Accountant and Company Secretary having more than 19 years of experience in the areas of finance, accounts, audit, taxation, and International trade. He started his career in 1987 and was the Chief Financial Officer and Company Secretary in Salora/Matsushita Group. He is a practising Chartered Accountant and is also associated as a Director with a management consultancy firm. He is a Non-Executive and Independent Director of the company. He was appointed as Additional Director with effect from June 3, 2006 in the Board of Directors Meeting held on June 5, 2006. His appointment was approved in the Annual General Meeting held on September 22, 2006.

### **DETAILS OF BORROWING POWERS**

As per the relevant clauses of the Articles of Association:

71. Subject to the restrictions under section 58 A, 292 and 293 of the Act, the Board may, from time to time at its discretion accept deposits, including calls in advance, raise or borrow money for the Company with or without interest.
72. The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board of Directors may think fit, and in particular by a resolution passed at a meeting of the Board (and not by a Circular resolution) by the issue of Debentures stock of the Company charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being; and debentures, debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
73. Any debentures, debenture stock or other securities may be issued at a discount premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privilege and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meetings, appointment of Directors and otherwise, Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting.
74. The Company shall keep at its Registered Office a register of charges and enter therein all charges specifically affecting the property of the company giving in each case the particulars as required under Section 143 of the Act.
75. The Company shall, if at any time, issue debentures, keep in one or more books a Register of Debenture-holders and shall enter therein such particulars as required under section 152 of the Act and if the number of Debenture-holders exceeds fifty the Company shall also keep a Register of Index of Debenture-holders unless the Register of Debenture-holders is in such a form as in itself to constitute an index. The Company may keep in any State Country outside India a branch Register of Debenture holders resident in that State or Country.

Further a resolution was passed in the Annual General Meeting of the shareholders of the Company held on 20.6.1994 wherein the consent of the Company was accorded to the Board of Directors to borrow from time to time, any sum or sums of money, which together with the money already borrowed by the company may exceed the aggregate of the paid up capital and free reserves provided that the total money so borrowed shall not exceed Rs. 100 Crores over and above the aggregate of the paid-up share capital of the company and its free reserves, not set apart for any specific purpose.

## **TERMS OF APPOINTMENT & COMPENSATION OF DIRECTORS**

### **i. Dr. Chandra Kumar Jain, Managing Director**

Dr. Chandra Kumar Jain was first time appointed as Managing Director on 20.2.1989 for a period of 5 years upto 19.2.1994, after obtaining the necessary approvals of the Central Government, which was taken on record by the Board of Directors in its meeting held on 28.6.1989.

He was reappointed as Managing Director for a further period of 5 years from 20.2.1994 to 19.2.1999, and then from 20.2.1999 to 19.2.2004.

He has been reappointed as Managing Director for a period of 3 years w.e.f. 20<sup>th</sup> February, 2004 at the AGM held on 29<sup>th</sup> September 2004, with a liberty to the Board to make and/or accept any variation in the terms and conditions within the limits specified in sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and guidelines issued by the Central Government from time to time.

#### **Remuneration**

- Salary : Rs. 1,65,000/- (Rupees One Lakh Sixty Five Thousand) per month with effect from 1<sup>st</sup> April, 2004 till 19.2.2007 (subject to deduction of tax at source). Salary of Rs. 85,000/- per month for the period from 20<sup>th</sup> February, 2004 to 31<sup>st</sup> March, 2004.
- Commission : In addition to salary and perquisites, commission based on the net profits of the company in a particular year subject to the overall ceilings laid down in sections 198, 309 and Schedule XIII of the Companies Act, 1956.
- Perquisites : Perquisites shall be restricted to an amount equal to the annual salary respectively every year. Perquisites are classified into three categories 'A', 'B' and 'C' as follows:

#### **CATEGORY 'A':**

- i. Housing: The expenditure by the company on hiring furnished accommodation subject to a ceiling of 60% of the salary over and above 10% payable by him. In case, no accommodation is provided by the company, he shall be entitled to house rent allowance as above.

The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules, 1962, subject to a ceiling of 10% of his salary.

- ii. Medical Reimbursement: Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year.
- iii. Leave Travel Concession: For self and family once a year incurred in accordance with the rules framed by the Company.
- iv. Club Fee: Fee of one club will be admissible. This will not include admission and life membership fees.
- v. Personal Accident Insurance: Personal Accident Insurance of an amount, the premium of which shall not exceed Rs. 1,000/- per annum.

#### **CATEGORY 'B':**

Provident Fund, Gratuity and Leave Encashment: Company's contribution towards Provident Fund, Gratuity and Encashment of accumulated Leaves as per rules of the company. Gratuity shall not exceed an amount equal to half month's salary for each completed year of service. However, contribution to the provident fund and gratuity shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Further, Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.



CATEGORY 'C':

Car and telephone: Car for use on Company's business and telephone at residence and Mobile phone will not be considered as perquisites. Personal long distance calls and use of car for private purpose (if any) shall be billed by the company.

ii. **Mr. A.K. Maheshwari, Director (Finance) & Company Secretary**

Mr. A.K. Maheshwari was appointed as Whole Time Director for a period of 3 years w.e.f. 1<sup>st</sup> April 2004 at the AGM held on 29<sup>th</sup> September 2004 with a liberty to the Board to make and/or accept any variation in the terms and conditions within the limits specified in sections 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956 or any other applicable provisions of the Act and guidelines issued by the Central Government from time to time.

Remuneration:

Salary : Rs. 18,000/- (Rupees Eighteen Thousand) per month with effect from 1<sup>st</sup> April, 2004 for a period of three years (subject to deduction of tax at source).

Perquisites : Perquisites shall be restricted to an amount equal to the the annual salary respectively every year. Perquisites are classified into three categories 'A', 'B' and 'C' as follows:

CATEGORY 'A':

- i. House Rent Allowance: An amount equal to Rs. 9,000/- per month.
- ii. Medical Reimbursement: Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year.
- iii. Leave Travel Concession: For self and family once a year incurred in accordance with the rules framed by the company.
- iv. Club Fee: Fee of one club will be admissible. This will not include admission and life membership fees.
- v. Personal Accident Insurance: Personal Accident Insurance of an amount, the premium of which shall not exceed Rs. 1,000/- per month.

CATEGORY 'B':

Company's contribution towards Provident Fund, Gratuity and Encashment of accumulated Leaves as per rules of the company. Gratuity shall not exceed an amount equal to half month's salary for each completed year of service. However, contribution to the provident fund and gratuity shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Further, Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY 'C':

Car and Telephone: Company's Car for use on Company's business and telephone at residence and Mobile phone will not be considered as Perquisites. Personal long distance calls and use of car (if any) for private purpose shall be billed by the company.

Pursuant to sections 198, 269, 309 and 310 read with Sechedule XIII and other applicable provisions of the Companies Act, 1956 and according to the recommendations of the Remuneration Committee, the remuneration and perquisites and other benefits and amenities of Mr. A.K. Maheshwari was modified with effect from April 1, 2006 as follows. The same was taken on record by the Board of Directors in their meeting held on 31.7.2006:

Salary : Rs. 30,000/- (Rupees Thirty Thousand) per month

Perquisites : (i) An amount equal to Rs. 18,000/- per month being House Rent Allowance.  
(ii) Company's contribution towards Provident Fund, Gratuity as per prevailing laws and Encashment of accumulated Leaves as per rules of the company. The Gratuity shall not exceed an amount equal to half month's salary for each completed year of service. However, all these shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.  
(iii) Company's Car for use on Company's business and telephone at residence and Mobile phone will not be considered as perquisites. Personal long

distance calls and use of car (if any) for private purpose shall be billed by the company.

**iii. Mr. Ashwani Kumar Vats, Executive Director**

Mr. Ashwani Kumar Vats was appointed as Whole Time Director for a period of 3 years w.e.f. 1<sup>st</sup> April 2005 at the AGM held on 27<sup>th</sup> September 2005 with a liberty to the Board to make and/or accept any variation in the terms and conditions within the limits specified in sections 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956 or any other applicable provisions of the Act and guidelines issued by the Central Government from time to time.

Remuneration:

Salary : Rs. 22,000/- (Rupees Twenty Two Thousand) per month with effect from 1<sup>st</sup> April, 2005 for a period of three years (subject to deduction of tax at source).

Perquisites :

- i. An amount equal to Rs. 10,000/- per month being House Rent Allowance.
- ii. Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year.
- iii. Gratuity/ Superannuation would be payable as per prevailing laws and would be paid at the end of the tenure.
- iv. Company's Car for use on Company's business and telephone at residence and Mobile phone.

Pursuant to sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and according to the recommendations of the Remuneration Committee, the remuneration and perquisites and other benefits and amenities of Mr. Ashwani Kumar Vats was modified with effect from April 1, 2006 as follows. The same was taken on record by the Board of Directors in their meeting held on 31.7.2006:

Salary : Rs. 30,000/- (Rupees Thirty Thousand) per month

Perquisites :

- (i) An amount equal to Rs. 15,000/- per month being House Rent Allowance.
- (ii) Company's contribution towards Provident Fund, Gratuity as per prevailing laws and Encashment of accumulated Leaves as per rules of the company. The Gratuity shall not exceed an amount equal to half month's salary for each completed year of service. However, all these shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
- (iii) Company's Car for use on Company's business and telephone at residence and Mobile phone will not be considered as perquisites. Personal long distance calls and use of car (if any) for private purpose shall be billed by the company.

## **CORPORATE GOVERNANCE**

### **CORPORATE GOVERNANCE & SUB-COMMITTEES**

The directions issued by the SEBI vide SEBI/CFD/DIL/CG/1/2004/12/10 dated 29th October 2004 under Clause 49 of the Listing Agreement in respect of Corporate Governance are applicable to the company immediately upon seeking in-principle approval from the Stock Exchange for listing of the Equity Shares.

Gulshan Sugars & Chemicals Limited came out with its Initial Public Offering in 1991, and is listed with the Bombay Stock Exchange.

The company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, Constituting the Committees such as shareholding/ investor Grievance Committee, etc.

To comply with the guidelines in relation to corporate governance, the Issuer Company has already appointed 2 independent directors Mr. I.C. Agarwal and Mr. Mukul Maheswari on the Board of Directors of the Company. As the Chairman of the company is non-executive, one third of the Board of Directors comprises independent directors. The Issuer Company has already formed the following committees:

#### **Board of Directors**

The Board of Directors comprises a total of 6 Directors (including two independent Directors), which includes a Non-Executive Independent Chairman, a Managing Director, two Whole-Time Directors, one Non-Executive Director, and one Non-Executive & independent Director.

During the financial year 2005-06, there were 8 Board Meetings, which were held on 28.5.2005, 4.7.2005, 19.7.2005, 29.7.2005, 5.10.2005, 29.10.2005, 24.12.2005, and 20.1.2006. During the first quarter of the financial year 2006-07, there were 2 Board Meetings, which were held on 29.4.2006 (adjourned to 1.5.2006), and 5.6.2006. During the 2<sup>nd</sup> Quarter, there was one Board meeting held on 31.7.2006.

#### **1. Audit Committee**

##### **a. Terms of Reference:**

To oversee the Company's financial reporting process and disclosure of its financial information, to recommend the appointment of Statutory Auditors and fixation of the audit fee, to review and discuss with the Auditors about internal control systems, the scope of audit including the observations of the Auditors, adequacy of the internal audit function, major accounting policies, practices and entries, compliance with accounting standards and with the stock exchange and legal requirements concerning financial statements and related party transaction, if any, to review the Company's financial and risk management policies and discuss with the internal auditors any significant findings for follow-up thereon, to review the quarterly, half-yearly and annual financial statements before submission to the Board of Directors.

The Committee also meets the operating management and reviews the operations, new initiatives and performance of the business unit. The minutes of the Audit Committee are circulated to the Board, discussed and taken note of.

##### **b. Composition:**

The Audit committee was reconstituted on 5.6.2006 and has the following composition:

1. Mr. Mukul Maheswari, *Chairman* (Non Executive / Independent Director).
2. Dr. Chandra Kumar Jain, *Member* (Managing Director)
3. Mr. Ishwar Chand Agarwal, *Member* (Non Executive / Independent Director)

The Statutory Auditors and Company Secretary of the Company are permanent invitees. Mr. A.K. Maheshwari, Company Secretary, is the Secretary of the Committee.

#### **2. Shareholder's Grievance Committee**

This committee will specifically look into redressing the shareholder and investor complaints like transfer of shares, non-receipt of the declared dividends etc.

a. Terms of Reference:

To look into the shareholder complaints, if any, and to redress the same expeditiously, the committee approves requests for issue of duplicate share certificates and issue of certificates after split/consolidation etc. as also requests for transmission of shares, referred by the Share Transfer Committee.

b. Composition:

The Shareholder's Grievance Committee was reconstituted on 5.6.2006 and has the following composition:

1. Mr. Ishwar Chand Agarwal, *Chairman*, (Non Executive / Independent Director)
2. Mr. Mukul Maheswari, *Member*, (Non Executive / Independent Director)

The Company Secretary of the Company, Mr. A.K. Maheshwari, is the Compliance Officer.

During the financial year 2005-06, the Committee held 5 meetings. A total of 195 complaints were received, and the Committee attended to all the complaints and all were replied/resolved. There were no unresolved complaints/transfer pending. During the first quarter of financial year 2006-07, the Committee held 1 meeting. A total of 10 complaints were received, all of which were resolved. There were no unresolved complaints pending as on 30<sup>th</sup> June, 2006. During the 2<sup>nd</sup> Quarter, the Committee held 1 meeting. It received 2 complaints for this period which were resolved. There were no unresolved complaints as on 30<sup>th</sup> September, 2006.

**3. Remuneration Committee:**

The Remuneration Committee was reconstituted on 5.6.2006, and has the following terms of reference.

a. Terms of Reference:

To review, assess and recommend the appointment of executive and non-executive directors from time to time, to periodically review the remuneration package of the executive directors and recommend suitable revision to the Board, to recommend compensation to the non-executive directors in accordance with the Companies Act, to consider and recommend Employee Stock Option Schemes (if any) from time to time and to administer and superintend the same.

b. Composition:

1. Mr. Ishwar Chand Agarwal, *Chairman*, (Non Executive / Independent Director)
2. Mr. Mukul Maheswari, *Member*, (Non Executive / Independent Director)
3. Mrs. Mridula Jain, *Member*, (Non Executive Director)

c. Remuneration Policy:

Remuneration of employees largely consists of base remuneration, perquisites and performance incentives. The components of the total remuneration vary for different cadres and are governed by industry pattern, qualifications, and experience of the employee, responsibilities handled by him, individual performance etc.

d. Notice period for termination of appointment of Managing Director is six months and Whole Time Directors is one month, on either side. No severance pay is payable on termination of appointment.

e. Non-Executive Directors: No remuneration was paid to Non-Executive Directors during the financial year 2005-06, and during the first two quarters of financial year 2006-07.

**4. Project Management & FPO Committee:**

The Project management & FPO Committee was formed on 20.1.2006, and has the following terms of reference.

(a) Terms of Reference:

To take necessary steps to work out the modalities to meet the project cost etc by way of fund raising exercise including Term Loans from the Industrial Development Bank of India Ltd., and Equity issue, to take all necessary decisions on behalf of the Board of Directors

and to meet from time to time, and to monitor other related issues such as appointment, deciding the terms and conditions, remuneration and scope of services and follow up with Merchant Bankers, Lead Managers, Registrar to the Issue and other intermediaries. The Committee shall further comply with all the pre-issue and post-issue formalities related to the SEBI, Stock Exchanges, Registrar of Companies and any other Government and Non-Government authority and intermediaries. The Committee shall review and monitor the utilization & deployment of funds on the project and other requirements out of the term loan from IDBI, proceeds from proposed issue of further equity shares to the public /Existing Shareholder/Mutual Funds/Financial Institutions/High Net Worth Individuals etc.

(b) Composition:

1. Dr. Chandra Kumar Jain, *Chairman*
2. Mrs. Mridula Jain, *Non-Executive Director*
3. Mr. Ashwani Kumar Vats, *Executive Director*
4. Mr. A.K. Maheshwari, *Director (Finance)*

### Shareholding of the Directors

The shareholding of the Directors on the date of the issue of the Prospectus is as follows:

Sl. No.	Name of the Director	No. of Shares	%age of the Share Capital
1.	Dr. Chandra Kumar Jain	7,92,710	12.76%
2.	Mrs. Mridula Jain	2,64,010	4.25%
3.	Mr. Ishwar Chand Agarwal	-	-
4.	Mr. A.K. Maheshwari	-	-
5.	Mr. Ashwani Kumar Vats	100	0.0016%
6.	Mr. Mukul Maheshwari	4,499	0.07%

For details regarding Equity Shares held by the Promoters and their families and entities controlled by them, please refer "Capital Structure of the Company" beginning at page no. 16 of this Prospectus.

### Interest of the Directors

All the non-Executive Directors of Gulshan Sugars and Chemicals Ltd. may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them as per the applicable laws, and the Articles of Association.

The Directors may also be regarded as interested in the Equity Shares and dividend payable thereon, if any, held by or that may be subscribed by and allotted/transferred to them or the companies, firms and trust, in which they are interested as Directors, Members, partners and or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by Gulshan Sugars and Chemicals Ltd. with any Company in which they hold Directorships or any partnership firm in which they are partners as may be declared in their respective declarations.

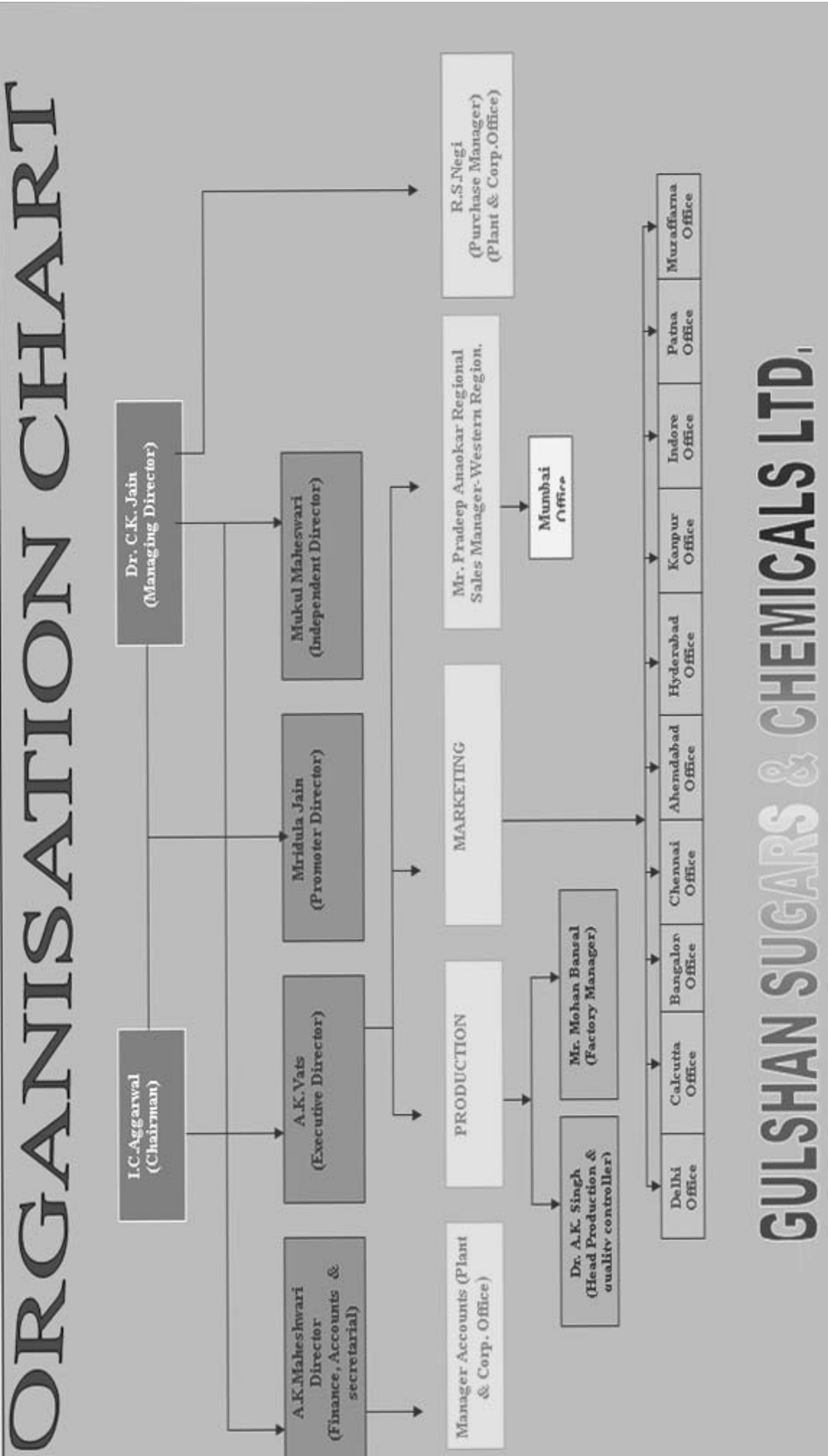
The Managing Director of Gulshan Sugars and Chemicals Ltd. is interested to the extent of remuneration paid to him for services rendered as officer or employee of the Company (For more details, please refer "Related Party Disclosures" as mentioned in this Prospectus at page no. 157 to 159). Further, the Directors are also interested to the extent of Equity Shares, if any, already held by them or their relatives in the Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of this Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated otherwise in this Prospectus, the Company has not entered into any Contract, Agreements or Arrangements during the preceding two years from the date of the Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be entered with them.

### Changes in Directors during the last three years

Sl. No.	Name	Date of appointment	Date of cessation	Reason
1.	Mr. Praveen Kumar Jain	-	31.3.2004	Due to his pre-occupation
2.	Mr. A.K. Maheshwari	1.4.2004	-	To fill the vacancy caused by the resignation of Mr. Praveen Kumar Jain
3.	Mr. Ashwani Kumar Vats	1.4.2005	-	Appointed as Additional Director
4.	Mrs. Mridula Jain	-	5.10.2005	Due to her pre-occupation
5.	Mr. Pradeep Kumar Jain	-	5.10.2005	Due to his pre-occupation
6.	Dr. V.K. Sharma	-	5.10.2005	Due to his pre-occupation
7.	Mr. Sumat Jain	-	5.10.2005	Due to his pre-occupation
8.	Mr. Ishwar Chand Agarwal	5.10.2005	-	To fill the vacancy caused by the resignation of Mrs. Mridula Jain
9.	Mrs. Mridula Jain	24.12.2005	-	Appointed as Additional Director
10.	Mr. Ajay Jain	-	3.6.2006	Due to his pre-occupation
11.	Mr. Mukul Maheswari	3.6.2006	-	Appointed as Additional Director on 3.6.2006 in the Board Meeting on 5.6.2006.

ORGANISATION STRUCTURE



KEY MANAGERIAL PERSONNEL

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production, finance, distribution, marketing and corporate laws. The following key personnel assist the Management:

**Details of the key managerial personnel are as follows:**

Sl. No	Name	Designation	Age (Yrs)	Qualification	Date of Joining	Experience (Yrs.)	Previous Employment
1.	Mr. A. K. Maheshwari	Director (Finance) & Company Secretary	42	Chartered Accountant, Company Secretary	5.10.1995	20	Malavika Steels Limited
2.	Mr. Ashwani Kumar Vats	Executive Director	44	Bachelor of Commerce, Diploma in Marketing Management	1.11.1986	24	N.A. *
3.	Dr. A. K. Singh	Head-Production & Quality Control	48	M.Sc., Ph.D. in Chemistry	6.8.1997	28	M/s U.P. Lime Chemicals Ltd., Bijnore, UP
4.	Mr. R. S. Negi	Purchase Manager	46	M. Com	18.5.1992	20	M/s Meenakshi Engg. Ltd, Surajpur, Dadri, UP
5.	Mr. Pradeep Anaokar	Regional Sales Manager (Western India)	42	B.Sc.	10.4.2006	20	M/s. Kamadhenu Nutrients Pvt. Ltd.
6.	Mr. Mohan Lal Bansal	Factory Manager	43	Graduate	1.4.2004	20	Gulshan Chemfill Ltd.
7.	Mr. Lal Bahadur Jain	Manager-Accounts	41	Post Graduate	1.3.1986	20	Nil

*All the above key managerial personnel are permanent employees.*

**Mr. A.K. Maheshwari, Director (Finance) & Company Secretary**

Aged 42, he is a qualified Chartered Accountant and Company Secretary having more than 20 years of experience. He has been associated with GSCL since October, 1995 and handles important financial functions of the company including Project Finance, Banking, Accounts, Audit, Taxation and Secretarial matters. He was appointed as Whole Time Director for a period of three years with effect from April 1, 2004. He is a member of the Project Management and FPO Committee of the Company. During the financial year 2005-2006, he drew a remuneration of Rs. 3,24,000/-.

**Mr. Ashwani Kumar Vats, Executive Director**

Aged 44 Years, he has a B.Com degree and Diploma in Marketing Management. He has over 24 years of experience having been associated with the Company for the last 20 years. He is responsible for the business and marketing affairs (for Eastern & Northern India) of the Company as well as day-to-day affairs of the factory. He was appointed as Whole Time Director for a period of three years with effect from April 1, 2005. He is a member of the Project Management and FPO Committee of the Company. During the financial year 2005-2006, he drew a remuneration of Rs. 3,84,000/-.

**Dr. A.K. Singh, Head – Head - Production & Quality Control**

Dr. A.K. Singh, aged 48, is a Doctorate in Chemistry looking after the entire production operations and quality control aspects of the Company. During the financial year 2005-2006, he drew a remuneration of Rs. 2,67,094/- (including Provident fund contribution of Rs. 11,604).

**Mr. R.S. Negi, Purchase Manager**

Mr. Negi, aged 46, is a post graduate in Commerce, looking after the purchase functions of the Company. During the financial year 2005-2006, he drew a remuneration of Rs. 2,31,960/- with an additional bonus of Rs. 10,600/- (including Provident fund contribution of Rs. 9,360).

**Mr. Pradeep Anaokar, Regional Sales Manager**

Mr. Pradeep Anaokar, aged 42, is a Science graduate, and head the sales functions of the Company for the western region of the country. During the financial year 2005-2006, he drew a remuneration of Rs. 1,11,580/- with an additional bonus of Rs. 8,580/-.

**Mr. Mohan Lal Bansal, Factory Manager**



Mr. Mohan Lal Bansal, aged 43, is a graduate and is in-charge of all aspects of the Company's factory. During the financial year 2005-2006, he drew a remuneration of Rs. 1,02,752/- (No Provident fund contribution payable).

**Mr. Lal Bahadur Jain, Manager - Accounts**

Mr. Lal Bahadur Jain, aged 41, is a post graduate and incharge of day-to-day accounting functions of the Company. During the financial year 2005-2006, he drew a remuneration of Rs. 1,22,565/- (including Provident fund contribution of Rs. 7,800).

**Shareholding of Key Managerial Personnel**

	<i>Equity Shares of the Company</i>
Mr. A.K. Maheshwari	0
Dr. A. K. Singh	0
Mr. R. S. Negi	0
Mr. Pradeep Anaokar	0
Mr. Mohan Lal Bansal	0
Mr. Ashwani Kumar Vats	100
Mr. Lal Bahadur Jain	0

**Bonus or Profit Sharing Plan for the Key Managerial Personnel**

There is no Profit Sharing Plan for the Key Managerial Personnel. The Company makes bonus payments to the employees based on their performance, which is as per their terms of appointment.

**Changes in Key Managerial personnel**

Mr. Pradeep Anaokar, Regional Sales Manager, has been appointed in April, 2006 to handle marketing for Western India in place of Mr. Vijay K. Bahuguna, Vice President, who had resigned on 31.8.2005, due to his preoccupation. He was handling Marketing (Western and Southern India) and International Business.

Apart from the above-mentioned change, there has been no change in the KMPs within the three year period prior to the filing of the Prospectus with SEBI.

**Family relation with Key Managerial Personnel (KMP)**

There exists no family relation between the promoters/directors and the key managerial personnel.

**Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme**

The Company has not issued any Employees Stock Option Scheme / Employees Stock Purchase Scheme, as required by the Guidelines or Regulations of SEBI relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme.

**Payment or Benefit to Officers of the Company**

Except the payment of salaries and perquisites, the Company makes ex-gratia payments to its officers as and when it deems fit.

## v. PROMOTERS

**Dr. Chandra Kumar Jain, Mrs. Mridula Jain, Ms. Anubha Jain and M/s Gulshan Holdings Pvt. Ltd. are the promoters of the Company.**

### **PROMOTERS AND THEIR BACKGROUND**

#### **Dr. Chandra Kumar Jain, Managing Director**




Dr. Chandra Kumar Jain, aged about 58 years, is the Managing Director of the Company. He is amongst the founder member of the company and has been associated with it since incorporation on May 23, 1980. He has a B.Sc. degree from Lucknow University, an Associateship in National Sugar Institute (ANSI) and PhD in Chemistry, and possesses over 33 years of rich experience in the Calcium Carbonate industry. Dr. Chandra Kumar Jain was first appointed as Managing Director on February 20, 1989 for a period of 5 years, then reappointed for further period of 5 years on February 20, 1994, February 20, 1999, and on February 20, 2004.

#### **Mrs. Mridula Jain, Non-Executive Director**

Mrs. Mridula Jain is aged 53 Years and an M.A. by qualification. She is one of the Promoters of the Company. She possesses about 28 years experience in business, and her association with the Company as Director is more than 13 years old. She gives valuable contribution during the Board Meetings and Remuneration Committee meeting of the Company on regular basis. She was appointed as Additional Director on December 24, 2005, which was later approved in the Annual General Meeting held on September 22, 2006.

#### **Ms. Anubha Jain**

Ms. Anubha Jain aged 17 years is the minor daughter of Dr. Chandra Kumar Jain and Mrs. Mridula Jain. She is presently pursuing her 12<sup>th</sup> Standard from New Delhi.

<b>Name of the Promoter</b>	<b>Dr. Chandra Kumar Jain</b>	<b>Mrs. Mridula Jain</b>	<b>Ms. Anubha Jain</b>
<b>Photo of the promoters</b>			
<b>Driving Licence No.</b>	P03112002341960	N.A.	N.A.
<b>Passport Details</b>	F 3466877	E 5130315,	711044264 USA
<b>PAN No.</b>	AAFPJ9823K	AADPJ6926D	N.A.
<b>Voter Id No</b>	LLZ0945154	LLZ0945147	N.A.
<b>Name of Bank and Branch</b>	Bank of Baroda, Defence Enclave Branch, Delhi-110092	Bank of Baroda, Defence Enclave Branch, New Delhi- 110092	Bank of Baroda, Defence Enclave Branch, New Delhi- 110092
<b>Bank Account No.</b>	2002590	2002591	2002594

\* N.A.- Indicates Not Available

We confirm that the Permanent Account Number, Bank Account number, and Passport number, of the above Promoters, as applicable, has been submitted to the BSE at the time of filing of this document with them.

Further, the Promoters have not been declared as willful defaulters by RBI or any other government authority and there are no violations of securities laws committed by the Promoters in the past nor any such proceedings are pending against the Promoters. Neither the Promoters, nor its directors, any of the of the company's associates of group companies, and companies with which the Directors of the Issuer Company are associated as directors or promoters have been prohibited from accessing the capital market under any order or directions passed by SEBI.

**Gulshan Holdings Pvt. Ltd. - Promoter being a company:**

<b>Name of the Promoter</b>	Gulshan Holdings Private Limited
<b>Registered Office</b>	G-81, Preet Vihar, Delhi-110092
<b>Company Registration Number</b>	55-22582
<b>Corporate Identification Number</b>	U74899DL1985PTC022582
<b>Registrars of Companies</b>	Registrar of Companies, NCT of Delhi and Haryana B-Block, Paryavaran Bhawan CGO Complex, Lodhi Road, New Delhi – 110 003
<b>PAN No.</b>	AAACG5688F
<b>TAN No.</b>	DELG06720A
<b>Name of Bank and Branch</b>	Bank of Baroda, Defence Enclave Branch, Delhi-110092
<b>Current Bank Account No.</b>	786

**History of the company**

The Company was incorporated on 20.11.1985 under the name of Gulshan Marketing Private Limited and having its registered office at G-81, Preet Vihar, Delhi – 110 092. On 14.2.2002, its name was changed to Gulshan Holdings Private Limited.

The company is a private limited company with the main business of carrying on business of acquiring and holding shares in any other company having objects altogether or in part similar to those of this company or carrying on any business capable of being conducted so as to directly or indirectly, benefit this company, to guarantee the payment of money in respect of promissory notes, bonds, debentures, obligations, instants and securities of any company or person and to invest or deal in securities.

Gulshan Holdings Pvt. Ltd. (GHPL) acquired additional shares of GSCL on 11.5.2001 when it affected an amalgamation of Far Investments Pvt. Ltd. & Scope Estates Pvt. Ltd. with Gulshan Marketing Pvt. Ltd. which, consequent to the change of name, on 14.2.2002 became Gulshan Holdings Pvt. Ltd. Presently, GHPL holds 30,89,900 shares of GSCL representing 49.74% of the pre-issue capital of GSCL.

The company has been promoted by Dr. Chandra Kumar Jain and Mrs. Mridula Jain.

**Change in management of GHPL**

There has been no change in the management of the company during the past 3 years. The company has been promoted by Dr. Chandra Kumar Jain and Mrs. Mridula Jain, who together hold 59.43% shares in the company and have controlling interest of the company.

<b>BOARD OF DIRECTORS</b>
Dr. Chandra Kumar Jain
Mrs. Mridula Jain

*(As per the certification of Company dated October 20, 2006)*

**SHAREHOLDING**

<b>Sl. No.</b>	<b>Name of Shareholder</b>	<b>No. of Shares held</b>	<b>% of Shareholding</b>
1.	Dr. Chandra Kumar Jain	160	35.09%
2.	Mrs. Mridula Jain	111	24.34%
3.	Ms. Anubha Jain	10	2.19%
4.	Ms. Aditi Jain	86	18.86%
5.	Ms. Arushi Jain	89	19.52%
	<b>TOTAL</b>	<b>456</b>	<b>100.00%</b>

*(As per the certification of Company dated October 20, 2006)*

**Financials**

For details regarding financials of the company please refer to page number 179 of the Prospectus.

## **Declaration by the Promoters**

We confirm that the Permanent Account Number, Bank Account number, Company Registration number, and the address of the Registrar of Companies where the company is registered has been submitted to the BSE at the time of filing of this document with them.

Gulshan Holdings Private Limited, its Directors and persons in control of the company have not been declared as willful defaulters by RBI or any other government authority and there are no violations of securities laws committed by the Promoters in the past nor any such proceedings are pending against the Promoters. Neither Gulshan Holdings Private Limited, nor its Directors or persons in control have been prohibited from accessing the capital market under any order or direction passed by SEBI.

## **Common Pursuits**

As on date, there are no common pursuits which may lead to conflict of interest in the business of the Company and other Companies promoted by the Promoter, other than as described in the following paragraphs:

Dr. Chandra Kumar Jain and Mrs. Mridula Jain, Directors of the company are also the Directors of Gulshan Mercantile Urban Cooperative Bank Ltd. with which GSCL has maintained a current account (maximum balance outstanding during the year Rs. 32,62,525/-). The Company has also invested a sum of Rs. 4,77,825/- in the equity shares of Gulshan Mercantile Urban Cooperative Bank Ltd. and borrowed funds for Hire purchase of assets.

Gulshan Sugars and Chemicals Ltd. is engaged in the manufacture of Activated and Precipitated Calcium Carbonate, and Gulshan Chemfill Ltd. is engaged in the manufacture of Activated Calcium Carbonate. However, in the year 2004-05, the related party transactions were Nil. Dr. Chandra Kumar Jain is the promoter of both the companies. However, Gulshan Chemfill Ltd. was created out of the demerger of Gulshan Chemicals & Industries Ltd.

Following objects are common in the memorandum of Gulshan Sugars & Chemicals Ltd., Gulshan Chemfill Ltd. and Gulshan Polyols Ltd.:

*"To carry on the business as manufactures, dealers, exporters, importers in all type of chemicals-organic, inorganic, Activated and Precipitated Calcium Carbonate of all grades and specifications, Chalk, Industrial Chalk, Calcite, soap stones, all varieties of stones including marbles & granite, Calcium Carbide, Sodium Hydrosulphate, Sorbitol, Starch, Glucose, Vitamin 'c' or other combination thereof, Paper, Paper products, Sugar, Sugar beets, sugar cane, gur, cab, Khandsari, jiggery, molasses, yeast, syrups and alcohol of all kinds and all products and by products thereof, Fertilizers, manures, medicines of all kinds including acids, alkalis, salts,. Dyes, caustics soda, soda ash, mineral and material products, petroleum and other oils and their by products, derivatives, compounds, mixtures, formulations and all kinds of commodities having chemical properties, industrial greases and lubricants, Glycerin, Distilled water, water soluble, water for injection, and/or otherwise deal in such commodities either as principals or as agents, distributors, stockiest, partner, member of Association of persons."*

## **Interest of the Promoters**

The Promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arriving from their holding directorship in the company. The Promoters are not interested in any property, if acquired by GSCL within two years from the date of the Prospectus. The Promoters are not interested in any loan or advance given by the Company, neither are they beneficiary of any such loans or advances.

Gulshan Chemfill Ltd., which is in similar Calcium Carbonate business, has been promoted by the promoters of Gulshan Sugars & Chemicals Ltd., and also Dr. Chandra Kumar Jain is the Director of the said company. The Calcium Carbonate manufactured by Gulshan Chemfill Ltd. does not attract Excise Duty as the manufacturing unit All the promoters of Gulshan Sugars and Chemicals Ltd. may be considered interested in the company. Being in similar business, the same may lead to conflict of interest between Gulshan Sugars & Chemicals Ltd. and the following company.

Name of the Concern	Type of Concern	Nature of Interest	Interested Party
Gulshan Chemfill Ltd.	Manufacturer, distributor and seller of Calcium Carbonate	<p><b>Directorship held:</b></p> <p>Dr. Chandra Kumar Jain Mrs. Mridula Jain</p> <p><b>Shareholding held:</b></p> <p>Gulshan Holdings Private Ltd owns 21.96%, Dr. Chandra Kumar Jain owns 61.31%, Mrs. Mridula Jain owns 1.89%, and Ms. Anubha Jain owns 0.86% as on March 31, 2006.</p> <p>Mrs. Aditi Jain and Mrs. Arushi Jain, forming part of the Promoters' Group own 0.59% and 1.21% respectively.</p>	<p>Dr. Chandra Kumar Jain Mrs. Mridula Jain Ms. Anubha Jain</p>

#### Payment or benefit to Promoters of the Company

Dr. Chandra Kumar Jain, being Managing Director of the company, draws Managerial remuneration as mentioned earlier in the Prospectus on page number 126-127.

Apart from the above there have been no payments or benefits to the Promoters of the Company, except as referred in the Related Party Transaction mentioned at page no. 157-159 of the Prospectus.

## Related Party Transactions

### DETAILS OF RELATED PARTY TRANSACTIONS AS PER ACCOUNTING STANDARD 18 ISSUED BY ICAI

PARTICULARS	AMOUNT (Rs. in lakhs) (1 <sup>ST</sup> April 2006 to 30 <sup>TH</sup> June 2006)
<b>LOANS RECEIVED FROM CORPORATE ASSOCIATES</b>	
Gulshan Industries Ltd. (It has been repaid during the Quarter)	140.00
<b>INTEREST PAID ON LOANS TO CORPORATE ASSOCIATES</b>	
Gulshan Industries Ltd.	3.51
Gulshan Agro Food Ltd.	1.49
Gulshan Capital Ltd.	1.00
<b>REMUNERATION PAID TO KEY MANAGERIAL PERSONNEL &amp; RELATIVES</b>	
Dr. C.K. Jain	4.95
Mr. A.K. Vats	1.35
Mr. A.K. Maheshwari	1.44
<b>COMMISSION RECEIVED FROM CORPORATE ASSOCIATES</b>	
Gulshan Chemfill Ltd.	4.95
<b>RENT PAID TO KEY MANAGERIAL PERSONNEL &amp; RELATIVES</b>	
Dr. C.K. Jain	3.75
<b>PURCHASE OF CALCIUM CARBONATE FROM GULSHAN CHEMFILL LIMITED</b>	146.07

The notes to the accounts, and significant accounting policies have been incorporated in the financials of the Company as certified by the Auditors.

The beneficiaries of the loans and advances and sundry debtors of the Company are not in any way related to the promoters/directors of the company, unless stated specifically in the audited restated financial statements appearing in Section V of this Prospectus.

#### Relationship between the Promoters, Directors and Key Managerial Personnel

##### **Dr. Chandra Kumar Jain**

**Promoter & Managing Director:** i. He is the husband of Mrs. Mridula Jain, Promoter Director.  
ii. He is the father of Ms. Anubha Jain, Promoter.

##### **Mrs. Mridula Jain**

**Promoter & Director** : i. She is the wife of Dr. Chandra Kumar Jain, Promoter & Managing Director  
ii. She is the mother of Ms. Anubha Jain, Promoter

**Ms. Anubha Jain**

***Promoter***

: She is the daughter of Dr. Chandra Kumar Jain & Mrs. Mridula Jain, Promoters

**Gulshan Holdings Pvt. Ltd.**

***Promoter Company***

: It is a company promoted by Dr. Chandra Kumar Jain and Mrs. Mridula Jain.

**vi. Currency of Presentation**

In this Prospectus, all references to "Rupees" and "Rs." and "Indian Rupees" are to the legal currency of the Republic of India.

**vii. Dividend Policy**

The Company has dividend policy for dividend payment as written in the Articles of Association of the Company. The declaration and payment of dividends will be recommended by the Board of Directors and the shareholders, in their discretion, and will depend on a number of factors, including, but not limited to, the Company's earnings, capital requirements and overall financial condition.

## SECTION V: FINANCIAL INFORMATION

The Board of Directors,  
**Gulshan Sugars & Chemicals Ltd.**  
9<sup>th</sup> K.M. Jansath Road  
Muzaffarnagar (U.P.)

Dear Sirs,

We have examined the financial information of Gulshan Sugars & Chemicals Limited contained in the statements annexed to this report for the five years 31st March, 2002, 2003, 2004, 2005, 2006 and for the quarter ended on June 30, 2006, which is proposed to be included in the Offer Document/ Prospectus being issued by Gulshan Sugars & Chemicals Limited ("Company") in connection with its Public Issue of Equity Shares (referred to as "the Issue") which is in accordance to 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 SEBI guidelines") issued by the Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments; and
- c) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Offer Document in connection with its proposed Public Issue of Equity Shares.

### Financial information as per audited financial statements:

1. We have examined the attached restated summary statement of Assets & Liabilities of the Company as at March 31, 2002, 2003, 2004, 2005, 2006 and for the quarter ended on June 30, 2006 (Annexure-I) and the attached restated summary statement of Profit and losses for the years ended on those dates (Annexure-II) together, referred to as 'summary statements' as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure-III-B to this report. Based on the our examination of these summary statements, we state that:
  - i. The restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate in the year/period to which they are related.
  - ii. The summary statements of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at June 30, 2006 as stated vide Annexure - III - A to this report. The summary statements have to be read in conjunction with the notes given in Annexure - III - B to this report.
  - iii. There are no qualifications in the auditors' report that require any adjustment to the summary statements.
  - iv. There are no extra-ordinary items that need to be disclosed separately in the summary statements. Exceptional and non-recurring items, which are material, are given in Annexure - III - B.
2. The summary of Significant Accounting Policies adopted by the Company pertaining to the audited financial statements for the quarter ended at June 30, 2006 are enclosed as Annexure - III - A to this report.

### Other Financial Information:

3. We have examined the following financial information relating to the Company for the Quarter ended on 30 June, 2006 and years ended March 31, 2006, 2005, 2004, 2003 and 2002, proposed to be included in the Offer Document/ Prospectus as approved by the Board of Directors and annexed to this report:



1	Statement giving details of Other Income	Annexure - I. a
2	Cash Flow Statements	Annexure - II. a
3	Details of Secured Loan	Annexure - II. b
4	Details of Unsecured Loan	Annexure - II. b
5	Details of Loans & Advances, as restated	Annexure - II. c
6	Details of Other Current Assets	Annexure - II. d
7	Details of Sundry Debtors	Annexure - II. e
8	Details of Current Liabilities and Provisions, as restated	Annexure - II. f
9	Statement of summary of Investments	Annexure - II. g
10	Details of Contingent Liabilities	Annexure - III. a
11	Summary of accounting ratio based on adjusted profits relating to earning per share, net assets value and return on net worth	Annexure - III. b
12	Capitalization statement of the Company	Annexure - III. c
13	Related party disclosure	Annexure - III. d
14	Statement of Tax shelters	Annexure - III. e
15	Statement of Dividend paid	Annexure - III. f

4. In our view, the 'financial information as per the audited financial statements' and 'other financial information' mentioned above has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.
5. The sufficiency of the procedures performed, as set forth in the above paragraph of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose.
6. This report should not be in any way construed as a re-issuance or redrafting of any of the previous audit reports issued by us or by other auditors nor should this report be construed as a new opinion on any of the financial statements referred to herein.
7. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed issue of the Company and is not to be used, referred to or distributed for any purpose without our prior written consent.

For **SHAHID & ASSOCIATES**  
(Chartered Accountants)

**(Mohd. Shahid)**  
**Proprietor**  
**Membership No. 70408**

DATE : October 3, 2006  
PLACE: New Delhi

## ANNEXURE I

### SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

	(Rs.in Lakhs)					
	As at	As at	As at	As at	As at	As at
	30.06.2006	31-3-2006	31-3-2005	31-3-2004	31-3-2003	31-3-2002
<b>FIXED ASSETS</b>						
Gross Block	4637.09	4601.82	4433.94	4124.04	4133.81	3240.87
Less: Accumulated Depreciation	2155.81	2116.59	1913.26	1668.89	1403.35	1210.92
Net Block	2481.28	2485.23	2520.68	2455.15	2730.46	2029.95
Less: Revaluation reserve	63.76	64.52	67.53	71.29	74.74	92.56
Net Block after adjustment of revaluation Reserve	2417.52	2420.71	2453.15	2383.86	2655.72	1937.39
Capital work in Progress	491.66	328.53	120.85	208.77	10.03	54.24
<b>Total</b>	<b>2909.18</b>	<b>2749.24</b>	<b>2574.00</b>	<b>2592.63</b>	<b>2665.75</b>	<b>1991.63</b>
<b>Investment</b>	8.28	8.28	383.28	383.28	383.28	13.28
<b>Current Assets, loans &amp; advances</b>						
Inventories	611.06	620.81	494.88	373.37	545.32	659.02
Sundry Debtors	1336.13	1283.02	1024.50	976.96	722.96	767.96
Cash & bank balances	171.96	83.25	82.07	67.86	72.40	69.43
Loans & advances	131.83	163.90	149.85	109.31	138.73	468.19
<b>Total</b>	<b>2250.98</b>	<b>2150.98</b>	<b>1751.30</b>	<b>1527.50</b>	<b>1479.41</b>	<b>1964.60</b>
<b>Liabilities &amp; Provisions</b>						
Secured Loans	1868.07	1686.96	1166.49	1526.13	1673.58	1263.68
Unsecured Loans	1114.65	1123.40	1571.92	1284.72	1185.15	1185.72
Deferred Tax Liability	209.94	215.14	235.30	257.55	183.71	82.57
Current Liabilities & Provisions	365.01	367.31	420.03	263.88	359.36	335.36
<b>Total</b>	<b>3557.66</b>	<b>3392.81</b>	<b>3393.74</b>	<b>3332.28</b>	<b>3401.80</b>	<b>2867.33</b>
<b>Net worth</b>	<b>1610.75</b>	<b>1515.69</b>	<b>1314.84</b>	<b>1171.13</b>	<b>1126.64</b>	<b>1102.18</b>
Represented By						
<b>Equity Share Capital</b>	<b>496.97</b>	<b>496.97</b>	<b>496.97</b>	<b>496.97</b>	<b>496.97</b>	<b>496.97</b>
<b>Reserves &amp; surplus</b>						
Reserve	146.48	147.24	135.25	124.02	220.82	334.61
Profit & Loss	1036.37	940.91	755.03	627.80	490.69	370.29
	1182.85	1088.15	890.28	751.82	711.51	704.90
Less: Revaluation reserve	63.76	64.52	67.53	71.29	74.74	92.55
Less Miscellaneous Expenditure	5.31	4.91	4.88	6.37	7.10	7.14
<b>Reserves (Net of Revaluation Reserve &amp; Miscellaneous Expenditure)</b>	<b>1113.78</b>	<b>1018.72</b>	<b>817.87</b>	<b>674.16</b>	<b>629.67</b>	<b>605.21</b>
<b>Net Worth</b>	<b>1610.75</b>	<b>1515.69</b>	<b>1314.84</b>	<b>1171.13</b>	<b>1126.64</b>	<b>1102.18</b>

## ANNEXURE II

### STATEMENT PROFIT & LOSS ACCOUNT, AS RESTATED

Rs. In lakhs

Particulars	3 Months Ended	For the Year Ended on				
	30.06.06	31.3.2006	31.3.2005	31.3.2004	31.3.2003	31.3.2002
	Audited					
<b>Income</b>						
Sales - Manufactured Goods	1369.93	4705.78	4751.79	4816.11	4605.66	4045.50
Sales - Traded Goods	146.07	-	-	-	-	-
<b>Gross Sales</b>	<b>1516.00</b>	<b>4705.78</b>	<b>4751.79</b>	<b>4816.11</b>	<b>4605.66</b>	<b>4045.50</b>
<b>Less:</b>						
Excise Duty consumed	149.21	578.67	580.05	517.78	492.98	470.46
<b>Net Sales (i)</b>	<b>1366.79</b>	<b>4127.11</b>	<b>4171.74</b>	<b>4298.33</b>	<b>4112.68</b>	<b>3575.04</b>
<b>Other Income</b>						
Agriculture Income	8.32	27.44	29.17	34.94	37.91	32.47
Profit on Sale of Scrapped Assets	0.00	0.00	0.00	0.89	2.98	0.61
Other Receipts	4.68	2.59	4.19	0.48	2.66	2.08
Dividend Received	0.00	0.48	0.47	0.48	0.48	-
<b>Sub Total (ii)</b>	<b>13.00</b>	<b>30.51</b>	<b>33.83</b>	<b>36.79</b>	<b>44.03</b>	<b>35.16</b>
Increase/Decrease in Stock	-129.19	-21.67	188.64	-138.19	-179.11	19.60
<b>TOTAL</b>	<b>1250.60</b>	<b>4135.95</b>	<b>4394.21</b>	<b>4196.93</b>	<b>3977.60</b>	<b>3629.80</b>
<b>Expenditure</b>						
Raw Materials Consumed	191.72	624.49	587.75	532.36	591.43	537.04
Manufacturing Expenses	399.74	1649.99	1900.03	1685.81	1658.76	1535.58
Trade Purchase	146.07	0.00	0.00	0.00	0.00	0.00
Staff Costs	56.70	211.92	182.14	227.94	220.19	222.94
Interest & Financial Charges	52.47	202.29	226.85	260.05	202.71	200.48
Administrative Expenses	39.31	144.14	123.27	95.77	93.64	89.37
Selling & Distribution Expenses	226.19	792.98	924.91	973.83	843.95	735.24
Depreciation	38.46	200.31	240.60	255.81	213.01	143.71
<b>TOTAL</b>	<b>1150.67</b>	<b>3826.12</b>	<b>4185.55</b>	<b>4031.57</b>	<b>3823.69</b>	<b>3464.36</b>
<b>Net Profit Before Tax</b>	<b>99.93</b>	<b>309.83</b>	<b>208.65</b>	<b>165.37</b>	<b>153.92</b>	<b>165.44</b>
Current Tax	8.41	42.70	13.01	9.99	12.12	47.56
Deferred Tax/(Credit)	-5.20	-20.16	-22.25	-34.50	-9.83	-13.11
Fringe Benefit Tax	1.25	6.83	0.00	0.00	0.00	0.00
<b>Net Profit</b>	<b>95.46</b>	<b>280.46</b>	<b>217.89</b>	<b>189.88</b>	<b>151.63</b>	<b>130.99</b>
Impact of the adjustments for restatement in corresponding years	0.00	8.16	5.78	11.03	45.22	-51.67
Tax Adjustment	0.00	-2.75	-2.12	-3.96	-16.61	18.44
Net adjustment	0.00	5.41	3.66	7.07	28.61	-33.23
<b>Net Profit After Tax &amp; Extra-Ordinary Items</b>	<b>95.46</b>	<b>285.87</b>	<b>221.55</b>	<b>196.95</b>	<b>180.24</b>	<b>97.76</b>
Profit & Loss Account, beginning of the year/period	940.91	755.03	627.80	490.69	370.29	339.69
	1036.37	1040.90	849.35	687.64	550.53	437.45
<b>Appropriations</b>						
Transferred to General Reserve	0.00	15.00	15.00	15.00	15.00	12.50
Proposed Dividend	0.00	74.54	69.57	39.75	39.75	54.66
Dividend Tax	0.00	10.45	9.75	5.09	5.09	0.00
Net Profit carried to Balance Sheet	1036.37	940.91	755.03	627.80	490.69	370.29

**ANNEXURE - I.a****STATEMENT SHOWING THE DETAIL OF OTHER INCOME****(Rs. in Lakhs)**

Particulars	3 Months Ended	For the Year Ended on					
	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	Nature of Item
<b>Other Income</b>							
Agriculture Income	8.32	27.44	29.17	34.94	37.91	32.47	Recurring
Dividend Income	0.00	0.48	0.47	0.48	0.48	0.00	Recurring
Profit on sale of scrapped material	0.00	0.00	0.00	0.89	2.98	0.61	Non Recurring
Other receipts	4.68	2.59	4.19	0.48	2.66	2.08	Non Recurring
<b>TOTAL</b>	<b>13.00</b>	<b>30.51</b>	<b>33.83</b>	<b>36.79</b>	<b>44.03</b>	<b>35.16</b>	

**ANNEXURE - II.a**
**SUMMARY STATEMENT OF CASH FLOWS, AS RESTATED**

(Rs. in Lakhs)								
			30.6.06	2006	2005	2004	2003	2002
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>								
NET PROFIT AFTER TAX AND EXTRA ORDINARY ITEMS			95.46	285.87	221.55	196.95	180.24	97.76
ADJUSTMENTS FOR:								
DEPRECIATION			38.46	200.31	240.60	255.81	185.44	171.28
NON CASH EXPENSES WRITTEN OFF (NET)			0.00	1.38	1.49	0.73	0.31	0.30
NON CASH INCOME			0.00	0.00	0.00	-0.48	0.00	0.00
INTEREST			52.47	134.06	164.72	205.13	139.35	139.49
			90.93	335.75	406.81	461.19	325.10	311.07
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>			<b>186.39</b>	<b>621.62</b>	<b>628.36</b>	<b>658.14</b>	<b>505.34</b>	<b>408.83</b>
ADJUSTMENTS FOR:								
TRADE AND OTHER RECEIVABLES			-53.60	-267.68	-56.76	-224.33	-21.09	-308.70
INVENTORIES			9.76	-125.93	-121.50	171.96	113.70	-51.75
TRADE PAYABLES			22.19	-89.24	75.59	-97.32	27.51	72.19
BANK LIMITS			-75.92	78.66	-36.00	122.41	-8.91	19.31
			-97.57	-404.19	-138.67	-27.28	111.21	-268.95
<b>CASH GENERATED FORM OPERATIONS AFTER ADJUSTMENTS FOR</b>								
<b>WORKING CAPITAL CHANGES</b>			<b>88.82</b>	<b>217.43</b>	<b>489.69</b>	<b>630.86</b>	<b>616.55</b>	<b>139.88</b>
INTEREST PAID			-52.47	-134.06	-164.72	-205.13	-139.35	-139.49
DIRECT TAXES			-10.12	-34.47	-46.40	-47.21	-27.00	-61.28
			-62.59	-168.53	-211.12	-252.34	-166.35	-200.77
<b>CASH FLOW AFTER ADJUSTED FOR WORKING CAP. CHARGES BUT</b>								
<b>BEFORE EXTRA ORDINARY ITEMS</b>			<b>26.23</b>	48.90	278.57	378.52	450.20	-60.89
EXTRA ORDINARY ITEMS (NET)			13.00	28.63	33.35	36.31	43.55	35.16
<b>NET CASH FROM OPERATING ACTIVITIES</b>			<b>39.23</b>	<b>77.53</b>	<b>311.92</b>	<b>414.83</b>	<b>493.75</b>	<b>-25.73</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>								
PURCHASE OF FIXED ASSETS			-208.31	-379.88	-230.58	-214.96	-865.05	-142.26
SALE OF FIXED ASSETS			9.51	4.32	8.60	5.17	5.20	2.00
PURCHASE OF INVESTMENTS			0.00	0.00	0.00	0.00	-375.00	0.00
SALE OF INVESTMENTS			0.00	375.00	0.00	0.00	380.00	153.80
DIVIDEND RECEIVED			0.00	0.48	0.48	0.47	0.48	0.00
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			<b>-198.80</b>	<b>-0.08</b>	<b>-221.50</b>	<b>-209.32</b>	<b>-854.37</b>	<b>13.54</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>								
PROCEEDS FROM ISSUE OF SHARE CAPITAL			0.00	0.00	0.00	0.00	0.00	0.00
PROCEEDS FROM LONG TERM BORROWINGS (NET)			248.27	-6.70	-36.45	-170.29	418.25	76.59
DIVIDENDS PAID			0.00	-69.57	-39.76	-39.76	-54.67	-54.67
<b>NET CASH SURPLUS/USED IN FINANCING ACTIVITIES</b>			<b>248.27</b>	<b>-76.27</b>	<b>-76.21</b>	<b>-210.05</b>	<b>363.58</b>	<b>21.92</b>
<b>NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS</b>			<b>88.70</b>	<b>1.18</b>	<b>14.21</b>	<b>-4.54</b>	<b>2.96</b>	<b>9.73</b>
CASH AND CASH EQUIVALENTS			83.25	82.07	67.86	72.40	69.44	59.71
(OPENING BALANCE)								
CASH AND CASH EQUIVALENTS			171.95	83.25	82.07	67.86	72.40	69.44
(CLOSING BALANCE)								

**ANNEXURE - II.b****DETAILS OF SECURED LOANS****(Rs. in Lakhs)**

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Foreign Currency Loan for Working Capital	350.00	350.00	350.00	200.00	-	-
Cash Credit Account from Bank of Baroda	339.74	415.66	337.00	523.00	600.58	609.50
Term Loan	1178.33	921.30	479.49	803.13	1073.00	654.18
<b>Total Secured Loans</b>	<b>1868.07</b>	<b>1686.96</b>	<b>1166.49</b>	<b>1526.13</b>	<b>1673.58</b>	<b>1263.68</b>

**ANNEXURE - II.b****UNSECURED LOANS****(Rs. in Lakhs)**

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Inter Corporate Deposits	*520.11	520.11	621.53	356.11	421.66	403.38
Dep. From Directors & Associates	182.25	188.25	164.31	126.34	103.39	117.34
Public Deposit	378.82	381.57	385.55	372.58	376.00	394.90
Other Deposit	33.47	33.47	400.53	429.69	284.10	270.10
<b>Total Unsecured Loans</b>	<b>1114.65</b>	<b>1123.40</b>	<b>1571.92</b>	<b>1284.72</b>	<b>1185.15</b>	<b>1185.72</b>

\* includes Rs. 465.81 lacs from the promoter group

Repayment : On Demand, except Fixed Deposit where maximum maturity period is 3 years.

Rate of Interest : Directors - Interest Free  
Others - 7% to 8%

**DETAILS OF UNSECURED LOANS OUTSTANDING AS ON 30.6.2006**

Particulars of Loans	Bank/ Parties Name	Outstanding Amount	Rate of Interest P.A.	Repayment Terms
<b>Deposits from Directors &amp; Associates</b>	Aditi Jain	25.41	-	On demand by the depositor with the option for prepayment or rollover at the behest of the Company
	Anubha Jain	8.42	-	On demand by the depositor with the option for prepayment or rollover at the behest of the Company
	Arushi Jain	63.10	-	On demand by the depositor with the option for prepayment or rollover at the behest of the Company
	Gulshan Education Foundation	7.00	-	On demand by the depositor with the option for prepayment or rollover at the behest of the Company

	Dr. C.K. Jain	44.60	-	On demand by the depositor with the option for prepayment or rollover at the behest of the Company
	Mrs. Mridula Jain	33.72	-	On demand by the depositor with the option for prepayment or rollover at the behest of the Company
	<b>TOTAL</b>	<b>182.25</b>		
<b>Inter Corporate Deposits (Promoter Group)</b>	Gulshan Agro Food Ltd.	74.29	8%	On demand by the depositor with the option for prepayment or rollover at the behest of the Company
	Gulshan Capital Ltd.	50.15	8%	On demand by the depositor with the option for prepayment or rollover at the behest of the Company
	Gulshan Holdings (P) Ltd.	203.47	-	On demand by the depositor with the option for prepayment or rollover at the behest of the Company
	Gulshan Impex (P) Ltd.	14.50	8%	On demand by the depositor with the option for prepayment or rollover at the behest of the Company
	Gulshan Industries Ltd.	123.40	8%	On demand by the depositor with the option for prepayment or rollover at the behest of the Company
	<b>TOTAL</b>	<b>465.81</b>		

#### ANNEXURE - II.c

##### Detail of Loans & Advances, as restated

(Rs. in Lakhs)

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Advances to be received in cash or kind or for the value to be received	53.80	74.07	64.21	52.78	78.62	42.01
Advance Tax & TDS	50.04	82.60	77.70	46.38	22.89	43.47
Other Advances & Prepaid Expenses	27.99	7.23	7.94	9.05	37.22	7.71
<b>TOTAL</b>	<b>131.83</b>	<b>163.90</b>	<b>149.85</b>	<b>108.21</b>	<b>138.73</b>	<b>93.19</b>

##### DETAILS OF LOANS AND ADVANCES WITH RELATED PARTIES

(Rs. in Lakhs)

Related Parties	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Gulshan Chemfill Ltd. (Company under the same management)	-	-	-	1.10	-	-
Gulshan Polyols Ltd. (Company under the same management)	-	-	-	-	-	375.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1.10</b>	<b>0.00</b>	<b>375.00</b>

There are no beneficiaries of the loans and advances of the Company who are in any way related to the promoters/directors of the company as on 30-06-2006.

**ANNEXURE - II.d****OTHER CURRENT ASSETS****(Rs. In Lakhs)**

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
----- NIL -----						

**ANNEXURE - II.e****SUNDRY DEBTORS****(Rs. in Lakhs)**

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Debts outstanding for a period exceeding six months	116.33	115.47	70.15	72.31	34.81	58.39
Other Debts	1219.80	1167.54	954.34	904.65	688.14	709.57
<b>TOTAL</b>	<b>1336.13</b>	<b>1283.01</b>	<b>1024.49</b>	<b>976.96</b>	<b>722.95</b>	<b>767.96</b>

**SUNDRY DEBTORS (RECEIVABLES FROM RELATED PARTIES)****(Rs. in Lakhs)**

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Debts outstanding for a period exceeding six months	-	-	-	-	-	-
Other Debts	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The beneficiaries of the sundry debtors of the Company are not in any way related to the promoters/directors of the company.

**ANNEXURE - II.f****DETAILS OF CURRENT LIABILITIES AND PROVISION, AS RESTATED****(Rs. in Lakhs)**

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>CURRENT LIABILITIES</b>						
Sundry Creditors	248.96	165.96	247.21	188.90	205.84	235.56
Unclaimed Dividend	15.09	15.09	15.59	9.33	6.02	4.88
Other Liabilities	0.00	49.52	55.19	0.00	65.57	0.00
Interest Accrued but not due	6.31	6.31	7.60	6.86	8.35	11.14
Total Current Liabilities	270.36	236.88	325.59	205.09	285.78	251.58
<b>PROVISIONS</b>						
Proposed Dividend	74.54	74.54	69.57	39.75	39.75	54.66
Dividend Tax on Proposed Dividend	10.45	10.45	9.75	5.09	5.09	-
Provision for Tax	9.66	45.44	15.12	13.95	28.72	29.12
<b>Total Provisions</b>	<b>94.65</b>	<b>130.43</b>	<b>94.44</b>	<b>58.79</b>	<b>73.56</b>	<b>83.78</b>

**Note :**

As at June 30, 2006, the Company does not owe a sum exceeding Rs. 1 lakh to Small Scale Undertaking or any other creditor, which is outstanding for more than thirty days.



**ANNEXURE - II.g**

**SUMMARY OF INVESTMENT**

**(Rs. in Lakhs)**

<b>Particulars</b>	<b>June 30, 2006</b>	<b>March 31, 2006</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>March 31, 2003</b>	<b>March 31, 2002</b>
<b>LONG TERM INVESTMENT</b>						
UNQUOTED						
Non-Trade						
Equity Shares in Dhaulana Sugar Industries Ltd.	3.51	3.51	3.51	3.51	3.51	3.51
Equity Shares in the Gulshan Muzaffarnagar Urban Co-operative Bank Ltd.	4.77	4.77	4.77	4.77	4.77	9.77
Redeemable Preference Shares in Gulshan Polyols Ltd., under the same management	0.00	0.00	375.00	375.00	375.00	0.00
<b>Total Investments</b>	<b>8.28</b>	<b>8.28</b>	<b>383.28</b>	<b>383.28</b>	<b>383.28</b>	<b>13.28</b>

## **ANNEXURE III**

### **ACCOUNTING POLICIES & NOTES ON ACCOUNTS**

#### **A. Significant Accounting Policies**

##### **1. Basis of Preparation**

- (i) The Financial Statements have been prepared in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant disclosure requirements of the Companies Act, 1956 under historical cost convention and on the basis of going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and are in consonance with generally accepted accounting principles followed by the Company.

##### **2. Fixed Assets**

Fixed Assets are stated at acquisition cost (net of modvat/cenvat, if any) including directly attributable cost of bringing them to their respective working conditions for the intended use less accumulated depreciation including impairment loss. All costs, including financing cost till commencement of commercial production attributable to the fixed assets are capitalized. Assets acquired on Hire Purchase are stated at their cash values. Assets revalued in past are stated at the value determined by the valuers net of depreciation thereon.

##### **3. Depreciation**

Depreciation on Fixed Assets has been provided on WDV method in accordance with the rates provided under the Income Tax Act, 1961. The Company is eligible for additional depreciation on Plant & Machineries installed during the year under the Income Tax Act. However, no additional depreciation has been charged to Profit & Loss Account on these Plant & Machineries.

##### **4. Inventory Valuation**

The Company has valued its inventory at "cost or net realizable value whichever is lower" basis and is in compliance with the Accounting Standard-2 issued by ICAI. However, stock-in-process has been valued on lower of estimated cost and net realizable value. Further, the valuation of inventory is inclusive of Excise Duty component wherever applicable as required u/s 145A of the Income Tax Act, 1961.

- 5. Consumption of Raw Materials, Stores, Fuels, Chemicals, Consumables & Packing are accounted for after reckoning the Closing Stock of respective items as ascertained by the Company's experts at the end of the year from the total of the Opening Stock and purchases.

##### **6. Revenue Recognition**

The Company follows Mercantile system of accounting where all the Income and Expenditure items having material bearing on the financial statements are recognized on accrual basis.

##### **7. Foreign Currency Transactions**

- (i) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction.
- (ii) In case of Monetary items which are covered by forward contracts, the premium paid on forward contract has been recognized over the life of such contracts.
- (iii) Any Income or expense on account of exchange difference either on settlement or on transaction is recognized in the Profit & Loss Account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such asset.

8. **Retirement Benefits**

The retirement benefits such as Contribution to Provident Fund, Leave encashment etc. are accounted for on accrual basis and the payment and provision for Gratuity is made on the basis of actuarial valuation done by Life Insurance Corporation of India.

9. **Excise Duty**

Excise Duty is recognized at the point of Production and the value of finished goods lying in the factory as well as at depots are inclusive of Excise Duty.

10. **Turnover**

Turnover include Sale of Goods (both manufactured and traded), Excise Duty, trade/sales tax and other recoverable expenses.

Details of Goods Traded during the quarter ended June 30, 2006

Item Traded	Purchased		Sale	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Calcium Carbonate	1981.1 MT	1,46,06,990	1981 MT	1,46,06,990

11. **Borrowing Cost**

Borrowing Cost that is attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying assets is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

12. **Provision for Current & Deferred Tax**

Provision for Current Tax is made on Normal Basis. The Deferred Tax Liability resulting from 'timing difference' between book and taxable profit is accounted for based on the tax rates and laws enacted as on the Balance Sheet date. The Deferred Tax Asset/Credit is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be realised in future.

13. **Investments**

Investments being long-term investments are valued at cost, after providing for any diminution in value, if such diminution is of a permanent nature.

14. The interest accrued and due on Secured and Unsecured Loans fall due on 31.03.2006 and have been paid on the date. Therefore the amount outstanding is NIL and has not been disclosed under respective heads.

15. **Miscellaneous Expenditure**

- (a) Expenditure on formation of company being in the nature of preliminary expenses are amortized over the period as prescribed u/s 35-D of the Income Tax Act, 1961.
- (b) Expenditure incurred against which benefit to flow into future period are treated as deferred revenue expenditure and are charged to revenue account over the expanded duration of benefit.
- (c) Deferred Revenue Expenditure includes development expenses on agricultural produce. These expenses are set off against revenue from agriculture produce when accrue/arise. The agricultural income earned during the year is net of such expenses.

**B. NOTES FORMING PART OF THE ACCOUNTS:**

1. **Restatement**

(a). **Prior Period Items:**

In the Restated Summary Statements, prior period items represents adjustments in respect of transaction items being material changes or credits which arise in a

particular period as a result of errors or omission in the preparation of financial statements of one or more prior periods and/or material adjustments necessitated by circumstances which though related to previous periods are determined in the particular (current) period.

(b) **Taxation:**

Charge of tax has been recomputed to give effect to the restatements as mentioned in paragraph (1) above.

2. **Regrouping**

Figures in the Restated Summary Statements have been appropriately regrouped to confirm with the reclassification made in the subsequent years.

3. **Contingent Liabilities not provided for:**

(Rs. in Lakhs)

Particulars	Financial year ended					
	June 30, 06 (3 months)	2006	2005	2004	2003	2002
The estimated amount of contracts remaining to be executed on Capital Account	NIL	NIL	NIL	NIL	NIL	425.50
Corporate Guarantee for third Parties	4442.08	4050.01	3640.76	3705.00	1500.55	565.00

**Contingent Liability as on 30<sup>th</sup> June, 2006:**

As per the Audited Financial Statements, the Company has certain contingent liabilities, which, if determined against it in future, may impact its financial position, adversely. Details of the contingent liabilities as on June 30, 2006 are given in the following table:

Rs. in Lakhs

Brief Particulars	As at June 30, 2006
Corporate Guarantee extended to Bank of Baroda for securing financial assistance availed by Gulshan Polyols Ltd.	2888.98
Corporate Guarantee extended to Bank of Baroda for securing financial assistance availed by Gulshan Chemfill Ltd.	1089.00
Corporate Guarantee extended to IDBI Bank for securing foreign letter of credit facility availed by Gulshan Industries Ltd.	464.10
<b>TOTAL</b>	<b>4442.08</b>

- In the opinion of the Board of Directors, Current Assets, Loans & Advances have a value of realization in the ordinary course of business at least equal to the amount at which they have been stated in the Balance Sheet. The provisions for all known liabilities are adequate and not in excess of amount considered reasonably necessary.
- In compliance of Accounting Standard 22 on 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India (ICAI), an amount of Rs. 5,20,226/- (Previous Year 2016291/-) has been recognized as Deferred Tax Credit as on 30.06.2006 and the same has been recorded in the Profit & Loss Account.

The Deferred Tax Liability has been calculated by applying tax rate that have been enacted and applicable as on the Balance Sheet date. No Liability has been computed in respect of difference considered to be of permanent nature.

6. In terms of Accounting Standard (AS-28) on "Impairment of Asset" issued by the Institute of Chartered Accountants of India (ICAI), the company during the year carried out an exercise of identifying the assets that may have been impaired in accordance with the said Accounting Standard. The Company has identified that no asset of the Company has been impaired during the year.
7. The company manufactures only one product i.e. Calcium Carbonate, hence the data for Segment reporting is not given.
8. Previous year figure have been reworked, re-arranged, re-grouped and re-classified wherever considered necessary.

**ANNEXURE - III. a****DETAIL OF CONTINGENT LIABILITIES****(Rs. in Lakhs)**

Particulars	Financial year/period Ended					
	30 June, 2006	2006	2005	2004	2003	2002
The estimated amount of contracts remaining to be executed on Capital Account	NIL	NIL	NIL	NIL	NIL	425.50
Corporate Guarantee for third Parties	4442.08	4050.01	3640.76	3705.00	1500.55	565.00

**ANNEXURE - III.b****SUMMARY OF ACCOUNTING RATIOS FOR THE FOLLOWING YEARS**

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Basic & Diluted EPS (Rs.)	1.54	4.60	3.57	3.17	2.90	1.57
Return on Net Worth (%)	5.93	18.86	16.85	16.82	16.00	8.87
Net Asset Value Per Share (Rs.)	25.93	24.40	21.17	18.85	18.14	17.74
Face Value per Share	8.00	8.00	8.00	8.00	8.00	8.00
No. of Equity Shares (Basic & Diluted)	6212230	6212230	6212230	6212230	6212230	6212230

**Note to Accounting Ratio :**

1. Annualised EPS Rs. 6.16 and return on Net Worth 23.72%.
2. Earning per share represents earning per share calculated on the basis of restated profit divided by the weighted average number of equity shares (Basic/Diluted) as at the end of the year.
3. Return on Net Worth as a percentage represent restated profit after tax divided by Net Worth at the end of each financial year.
4. Net Asset value has been computed on the basis of Net Equity Method (Net Worth at the end of each financial year divided by the weighted average number of Equity Shares at the end of each financial year.
5. Profit & Loss as restated has been considered for the purpose of computing the above ratios.

**ANNEXURE - III.c****CAPITALISATION STATEMENT**

(Rs. in Lakhs)		
Particulars	Pre-issue as at June 30, 2006	Post-issue
<b>Borrowings</b>		
- Long Term Debts	1178.33	1678.33
- Short Term Debts	1804.39	1804.39
<b>Total Debts</b>	2982.73	3482.72
<b>Share Holders Funds :</b>		
Share Capital - Equity	496.97	1024.97
Reserve & Surplus	1182.85	3294.85
Less : Revaluation Reserve	63.76	63.76
Less : Miscellaneous Expenditure	5.31	265.31
Total Share Holder Funds	1610.75	3990.75
Total Capitalisation	4593.48	7473.47
Debt/Equity Ratio (Long Term Debts / Total Share Holder Funds)	0.73	0.42

**Note:**

- The above has been computed on the basis of restated statement of accounts.

**ANNEXURE - III. d****RELATED PARTY DISCLOSURES****A. List of Related Parties:**

- Name of related party and nature of related party relationship where control exist:
  - Holding Company : Nil
  - Subsidiary Company : Nil
- Name of related party and nature of related party relationship other than those referred to in (a) above in transaction with the company:
  - Joint Ventures etc. : Nil
  - Key Management Personnel : Dr. C.K. Jain, Managing Director  
Mr. A.K. Maheshwari, Whole Time Director  
Mr. A.K. Vats, Whole Time Director
- Corporate entities over which key management personnel are able to exercise significant influence:  
Gulshan Polyols Ltd., Gulshan Chemfill Ltd., Gulshan Industries Ltd., Gulshan Agro Food Ltd., Gulshan Capital Ltd., Gulshan Holdings Pvt. Ltd., Gulshan Impex Pvt. Ltd., Gulshan Lamee Pack Pvt. Ltd.,
- Un-incorporated Entities: G.E. Foundation & G.R. Charitable Trust

**B. Detail of Transaction with Related Parties:**

Transactions with related parties for the period 01-04-2006 to 30-06-2006:

(Rs. in lakhs)				
Particulars	Corporate Associates	KMP & relatives	Un-incorporated Entities	O/S as on 30-06-2006
Unsecured Loans/ICDs Received				
- Gulshan Industries Ltd	140.00			123.40
- Gulshan Agro Food Ltd				74.29
- Gulshan Impex Pvt Ltd				14.50
- Gulshan Capital Ltd				50.15

- Gulshan Holdings Pvt Ltd.				203.47
Loans Repaid				
- Gulshan Industries Ltd	140.00			
Interest Paid on Loans/ICDs				
- Gulshan Capital Ltd	1.00			
- Gulshan Industries Ltd	3.51			
- Gulshan Agro Food Ltd	1.49			
Remuneration to Key Personnel				
- Dr C K Jain		4.95		-
- Mr A K Vats		1.35		-
- Mr A K Maheshwari		1.44		-
Commission Received for services				
- Gulshan Chemfill Ltd	4.95			-
Rent paid				
- Dr C K Jain		3.75		-
Purchase from	146.07			-
- Gulshan Chemfill Ltd				

(d) During the period, Company purchased 1981.100 MT of Calcium Carbonate from Gulshan Chemfill Ltd. (Company under same management) for Rs. 1,46,06,990/-.



**Summary of Related Party Transactions:**
**(Rs. in Lakhs)**

	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>(a) Corporate Associates</b>						
Loan Received	140.00	67.00	567.23	356.11	215.31	403.38
Loan Given		-	-	1.10	-	375.00
Interest Paid on Loans	6.00	26.76	21.64	25.91	10.69	20.76
Interest Received		-	-	-	52.21	67.11
Commission Received for services	4.95	1.70	86.77	87.49	77.91	63.19
Rent Received	-	-	-	-	2.70	1.51
Rent Paid	-	-	-	-	-	0.60
O/S balance at the end of the year	471.81	465.81	567.23	356.11	215.31	403.38
<b>(b) Key Managerial Personnel &amp; Relatives</b>						
Loan Received	-	73.50	34.82	35.00	43.39	51.34
Rent Paid	3.75	15.00	-	-	-	1.32
Remuneration to Key Personnel	7.74	28.78	27.71	17.50	18.44	14.01
O/S balance at the end of the year	182.25	188.25	34.82	35.00	43.39	51.34
<b>(c) Un-incorporated Entities</b>						
FD Renewed	-	1.10	-	-	-	-
Interest Paid	-	0.08	-	-	-	-

**Detail of Secured Loans:**
**(Amount Rs. in lakhs)**

Sl. No	Nature of borrowing/debt	Sanction Amount	Outstanding as on June 30, 06	Repayment terms and Interest	Securities Offered
1.	a) Cash Credit limits from Bank of Baroda	775.00	339.74	To be reviewed/ renewed on annual basis based on CMA 11% p.a. payable monthly	Cash Credit from Bank of Baroda is secured by Hypothecation of present and future stocks of Raw Materials, Stores, Stock in Process, Chemicals & Consumables, Fuels, Packing Material, Finished Goods etc. and Book Debts of the Company.
	b) Non-fund based facility	50.00	Nil		The Loan is further secured by way of Second Charge on the Fixed Assets of the Company, and personal guarantees of the Promoter Directors of the Company. The aforesaid loan is also secured by the Corporate Guarantee of M/s. Gulshan Holding Private Limited.

2.	Foreign Currency Loan for Working Capital (as a sub-limit of cash credit limits) from Bank of Baroda	(350.00) sub-limit of above cash credit facility	350.00	<p>Renewable half yearly and if now renewed then this get merged with cash credit limit.</p> <p>525bps over 3 months LIBOR (Revised to 325 bps over 3 months LIBOR)</p>	<p>Foreign Currency Loan from Bank of Baroda is secured by Hypothecation of present and future stocks of Raw Materials, Stores, Stock in Process, Chemicals &amp; Consumables, Fuels, Packing Material, Finished Goods etc. and Book Debts of the Company.</p> <p>The Loan is further secured by way of Second Charge on the Fixed Assets of the Company, and personal guarantees of the Promoter Directors of the Company. The aforesaid loan is also secured by the Corporate Guarantee of M/s. Gulshan Holding Private Limited.</p>
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3.	Term Loan from Industrial Development Bank of India Ltd (IDBI Bank Ltd)				
	a) Term Loan	600.00 (Amount disbursed Rs. 575 lacs)	316.25	<p>i) Repayable in 20 quarterly instalment of Rs. 30 lacs each, commencing from July 1, 2004 and ending on April 1, 2009</p> <p>Interest rate – 10.25% p.a. payable monthly</p>	<p>All these Term Loans from Industrial Development Bank of India Ltd (IDBI) is secured by way of first charge over the immovable and movable assets of the Company located at 9<sup>th</sup> K.M. Jansath Road, Muzaffarnagar (U.P.). This loan is also secured by the personal guarantees of the Promoter Directors of the Company.</p> <p>The IDBI Ltd also have a floating charge on the remainder assets of the Company, the floating charge is, however subject to the prior charge of the Company's Bankers against borrowing for Working Capital.</p>
	b) Term Loan	500.00	475.00	<p>ii) Repayable in 20 quarterly instalment of Rs. 25 lacs each, commencing from July 1, 2006 and ending on April 1, 2011</p> <p>Interest rate – 9.5% p.a. payable monthly</p>	<p>The term loan shall be secured by (a) Demand Promissory note, (b) First mortgage and charge in favour of IDBI by way of extension of charge over all the immovable and movable assets of the company, both present and future, save and except charge on the specified movables and book-debts in favour of bankers for securing working capital facilities.</p> <p>Further the above loan shall be secured by irrevocable and unconditional guarantees from promoters directors viz Dr. C.K.Jain and Smt. Mridula Jain for due repayment of the loan and payment of all interest and other moneys thereon.</p>
	c) Term Loan	800.00	300 Lacs	<p>(iii) Repayable in 20 quarterly instalment of Rs. 40 lacs each, commencing from July 1, 2007 and ending on April 1, 2012</p> <p>Interest rate – 9% p.a. payable monthly</p>	<p>(i) Parri-passu first charge on all movables and immovables assets of the company, except specified movables in respect of which charges are created/ to be created in favour of the bankers for their working capital assistance.</p> <p>(ii) Personal Guarantee of Dr. C.K.Jain</p>

4.	Loan from Life Insurance Corporation of India (LIC)	66.20	66.20	Repayable at the behest of the company.  Interest rate – 9% per annum payable half yearly	Loan from Life Insurance Corporation of India is secured against the Keyman Insurance Policies taken by the company.
5.	Loan from ICICI Ltd for vehicle finance	13.76	4.67	Payable in EMI of Rs. 29778/- (consisting of Rs. 9378/-, 10,200/- & 10,200/-) each, and ending on 01-08-2008, 07-07-2007 & 07-07-2007 respectively)  The interest is built up in EMI. No separate Interest is payable	Loan from ICICI Limited is secured against Vehicles purchased through them under Hire Purchase Agreement.
6.	Loan from Gulshan Mercantile Urban Co-Operative Bank	12.03	3.84	Payable in EMI of Rs. 25,608/- (Rs. 8,400/- & 17,208/-) each, and ending on 21-8-2007 & 14-6-2008 respectively  The interest is built up in EMI. No separate Interest is payable	Loans from Gulshan Mercantile Urban Co-operative Bank Limited (GMUCB) is secured against Vehicles acquired by the Company through them under Hire Purchase and is personally guaranteed by the Managing Director.
7	Term Loan HDFC Bank Ltd	12.60	12.37	Payable in EMI of Rs. 7,005/- for 4 loans amounting to Rs. 28,020/- each month.  The interest is built up in EMI. No separate Interest is payable	Loans from HDFC Bank is secured against Vehicles acquired by the Company through them under Hire Purchase.

There has been no reschedulement of Secured Loans taken by the Company.

# ANNEXURE - III.e

## TAX SHELTER STATEMENT

(Rs. in Lacs)						
Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Tax Rate</b>	33.66%	33.66%	36.59%	35.88%	36.75%	35.70%
Net Profit before Tax & exceptional items	99.93	309.83	208.65	165.37	153.92	165.44
Tax at Notional Rates	33.63	104.29	76.35	59.33	56.57	59.06
<b>Adjustments</b>						
Difference between Tax Depreciation & Book Depreciation	81.70	22.46	0.00	226.50	302.00	0.00
Other Adjustments	0.00	160.52	195.50	35.37	36.57	32.19
<b>Net Adjustments</b>	<b>81.70</b>	182.98	195.50	261.87	338.57	32.19
Tax saving on these difference	27.50	61.59	71.53	93.96	124.42	11.49
Total Taxation (Current Tax) (Normal) (A)	6.13	42.70	4.81	-34.62	-67.86	47.57
Taxable Income as per MAT	99.93	271.92	165.87	129.95	153.90	165.44
Tax as per MAT (B)	8.41	22.88	13.00	9.99	12.12	12.66
Taxation higher of (A) or (B)	8.41	42.70	13.00	9.99	12.12	47.57
Exceptional Items	0.00	8.16	5.78	11.03	45.22	-51.67
Taxation on Exceptional Items	0.00	2.75	2.11	3.96	16.62	-18.45
Tax on Profit after Exceptional Items	8.41	45.45	15.11	13.95	28.74	29.12

# ANNEXURE - III.f

## STATEMENT OF DIVIDEND

Particulars	Quarter ended 30.6.06	Financial year ended 31-03-2006	Financial year ended 31-03-2005	Financial year ended 31-03-2004	Financial year ended 31-03-2003	Financial year ended 31-03-2002
Number of Equity Shares Rs. 8/-	62,12,230	62,12,230	62,12,230	62,12,230	62,12,230	62,12,230
Rate of Dividend on Equity	NIL	15%	14%	8%	8%	11%
Corporate Dividend tax	NIL	10,45,518	9,75,817	5,09,400	5,09,400	NIL

## **EXISTING BORROWING FACILITIES**

The Company has the following existing loans outstanding in its books of accounts:

### **Secured Loans:**

#### **A. Industrial Development Bank of India Limited, Civil Lines, Kanpur**

Description	Date of Sanction	Amount of Sanction	Amount Disbursed	Rs. in lakhs
				Amount outstanding (As on 30.9.2006)
Rupee Term Loan of Rs. 500 lakhs under Corporate Loan Scheme.	March 23, 2005	500	500	450
Rupee Term Loan of Rs. 600 lacs under Project Finance Scheme.	30 July, 2002	600	575	287.50

1. Term Loan of Rs. 500 lakhs sanctioned by the Industrial Development Bank of India vide its letter no. "Ref: Kanpur Branch Office No. 15308/PFD" dated 23.3.2005 under the 'Corporate Loan Scheme' for the Company's project envisaging installation of certain balancing equipments and working capital requirement.

#### **Terms & Conditions:**

- i. The Term Loan of Rs. 5 Crores is against creation of mortgage of the Company's immovable properties situated at:
  - a. Village Sher Nagar, Tehsil & District, Muzzafarnagar in the State of Uttar Pradesh, with land admeasuring 17 bighas, 15 bighas and 13 biswansis bearing Khasra Nos. 1043, 1053 and 1067, and
  - b. Village Humayunpur, Tehsil & District Muzzafarnagar in the State of Uttar Pradesh, with land admeasuring 5 Biswas and 12 Biswansis bearing Khasra Nos. 1.
- ii. The Loan of Rs. 5 crores is repayable in 20 Equal Quarterly Installments of Rs. 25 lakhs each payable on Jan 1, April 1, July 1 and October 1 every year, commencing from July 2006.
- ii. Interest on the loan is levied on monthly basis at a rate equal to 9.5% p.a. plus interest tax as applicable from time to time. The loan disbursed at different rates of interest will carry weighted average rate of interest plus interest tax as applicable.
- iv. The advances to be collaterally secured by:
  - a. Demand Promissory Notes
  - b. First mortgage and charge in favor of Industrial Development Bank of India Limited by way of extension of charge over all the immovable and movable assets of the company, both present and future, save and except the charge on the specified movables and book debts in favour of bankers for securing working capital facilities.
- v. Advances to be guaranteed by the following in their personal capacities:
  - a. Dr. Chandra Kumar Jain
  - b. Mrs. Mridula Jain

#### **Other important terms and conditions:**

- i. To constitute a Project Management Committee of its Directors for the purpose of supervising and monitoring the progress in implementation of the scheme.
- ii. The Company shall get its corporate guarantee of Rs. 35.75 Crores (outstanding dues of Rs. 17.58 Crores as on 31.3.2004), released from Bank of Baroda, extended for securing working capital facility and term loan availed by Gulshan Polyols Ltd.

Alternatively, the Company shall furnish corporate guarantee of Gulshan Polyols Ltd. in favour of Industrial Development Bank of India Limited for securing term loan of Rs. 500 lakhs.

2. Term Loan of Rs. 600 Lakhs sanctioned by Industrial Development Bank of India Limited vide its letter no. "Ref: Kanpur Branch Office No. 4565/PFD" dated 30.7.2002 under 'Project Finance Scheme' for setting up a captive Co-generation Power Plant at the Company's existing plant at Muzaffarnagar, Uttar Pradesh.

**Terms & Conditions:**

- i. The Term Loan of Rs. 6 Crores is against creation of mortgage of Company's immovable properties situated at:
  - a) Village Sher Nagar, Tehsil & District Muzaffarnagar in the State of Uttar Pradesh, with land admeasuring 17 bighas, 15 bighas and 13 biswansis bearing Khasra Nos. 1043, 1053 and 1067; and
  - b) Village Humayunpur, Tehsil & District Muzaffarnagar in the State of Uttar Pradesh, with land admeasuring 5 Biswas and 12 Biswansis bearing Khasra No. 1.
- ii. The Loan of Rs. 6 crores is repayable in 20 Equal Quarterly Instalments of Rs. 30 Lakhs each payable on January 1, April 1, July 1 and October 1 every year, commencing from July 2004.
- iii. Interest on the loan is payable on a quarterly basis at a rate equal to 1.5% p.a. above Minimum Term Landing Rate (MTLR) of Industrial Development Bank of India Limited prevailing on the date of the respective disbursement of the loan plus interest tax as applicable from time to time. The loan disbursed at different rates of interest will carry weighted average rate of interest plus interest tax as applicable.
- iv. The advances to be collaterally secured by:
  - a. First mortgage and charge in favour of Industrial Development Bank of India Limited by way of extension of charge over all the immovable assets of the company and hypothecation of movable assets of the company, both present and future, save and except the charge on the specified movable and book debts in favour of bankers for securing working capital facilities.
- v. Advances to be guaranteed by the following in their personal capacities:
  - a. Dr. Chandra Kumar Jain
  - b. Mrs. Mridula Jain

**Other important terms and conditions:**

- i. The Company shall obtain all statutory approvals required for installing and running of the boiler under IBR Act.
- ii. IDBI shall have the right to appoint a nominee on the Company's Board of Directors at any time during the currency of the loan.
- iii. The Company shall constitute such committees of the Board as may be required by Industrial Development Bank of India Limited for close monitoring of different aspects of its working.

**B. Bank of Baroda, Sansad Marg, New Delhi**

Working Capital facilities sanctioned vide the Bank's letter no. CFS:ND:08/909 dated June 30, 2005 issued by the Corporate Financial Services Branch, 11<sup>th</sup> Floor, Bank of Baroda Building, 16, Sansad Marg, New Delhi – 110 001 .

**Terms of the sanction Letter:**

1. Working Capital – Funded
  - a. Cash Credit (Hypothecation of stocks and book debts):
    - i. Limit : Rs. 7.75 Crores
    - ii. Sub Limit book Debts : Rs. 4.50 Crores

iii. Sub Limit (FCNR-B) : Rs. 3.50 Crores

Security: First Hypothecation charge on stocks including raw material, work-in-progress, finished goods and on book debts.

Rate of Interest: BPLR + 0.50% i.e., 11% p.a. payable monthly

Margin: Stock - 25%  
Book debts upto 90 days - 35%

Period: 12 months

b. FCNR (B) Loan

Limit : Rs. 3.50 crores against earmarking of CC Limit.  
Interest : 3 months LIBOR + 550 bps (subsequently revised to 325 bps)  
Period : 6 months (Spread to be fixed every 6 months)

c. Letter of Credit (DP/ Inland/ Foreign)

Limit : Rs. 0.30 crore  
Security : Stamped LC application duly executed by the Company  
Margin : 10%  
Purpose : For procurement of raw materials, spares and normal capital requirements  
Period : 12 months

d. Guarantees (Inland)

Limit : Rs. 0.20 crore  
Security : Counter indemnity duly executed by the company  
Extension of charge on current assets  
Margin : 10%  
Purpose : For issuance of performance/ financial guarantee and general purpose guarantees for normal requirements favoring Excise, Sales tax and Others.

**Unsecured Loans:**

Details of Unsecured Loans	31.3.2002	31.3.2003	31.3.2004	31.3.2005	31.3.2006	30.6.2006
<b>Particulars</b>						
Deposits from Directors and Associates	117.34	103.39	126.34	164.31	188.25	182.25
Inter-corporate deposits	403.38	421.66	356.11	621.53	520.11	520.11
Deposits from Public	394.90	376.00	372.58	385.55	381.57	378.82
Others	270.10	284.10	429.69	400.53	33.47	33.47
<b>TOTAL</b>	<b>1185.72</b>	<b>1185.15</b>	<b>1284.72</b>	<b>1571.92</b>	<b>1123.40</b>	<b>1114.65</b>

1. FDRs as per section 58A are payable as per FD application. Maximum period for repayment is 3 years.
2. Interest rate on ICDs are 8% p.a., and on FDR it is 7% (compounded quarterly).
3. Unsecured Loans from promoters and Dealers deposit are interest free.

**LOAN FROM LIFE INSURANCE CORPORATION OF INDIA**

Loans of Rs. 66,20,250/- (comprising Rs. 30,72,000/- and Rs. 35,48,350/-) has been availed from Life Insurance Corporation of India on 24<sup>th</sup> December, 2005 and 14<sup>th</sup> February, 2006, by pledging the Keyman Insurance Policy no. 114123300 and 113584388 taken by the company against both the policies taken on Dr. Chandra Kumar Jain. No deed of hypothecation has been signed. The loan interest of Rs. 1,38,240/- and Rs. 1,59,671/- on the above two policies shall be payable on 03/12 & 03/06; 13/03 and 13/09 respectively.



## **LOAN FOR CAR FINANCE**

GSCL has taken cars on hire purchase from ICICI Bank, HDFC Bank, and Gulshan Mercantile Urban Co-operative Bank Ltd.

## **FRESH TERM LOAN FOR THE PROPOSED PROJECT:**

**Industrial Development Bank of India Limited, Red Cross Road, New Delhi**

Rs. in lakhs			
Description	Date of Sanction	Amount of Sanction	Amount Disbursed till September 30, 2006
Rupee Term Loan of Rs. 800 lakhs under Project Finance Scheme.	January 31, 2006	800	600

Term Loan of Rs. 800 lakhs sanctioned by the Industrial Development Bank of India Limited vide its letter no. IDBI/NBO/CFD-II/GSCL/479 dated 31.01.06 under the 'Project Finance Scheme' for the proposed project to set up facilities for production of Ground Calcium Carbonate (GCC) and Captive Power Plant at the existing location.

Terms & Conditions:

Amount	Rupee Term Loan of Rs. 800 lakhs
Upfront Fee	0.50% of the loan amount excluding service tax @ 10.20%
Interest	9.00% p.a. payable monthly
Repayment	The loan shall be repaid in 24 equal quarterly installments commencing from July 01, 2007
Security	<ol style="list-style-type: none"><li>1. Pari passu first charge on all movables and immovable assets of the company, except specified movables in respect of which charges are created/ to be created in favour of the bankers for their working capital assistance.</li><li>2. Disbursements made pending creation of final security as stipulated shall carry further interest @ 1% per annum from the date of first disbursement till creation of such security if the borrower fails to create such final security within a period of 3 months from the date of first disbursement.</li><li>3. Personal guarantee of Dr. C.K.Jain</li></ol>

- The Term Loan of Rs. 8 crores is against creation of charge on the whole of the movable properties of the borrower including its movable plant and machinery, machinery spares, tools and accessories and other movables.
- The Loan of Rs. 8 crores is repayable in 24 Equal Quarterly Installments, commencing from 1.7.2007. Interest on the loan is levied at 9% per annum payable monthly.
- The advances to be collaterally secured by Pari-Passu first charge on all the movable and immovable assets of the company, except specified movables in respect of which charges are created/to be created in favour of the bankers for working capital assistance.
- Advances to be guaranteed by the personal guarantee of Dr. Chandra Kumar Jain.

## **GUARANTEES PROVIDED TO COMPANIES UNDER THE SAME MANAGEMENT**

- A Guarantee has been given by GSCL to Bank of Baroda for Rs. 3650 lakhs for working capital and term loan facilities enjoyed by Gulshan Polyols Ltd. (outstanding as on 30.6.2006 is Rs. 2888.98 lakhs).
- A Guarantee has been given by GSCL to Bank of Baroda for Rs. 1089 lakhs for working capital and term loan facilities enjoyed by Gulshan Chemfill Ltd. (outstanding as on 30.6.2006 is Rs. 1089 lakhs).
- A Guarantee has been given by GSCL to IDBI Bank for Rs. 1200 lakhs for opening of Foreign Letter of Credit enjoyed by Gulshan Industries Limited (outstanding as on 30.6.2006 is Rs. 464.10 lakhs).

## SECTION V

### ii. FINANCIAL INFORMATION OF COMPANIES, FIRMS PROMOTED BY PROMOTERS

The information for the last 3 years based on the audited statements in respect of all the Companies, firms, ventures, etc. promoted by the promoters irrespective of whether these are covered under section 370 (1)(B) of the Companies Act, 1956 or not are given hereunder:

#### 1. Gulshan Chemfill Limited (GCL)

The Company has been promoted by Dr. Chandra Kumar Jain, Mrs. Mridula Jain, Ms. Anubha Jain, and Gulshan Holdings Pvt. Ltd.

The Company was incorporated on 20.10.2000 with the Registrar of Companies, Uttar Pradesh, as a limited liability company. The Company received Certificate of Commencement of Business on 24.10.2000. The old plant of Gulshan Chemfill Limited located at Begrajpur, Muzaffarnagar (Uttar Pradesh), was relocated to the present registered office at Village Rampur Majri, Dhaula Kuan, District Sirmaur- 173001, Himachal Pradesh. The Registered Office of the Company has again shifted, w.e.f. 22<sup>nd</sup> May, 2006 to 9<sup>th</sup> K.M., Jansath Road, Muzaffarnagar. The change in registered office was approved by the Company Law Board, Northern Region Bench at New Delhi vide its Order dated 22<sup>nd</sup> May, 2006.

The main business of the Company as stated in the Memorandum of Association is to carry on the business as manufacturers, dealers, exporters, importers in Activated and Precipitated Calcium Carbonate of all grades and specifications.

BOARD OF DIRECTORS	
Dr. Chandra Kumar Jain	
Mrs. Mridula Jain	
Mr. Deepak Kumar	
Mr. Ajay Jain	
Mr. S.K. Tewari	

(As per the certification of GCL dated September 30, 2006)

#### SHAREHOLDING

Sl. No.	Name of Shareholder	No. of Shares held	%age of Shareholding
1.	Gulshan Holdings Private Limited	30,90,600	49.75%
2.	Dr. Chandra Kumar Jain	7,92,720	12.76%
3.	Mrs. Mridula Jain	2,64,020	4.25%
4.	Ms. Anubha Jain	1,20,910	1.95%
5.	Mrs. Aditi Jain	81,710	1.32%
6.	Mrs. Arushi Jain	1,51,310	2.44%
7.	Mr. Pradeep Kumar Jain	200	0.0032%
8.	Selfridge Automobile Leasing & Industries Ltd.	32100	0.52%
9.	Banks, Financial Institutions, Insurance Company (Central/State Government Institutions/Non-Government Institutions)	200	0.0032%
10.	Private Corporate Bodies	2,81,997	4.54%
11.	Indian Public	13,87,650	22.34%
12.	NRIs/OCBs	8,883	0.14%
	<b>TOTAL</b>	<b>62,12,300</b>	<b>100.00%</b>

(As per Shareholding pattern as on September 30, 2006; Alankit Assignments Ltd.)

The financial highlights for the last 3 years are given below:

(Rs. in lakhs)

Year Ended March 31	2006	2005	2004
	(Audited)	(Audited)	(Audited)
Sales	381.01	26.92	566.67
Profit after tax (PAT)	1.03	12.84	0.64
Equity Share Capital <sup>(1)</sup>	281.47	281.47	124.25
Reserves (excluding revaluation reserve)	47.83	48.30	2.98
Earnings per Equity Share (EPS) (Rs.)	0.007	0.09	0.01
Net Asset Value (NAV) per Equity Share (Rs.)	2.33	2.33	1.96
Networth	328.42	328.80	121.77

Source: Audited Financial Statements

- \* During the year 2004-05, the operations of the company were suspended due to uneconomic factors. The old plant of Gulshan Chemfill Ltd., located at Begrajpur (Muzaffarnagar, Uttar Pradesh), was relocated to the present location in order to reap the benefits of excise exemption, concessional sales tax and other benefits provided by the Government of Himachal Pradesh. The Company had taken up a new project of Calcium Carbonate in the State of Himachal Pradesh, with part financing from Bank of Baroda. The project was expected to be operational from August 2005, however, after minor delays, it started in the month of October, 2005 and has been operational since.

**Notes:**

1. Face value of each equity share is Rs. 2/-
2. For the calculation of Earnings Per Share and Net Asset Value per Share, number of equity shares outstanding at the end of the year has been considered.
3. Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.
4. A Listing Application for 78,61,200 Equity Shares of Rs. 2/- each of Gulshan Chemfill Limited has been filed with The Stock Exchange, Mumbai on 7.6.2005. These shares have been issued by the company on 18.4.2005 to the shareholders of Gulshan Chemcarb Limited (Transferor Company) in terms of the scheme of Amalgamation/Merger approved by the Hon'ble High Court of Himachal Pradesh at Shimla vide its Order dated 4.3.2005. These shares have not been included in the Shareholding Pattern, as they have not yet been listed on the Stock Exchange.

The details of 78,61,200 shares for which listing application has been made is as follows:

NAME OF SHAREHOLDER	No. of Shares
Dr. Chandra Kumar Jain	78,36,400
Mrs. Mridula Jain	2,000
Mrs. Arushi Jain	19,600
Mrs. Aditi Jain	2,000
Other Individuals	1,200
<b>TOTAL</b>	<b>78,61,200</b>

The High Court of Himachal Pradesh at Shimla by its order dated 17<sup>th</sup> November, 2004 in Company Petition no. 11 of 2004, ordered to convene meetings of equity shareholders of the Transferor Company, i.e., Gulshan Chemcarb Limited and the Transferee Company, i.e., Gulshan Chemfill Limited for the purpose of approving the scheme of amalgamation to be made between the two companies, which was subsequently held on 1<sup>st</sup> January, 2005.

The salient features of the scheme were as follows:

*"Upon the scheme becoming finally effective, in consideration of the transfer and vesting of the undertaking of the Transferor Company in the Transferee Company, the Transferee Company shall issue and allot at par a total of 78,61,200 (Seventy eight lacs sixty one thousand and two hundred only) Equity shares of the face value of Rs. 2/- each, credited as full paid up in the Capital of the Transferee Company, to the shareholders of the Transferor Company whose names are recorded in its Register of Members, as on date (Record Date) to be fixed by the Board of Directors of the Transferee Company in the following ratios:*

*78,61,200 equity shares of the face value of Rs. 2/- each in the company (Gulshan Chemfill Ltd.) aggregating to Rs. 1,57,22,400/- credited as fully paid up in the proportion of 4 (Four) equity shares of Rs. 2/- each of the company for every 1 equity share of Rs. 10/- each of Gulshan Chemcarb Ltd to the person who are members of Gulshan Chemcarb Ltd."*

### Share Quotation

The Company is listed on the Bombay Stock Exchange Limited (BSE). Gulshan Sugars and Chemicals Ltd. (GSCL) had effected a demerger in 2000-2001 by which two separate entities were hived out of GSCL viz., Gulshan Polyols Ltd. and Gulshan Chemfill Ltd.

As per the scheme of demerger, the equity shares of Gulshan Sugars and Chemicals Ltd. were split such that each shareholder of GSCL, for 1 share of Rs.10/- face value held in equity share capital of GSCL, upon demerger received 1 share of Rs. 5/- face value of Gulshan Polyols Ltd. and 1 share of Rs. 2/- face value of Gulshan Chemfill Ltd. and 1 share of GSCL of Rs. 8/- face value.

The Hon'ble High Court of Allahabad vide its order dated 28<sup>th</sup> February, 2001 allowed the transfer of Sorbitol division of Gulshan Sugars and Chemicals Ltd. to Gulshan Polyols Ltd. and Precipitated Calcium Carbonate unit into Gulshan Chemfill Ltd.

Consequent to the demerger the shares of Gulshan Chemfill Ltd. were listed on Bombay Stock Exchange (BSE) on 26.3.2002.

Gulshan Chemfill Ltd has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

**The following table sets forth, the high and low prices of the Equity Shares of Gulshan Chemfill Limited on BSE, in the last six months, for the periods indicated as per data available from the Bombay Stock Exchange vide their letter dated 10<sup>th</sup> October, 2006:**

Sl. No.	Month	High (Rs.)	Date of High	Low (Rs.)	Date of Low
1.	April 2006	4.50	10.4.2006	4.03	27.4.2006
2.	May 2006	6.85	11.5.2006	4.31	2.5.2006
3.	June 2006	4.21	5.6.2006	3.67	19.6.2006
4.	July 2006	3.95	5.7.2006	2.79	28.7.2006
5.	August 2006	4.47	28.8.2006	2.92	4.8.2006
6.	September 2006	5.40	12.9.2006	4.64	4.9.2006

**The Highest Market price in the last six months:** Rs. 6.85 on 11.5.2006.

**The Lowest Market price in the last six months:** Rs. 2.79 on 28.7.2006.

**Current Market Price: Rs. 5.69 per share as on 18.10. 2006** (Source: The Economic Times, New Delhi dated October 19, 2006)

**Related Business Transactions:**

Gulshan Chemfill Limited has paid a sum of Rs. 1,06,387/- and Rs. 4,95,275/- to Gulshan Sugars and Chemicals Limited towards commission for rendering marketing services of its products through GSCL's offices, during the financial year 2005-06, and during the first Quarter of the financial year 2006-07 respectively.

**2. Gulshan Polyols Limited (GPL)**

The Company has been promoted by Dr. Chandra Kumar Jain, Mrs. Mridula Jain, Ms. Anubha Jain and Gulshan Holdings Pvt. Ltd.

The Company was incorporated on 20.10.2000 with the Registrar of Companies, Uttar Pradesh, as a limited liability company, with its registered office at 9<sup>th</sup> K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh which has been relocated to the present location at 762, GIDC Industrial Estate, Jahgadla, Dist. Bharuch, Gujarat, India, Pin-393110. The Company obtained the Certificate of Commencement of Business on 24.10.2000.

The main business of the Company as stated in the Memorandum of Association is to carry on the business as manufacturers, dealers, exporters, and importers in Sorbitol and all allied products and by-products thereof.

<b>BOARD OF DIRECTORS</b>	
Dr. Chandra Kumar Jain	
Mrs. Mridula Jain	
Mr. I.C. Agarwal	
Mr. Ajay Jain	

(As per the certification of GPL dated September 30, 2006)

**SHAREHOLDING**

Sl.No.	Name of Shareholder	No. of Shares held	% of Shareholding
1.	Gulshan Holdings Pvt. Ltd.	30,90,600	49.75%
2.	Dr Chandra Kumar Jain	7,92,720	12.76%
3.	Mrs Mridula Jain	2,64,020	4.25%
4.	Ms. Anubha Jain	1,20,910	1.95%
5.	Aditi Jain	81,710	1.32%
6.	Arushi Jain	1,51,310	2.44%
7.	Mr. Pradeep Kumar Jain	200	0.0032%
8.	Selfridge Automobile Leasing & Industries Ltd.	32100	0.52
9.	Banks, Financial Institutions, Insurance Company (Central/State Government Institutions/Non-Government Institutions)	200	0.0032%
10.	Private Corporate Bodies	4,20,598	6.77%
11.	Indian Public	12,57,312	20.24%
12.	NRIs/OCBs	620	0.0096%
	<b>TOTAL</b>	<b>6212300</b>	<b>100.00%</b>

(As per Shareholding pattern as on September 30, 2006; Alankit Assignments Ltd.)

The financial highlights for the last 3 years are given below:

Year Ended March 31	2006	2005	2004
	(Audited)	(Audited)	(Audited)
Sales	6477.63	5583.02	5455.19
Profit after tax (PAT)	224.93	129.39	187.23
Equity Share Capital <sup>(1)</sup>	310.62	310.62	310.62
Reserves (excluding revaluation reserve)	508.92	337.11	249.71

Earnings per Equity Share (EPS) (Rs.)	3.62	2.4	3.01
Net Asset Value (NAV) per Equity Share (Rs.)	13.09	10.43	9.01
Networth	813.08	647.73	559.73

*Source: Audited Financial Statements*

**Notes:**

1. The share capital consists of 62,12,300 Equity shares of Rs. 5/- each and 9,75,000 Zero% Redeemable Preference Shares of Rs. 100/- each in 2004-05, 7,75,000 Zero% Redeemable Preference Shares of Rs. 100/- each in 2003-04 and 5,75,000 Zero% Redeemable Preference Shares of Rs. 100/- each in 2002-03.
2. For the calculation of Earnings Per Share and Net Asset Value per Share, number of equity shares outstanding at the end of the year has been considered.
3. Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.

Gulshan Polyols Ltd (Company under the same management) availed financial assistance in the form of Foreign Currency Term Loan (FCTL) of USD 4.25 million through the ECB Route from Bank of Baroda to part-finance the backward integration for setting up a Starch plant and also setting up 3 MW captive power plant. In terms of the Bank's letter no. CFS:ND:08:705 dated 19/05/2005, the FCTL was repayable in 20 equal quarterly instalments of USD 212,500 each commencing from 1<sup>st</sup> April, 2006 or 12 months from the commencement of production whichever is earlier. The above project was to be completed by March 31, 2005.

However, due to reasons beyond control, the project was delayed and there was time and cost overrun in the project. Bank of Baroda further part-financed the overrun cost. In view of the above delay, the original repayment schedule of FCTL loan was re-scheduled by the bank and as per their letter no. CFS:ND:09:618 dated 21/04/2006. The FCTL now will be repayable in 20 equal quarterly instalments of USD 212,500 each commencing from 1<sup>st</sup> April, 2007 or 12 months from the commencement of production whichever is earlier.

**Share Quotation**

The Company is listed on the Bombay Stock Exchange Limited (BSE). Gulshan Sugars and Chemicals Ltd. had effected a demerger in 2000-2001 by which two separate entities were hived out of GSCL viz., Gulshan Polyols Ltd. and Gulshan Chemfill Ltd.

As per the scheme of demerger, the equity shares of Gulshan Sugars and Chemicals Ltd. were split such that each shareholder of GSCL, for 1 share of Rs.10/- face value held in equity share capital of GSCL, upon demerger received 1 share of Rs. 5/- face value of Gulshan Polyols Ltd. and 1 share of Rs. 2/- face value of Gulshan Chemfill Ltd. and 1 share of GSCL of Rs.8/- face value.

The Hon'ble High Court of Allahabad vide its order dated 28<sup>th</sup> February, 2001 allowed the transfer of Sorbitol division of Gulshan Sugars and Chemicals Ltd. to Gulshan Polyols Ltd. and Precipitated Calcium Carbonate unit into Gulshan Chemfill Ltd.

Consequent to the demerger the shares of Gulshan Polyols Ltd. were listed on Bombay Stock Exchange (BSE) on 26.3.2002.

The Company has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

**The following table sets forth, the high and low prices of the Equity Shares of Gulshan Chemfill Limited on BSE, in the last six months, for the periods indicated as per data available from the Bombay Stock Exchange vide their letter dated 10<sup>th</sup> October, 2006:**

Sl. No.	Month	High (Rs.)	Date of High	Low (Rs.)	Date of Low
1.	April 2006	29.30	29.4.2006	22.35	3.04.2006
2.	May 2006	31.50	10.5.2006	27.00	18.5.2006/22.5.2006
3.	June 2006	27.85	25.6.2006	21.00	9.6.2006
4.	July 2006	26.50	28.7.2006	21.55	19.7.2006
5.	August 2006	42.15	22.8.2006	29.35	7.8.2006
6.	September 2006	39.10	4.9.2006	35.10	22.9.2006/25.9.2006

**The Highest Market price in the last six months:** Rs. 42.15 on 22.8.2006.

**The Lowest Market price in the last six months:** Rs. 21.00 on 9.6.2006.

**Current Market Price: Rs. 41.80 per share as on 18.10.2006** (Source: *The Economic Times, New Delhi dated October 19, 2006*)

**Related Business Transactions:**

Gulshan Polyols Limited has paid a sum of Rs. 63,540/- to Gulshan Sugars and Chemicals Limited towards commission for rendering marketing services of its products through GSCL's offices, during the financial year 2005-06. There has been no transaction during the first Quarter of financial year 2006-07.

**3. Gulshan Capital Limited (G Cap)**

The Company has been promoted by Dr. Chandra Kumar Jain and Mrs. Mridula Jain and Gulshan Holdings Pvt. Ltd.

The Company was incorporated on 18.10.1995, with the Registrar of Companies, NCT of Delhi & Haryana, as a limited liability company, with its registered office at G-81, Preet Vihar, Delhi –110 092. The Company obtained Certificate of Commencement of Business on 15.11.1995.

The main business of the Company as stated in the Memorandum of Association is to carry on the business of acquiring, investing, and/or holding any property as financial holding of the company, to work as technical, financial and architectural consultants, advisers for business establishments and deal in securities.

BOARD OF DIRECTORS	
Dr. Chandra Kumar Jain	
Mrs. Mridula Jain	
Mrs. Aditi Jain	

(As per the certification of G Cap dated September 30, 2006)

**SHAREHOLDING**

Sl.No.	Name of Shareholder	No. of Shares held	%age of Shareholding
1.	Dr. Chandra Kumar Jain	93,600	19.02%
2.	Mrs. Mridula Jain	1,37,200	27.89%
3.	Gulshan Holdings Pvt. Ltd.	2,40,300	48.84%
4.	Indian Public - Individuals	14,500	2.95%
5.	Directors/ Relatives/ Associates (Independent and are not in control of the Company)	6,400	1.30%
	<b>TOTAL</b>	<b>4,92,000</b>	<b>100.00%</b>

(As per certification of G Cap dated September 30, 2006)

The financial highlights for the last 3 years are given below:

Year Ended March 31	(Rs. in lakhs)		
	2006 (Audited)	2005 (Audited)	2004 (Audited)
Total Income \$	4.08	3.75	3.97
Profit after tax (PAT)	1.56	1.30	1.42
Equity Share Capital <sup>(1)</sup>	49.20	49.20	49.20
Reserves (excluding revaluation reserve)	8.10	6.54	5.25
Earnings per Equity Share (EPS) (Rs.)	0.32	0.26	0.29
Net Asset Value (NAV) per Equity Share (Rs.)	11.54	11.21	11.05
Networth	56.79	55.14	54.35

Source: Audited Financial Statements

**Notes:**

1. Face value of each equity share is Rs. 10/-.
2. For the calculation of Earning per share and Net Asset Value per share, number of equity shares outstanding at the end of the year has been considered.
3. Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.
4. \$ indicates that the Total Income of the company consists of interest income from bank deposits and Fixed deposits while no business is being carried on by the Company at present.

**Share Quotation**

The Company is not listed in any Stock Exchange. The Company has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

**Related Business Transactions:**

Gulshan Capital Limited has lent a sum of Rs. 7,00,000/- to GSCL during the financial year 2005-06, as Inter-Corporate Deposit (ICD). The ICD is for a three month period at an interest of 8% per annum, with an option to roll-over the same for a further period of three months by mutual consent.

Gulshan Capital Limited was paid a sum of Rs. 4,08,334/- as interest on ICDs during the financial year 2005-06, and a sum of Rs. 1,00,296/- during the first Quarter of financial year 2006-07.

As on 30<sup>th</sup> June, 2006, the total amount of outstanding loans (in the books of GSCL) payable to Gulshan Capital Limited by GSCL was Rs. 50,14,801/-.

**4. Gulshan Industries Limited (GIL)**

The company has been promoted by Dr. Chandra Kumar Jain and Mrs. Mridula Jain.

The Company was incorporated on 26.6.1995 with the Registrar of Companies, NCT of Delhi & Haryana, as a limited liability company, with its registered office at G-81, Preet Vihar, Delhi - 110092. The Company obtained the Certificate of Commencement of Business on 7.9.1995.

The main business of the Company since January, 2006 has been to carry on business as importers and traders of Telecom Hardware.



<b>BOARD OF DIRECTORS</b>	
Dr. Chandra Kumar Jain	
Mrs. Mridula Jain	
Mrs. Aditi Jain	

(As per the certification of GIL dated September 30, 2006)

## SHAREHOLDING

Sl.No.	Name of Shareholder	No. of Shares held	% of Shareholding
1.	Dr. Chandra Kumar Jain	7,40,225	39.56%
2.	Mrs. Mridula Jain	1,71,450	9.16%
3.	Gulshan Holdings Pvt. Ltd.	9,29,900	49.70%
4.	Indian Public – Individuals	10,900	0.58%
5.	Directors/ Relatives/ Associates (Independent and are not in control of the Company)	18,700	1.00%
	<b>TOTAL</b>	<b>18,71,175</b>	<b>100.00%</b>

(As per certification of GIL dated September 30, 2006)

The financial highlights for the last 3 years are given below:

Year Ended March 31	(Rs. in lakhs)		
	2006 (Audited)	2005 (Audited)	2004 (Audited)
Total Income \$	494.34	8.22	18.40
Profit after tax (PAT)	9.78	1.06	8.18
Equity Share Capital <sup>(1)</sup>	187.12	187.12	187.12
Reserves (excluding revaluation reserve)	66.32	56.54	55.48
Earnings per Equity Share (EPS) (Rs.)	0.52	0.06	0.44
Net Asset Value (NAV) per Equity Share (Rs.)	13.54	13.01	12.95
Networth	253.27	243.44	242.33

(Source: Audited Financial Statements)

## Notes:

1. Face value of each equity share is Rs.10 /-.
2. For the calculation of Earning per share and Net Asset Value per share, number of equity shares outstanding at the end of the year has been considered.
3. Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.
4. \$ indicates that the Total Income of the company consists of interest income from bank deposits, fixed deposits and income from Farm Houses, while the present business of the company is that of importing and trading in Telecom Hardware, which is permissible as per the Memorandum of Association of the company.

## Share Quotation

The Company is not listed in any Stock Exchange. The Company has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

**Related Business Transactions:**

Gulshan Industries Limited has lent a sum of Rs. 1,50,000/- to GSCL during the financial year 2005-06, as Inter-Corporate Deposit (ICD). The ICD is for a three month period at an interest of 8% per annum, with an option to roll-over the same for a further period of three months by mutual consent. Gulshan Industries Limited further lent a sum of Rs. 1,40,00,000/- to GSCL during the first Quarter of financial year 2006-07, as Inter-Corporate Deposit (ICD). The ICD is for a three month period at an interest of 8% per annum, with an option to roll-over the same for a further period of three months by mutual consent. The ICD of Rs. 1,40,00,000/- has been repaid within the closure of the first Quarter.

Gulshan Industries Limited was paid a sum of Rs. 11,18,286/- as interest on ICDs during the financial year 2005-06, and Rs. 3,51,124/- as interest on ICDs during the first Quarter of the financial year 2006-07.

As on 30<sup>th</sup> June, 2006, the total amount of outstanding loans (in the books of GSCL) payable to Gulshan Industries Limited by GSCL was Rs. 1,23,40,000/-.

**5. Gulshan Agro Food Ltd. (GAFL)**

The Company has been promoted by Dr. Chandra Kumar Jain and Mrs. Mridula Jain. ,

The Company was incorporated on 14.9.1995, with the Registrar of Companies, NCT of Delhi & Haryana, as a limited liability company, with its registered office at G-81, Preet Vihar, Delhi-110092. The company obtained Certificate of Commencement of Business on 28.2.1996.

The main business of the Company is to carry on business as manufactures, producers, exporters, buyers, sellers merchants and dealers in all kinds of Agro products including canned mushrooms, fruits, vegetables, flowers, herbs and forest products and to deal in preservatives, dyes, perfumes and other allied products.

<b>BOARD OF DIRECTORS</b>	
Dr. C.K. Jain	
Mrs. Mridula Jain	
Mrs. Aditi Jain	

*(As per the certification of GAFL dated September 30, 2006)*

**SHAREHOLDING**

<b>Sl. No.</b>	<b>Name of Shareholder</b>	<b>No. of Shares held</b>	<b>% of Shareholding</b>
1.	Dr. Chandra Kumar Jain	3,30,200	35.08%
2.	Mrs. Mridula Jain	1,23,900	13.16%
3.	Gulshan Holdings Pvt Ltd.	4,66,000	49.50%
4.	Indian Public – Individuals	14,900	1.58%
5.	Directors/ Relatives/ Associates (Independent and are not in control of the Company)	6,400	0.68%
	<b>TOTAL</b>	<b>9,41,400</b>	<b>100.00%</b>

*(As per the certification of GAFL dated September 30, 2006)*

The financial highlights for the last 3 years are given below:

**(Rs. in lakhs)**

<b>Year Ended March 31</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
Total Income \$	6.91	4.76	7.69
Profit after tax (PAT)	1.95	0.79	2.26
Equity Share Capital <sup>(1)</sup>	94.14	94.14	94.14
Reserves (excluding revaluation reserve)	13.28	11.34	10.55

Earnings per Equity Share (EPS) (Rs.)	0.21	0.08	0.24
Net Asset Value (NAV) per Equity Share (Rs.)	11.35	11.13	11.11
Networth	106.85	104.81	104.58

*Source: Audited Financial Statements*

**Notes:**

1. Face value of each equity share is Rs. 10/-.
2. For the calculation of Earning per share and Net Asset Value per share, number of equity shares outstanding at the end of the year has been considered.
3. Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.
4. \$ indicates that the Total Income of the company consists of Bank Deposits, FDs and Loans and Advances while no business is being carried on by the Company.

**Share Quotation**

The Company is not listed in any Stock Exchange. The Company has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

**Related Business Transactions:**

Gulshan Agro Food Limited has lent a sum of Rs. 3,00,000/- to GSCL during the financial year 2005-06, as Inter-Corporate Deposit (ICD). The ICD is for a three month period at an interest of 8% per annum, with an option to roll-over the same for a further period of three months by mutual consent.

Gulshan Agro Food Limited was paid a sum of Rs. 6,87,970/- as interest on ICDs during the financial year 2005-06, and Rs. 1,48,580/- as interest on ICDs during the first Quarter of the financial year 2006-07.

As on 30<sup>th</sup> June, 2006, the total amount of outstanding loans (in the books of GSCL) payable to Gulshan Agro Food Limited by GSCL was Rs. 74,29,000/-.

**6. Gulshan Impex Private Limited (GIPL)**

The Company has been promoted by Dr. Chandra Kumar Jain and Mrs. Mridula Jain.

The Company was incorporated on 18.8.1998, with the Registrar of Companies, NCT of Delhi & Haryana, as a limited liability company, with its registered office at G-81, Preet Vihar, Delhi - 110092. The main business is to carry on business as exporters, importers, buyers, sellers, distributors, agents, brokers, factors, stockiest, commission agents and dealers of Textile.

<b>BOARD OF DIRECTORS</b>
Mrs. Aditi Jain
Mrs. Arushi Jain
Mr. A.K. Maheshwari

*(As per the certification of GIPL dated September 30, 2006)*

## SHAREHOLDING

Sl.No.	Name of Shareholder	No. of Shares held	% of Shareholding
1.	Mrs. Aditi Jain	29,000	29.00%
2.	Mrs. Arushi Jain	28,500	28.50%
3.	Gulshan Holdings Pvt Ltd.	40,000	40.00%
4.	Dr. Chandra Kumar Jain	100	0.10%
5.	Mrs. Mridula Jain	600	0.60%
6.	Anubha Jain	1,800	1.80%
	<b>TOTAL</b>	<b>1,00,000</b>	<b>100.00%</b>

(As per the certification of GIPL dated September 30, 2006)

The financial highlights for the last 5 years are given below:

(Rs. in lakhs)

Year Ended March 31	2006 (Audited)	2005 (Audited)	2004 (Audited)	2003 (Audited)	2002 (Audited)
Sale	3.32	\$ 0.76	86.99	39.96	1.71
Profit after tax (PAT)	1.19	0.13	(1.50)	0.51	0.70
Equity Share Capital <sup>(1)</sup>	10.00	10.00	10.00	10.00	10.00
Reserves (excluding revaluation reserve)	4.21	3.02	2.88	4.39	3.87
Earnings per Equity Share (EPS) (Rs.)	1.19	0.13	-	0.51	0.70
Net Asset Value (NAV) per Equity Share (Rs.)	14.19	12.99	12.84	14.34	13.81
Networth	14.19	12.99	12.84	14.34	13.81

Source: Audited Financial Statements

### Notes:

1. Face value of each equity share is Rs. 10/-.
2. For the calculation of Earning per share and Net Asset Value per share, number of equity shares outstanding at the end of the year has been considered.
3. Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.
4. \$ The total income of the company consists of interest income from FDs, Bank Deposits and Loans and Advances while no business is being carried on by the Company at present.

### Share Quotation

The Company is not listed in any Stock Exchange. The Company has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

**Related Business Transactions:**

Gulshan Impex Private Limited has lent a sum of Rs. 14,50,000/- to GSCL during the financial year 2005-06, as Inter-Corporate Deposit (ICD). The ICD is for a three month period at an interest of 8% per annum, with an option to roll-over the same for a further period of three months by mutual consent.

Gulshan Impex Private Limited was paid a sum of Rs. 38,455/- as interest on ICDs during the financial year 2005-06.

As on 30<sup>th</sup> June, 2006, the total amount of outstanding loans (in the books of GSCL) payable to Gulshan Impex Private Limited by GSCL was Rs. 14,50,000/-.

There is no transaction during the first Quarter of the financial year 2006-07.

**7. Gulshan Holdings Private Limited (GHPL)**

The Company has been promoted by Dr. Chandra Kumar Jain and Mrs. Mridula Jain.

The Company was originally incorporated on 20.11.1985 by the name of Gulshan Marketing Pvt. Ltd. with the Registrar of Companies, NCT of Delhi & Haryana, as a limited liability company, having its registered office at G-81, Preet Vihar, New Delhi-110092. On 14.02.02 its name was changed from Gulshan Marketing Pvt. Ltd. to Gulshan Holdings Pvt. Ltd.

The main business is to carry on business of acquiring and holding shares in any other company having objects altogether or in part similar to those of this company or carrying on any business capable of being conducted so as to directly or indirectly, benefit this company, to guarantee the payment of money in respect of promissory notes, bonds, debentures, obligations, instants and securities of any company or person and to invest or deal in securities.

<b>BOARD OF DIRECTORS</b>	
Dr. Chandra Kumar Jain	
Mrs. Mridula Jain	

*(As per the certification of GHPL dated September 30, 2006)*

**SHAREHOLDING**

<b>Sl.No.</b>	<b>Name of Shareholder</b>	<b>No. of Shares held</b>	<b>% of Shareholding</b>
1.	Dr. Chandra Kumar Jain	160	35.09%
2.	Mrs. Mridula Jain	111	24.34%
3.	Ms. Anubha Jain	10	2.19%
4.	Ms. Aditi Jain	86	18.86%
5.	Ms. Arushi Jain	89	19.52%
	<b>TOTAL</b>	<b>456</b>	<b>100.00%</b>

*(As per the certification of GHPL dated September 30, 2006)*

The financial highlights for the last 3 years are given below:

**(Rs. in lakhs)**

<b>Year Ended March 31</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
Dividend & Interest Income	65.19	32.62	33.03
Profit after tax (PAT)	64.89	32.38	32.61
Equity Share Capital <sup>(1)</sup>	4.56	4.56	4.56
Reserves (excluding revaluation reserve)	362.90	298.01	265.63
Earnings per Equity Share (EPS) (Rs.)	14230.66	7,099.75	7,151.98

Net Asset Value (NAV) per Equity Share (Rs.)	80,583.64	66,352.98	59,253.22
Networth	367.46	302.57	270.19

Source: Audited Financial Statements

**Notes:**

- Face value of each equity share is Rs. 1000/-.
- For the calculation of Earning per share and Net Asset Value per share, number of equity shares outstanding at the end of the year has been considered.
- Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.

**Share Quotation**

The Company is not listed in any Stock Exchange. The Company has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

**Related Business Transactions:**

Gulshan Holdings Private Limited has lent a sum of Rs. 41,00,000/- to GSCL during the financial year 2005-06, as Inter-Corporate Deposit (ICD). The ICD is for a three month period at an interest of Zero% per annum, with an option to roll-over the same for a further period of three months by mutual consent.

As on 30<sup>th</sup> June, 2006, the total amount of outstanding loans (in the books of GSCL) payable to Gulshan Holdings Private Limited by GSCL was Rs. 2,03,47,500/-. There is no transaction during the first Quarter of the financial year 2006-07.

**8. Gulshan Micro Minerals Pvt. Ltd. (GMMPL)**

The company has been promoted by Dr. Chandra Kumar Jain and Mrs. Mridula Jain.

The Company was incorporated on 31.12.1997, with the Registrar of Companies, NCT of Delhi & Haryana, as a limited liability company, with its registered office at G-81, Preet Vihar, Delhi-110092. As per the Memorandum of Association of the company, the main business is to carry on business as manufacturer, importer, exporter of jaggery, molasses, alcohol and bye products thereof and all types of minerals including calcite, quartz, chalk and all varieties of minerals and stone.

<b>BOARD OF DIRECTORS</b>
Dr. Chandra Kumar Jain
Mrs. Mridula Jain

(As per the certification of GMMPL dated September 30, 2006)

## SHAREHOLDING

Sl.No.	Name of Shareholder	No. of Shares held	% of Shareholding
1.	Dr. Chandra Kumar Jain	8,300	83%
2.	Mrs. Mridula Jain	100	1%
3.	S.R. Pandey	200	2%
4.	Naresh Kumar	200	2%
5.	Parahar	200	2%
6.	Puneet Jindal	200	2%
7.	Jaiveer Singh	200	2%
8.	Ram Dass	200	2%
9.	Gudia	200	2%
10.	Naresh Kumar	200	2%
		200	2%
	<b>TOTAL</b>	<b>10,000</b>	<b>100.00%</b>

(As per the certification of GMMPL dated September 30, 2006)

The financial highlights for the last 3 years are given below:

	(Rs. in lakhs)		
Year Ended March 31	2005 (Audited)	2004 (Audited)	2003 (Audited)
Total Income \$	0	0	0
Profit after tax (PAT)	0	0	0
Equity Share Capital <sup>(1)</sup>	1.00	1.00	1.00
Reserves (excluding revaluation reserve)	0	0	0
Earnings per share (EPS) (Rs.)	0.00	0.00	0.00
Net Asset Value (NAV) per share (Rs.)	7.41	7.58	7.76
Networth	0.74	0.76	0.76

Source: Audited Financial Statements

### Notes:

1. Face value of each equity share is Rs. 10/-.
2. \$ The company is not doing any business and the Board of Directors has agreed, during the meeting held on 06.03.06, to make defunct the company and filling of application for the same with Registrar of Companies, NCT of Delhi and Haryana, is pending.
3. For the calculation of Earning per share and Net Asset Value per share, number of equity shares outstanding at the end of the year has been considered.
4. Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.

### Share Quotation

The Company is not listed in any Stock Exchange. The Company has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

### Related Business Transactions:

There are no related business transactions.

The Company had in its Board Meeting held on March 6, 2006 approved to have the name of the Company struck off from the Registrar of Companies under Section 560 of the Companies

Act, 1956, on account of its not acrrying any business for past few years, and given the fact that it had no intention to pursue business any further.

The Company has filed an application to the Registrar of Companies, NCT of Delhi and Haryana to strike off the name of the Company u/s 560 of the Companies Act.

## 9. Gulshan Lamee Pack Pvt. Ltd. (GLPPL)

The company has been promoted by Dr. Chandra Kumar Jain.

The Company was incorporated on 16.4.2004, with the Registrar of Companies, Uttar Pradesh & Uttarachal, as a limited liability company, with its registered office at Plot no. 9, Sector-1A, IIE, DIDCUL, Ranipur, Haridwar – 249403 (Uttaranchal). The main business is to manufacture, process, convert, shape, design, print, make, import, export or otherwise deal in all kinds and classes of packaging material including but not limiting to plastic packaging e.g. bottles, tubes and pouches.

<b>BOARD OF DIRECTORS</b>	
Dr. Chandra Kumar Jain	
Mrs. Aditi Jain	
Mr. Ankur Pasari	

(As per the certification of GLPPL dated September 30, 2006)

## SHAREHOLDING

Sl.No.	Name of Shareholder	No. of Shares held	% of Shareholding
1.	Dr. Chandra Kumar Jain	45,000	4.09%
2.	Mrs. Mridula Jain	1,00,000	9.09%
3.	Mrs. Aditi Jain	1,00,000	9.09%
4.	Others	8,55,000	77.73%
	<b>TOTAL</b>	<b>11,00,000</b>	<b>100.00%</b>

(As per the certification of GLPPL dated September 30, 2006)

The financial highlights for 2005-2006 and 2004-05:

(Rs. in lakhs)

Year Ended March 31	2006 (Audited)	2005 (Audited)
Total Income	608.80	144.48
Profit after tax (PAT)	54.20	1.48
Share Capital <sup>(1)</sup>	110.00	110.00
Reserves (excluding revaluation reserve)	55.68	1.48
Earnings per share (EPS) (Rs.)	4.93	0.13
Net Asset Value (NAV) per share (Rs.)	14.72	9.68
Networth	161.94	106.49

Source: Audited Financial Statements

## Notes:

- Face value of each equity share is Rs. 10/-.
- For the calculation of Earning per share and Net Asset Value per share, number of equity shares outstanding at the end of the year has been considered.
- Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.



### Share Quotation

The Company is not listed in any Stock Exchange. The Company has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

### Related Business Transactions:

There are no related business transactions.

## 10. Gulshan Mercantile Urban Cooperative Bank Ltd. (GMUCBL)

The company has been promoted by Dr. Chandra Kumar Jain.

The Co-operative Bank was incorporated on 3.9.1990, with the Registrar of Cooperative Societies, as a cooperative bank, with its registered office at 45-B, New Mandi, Muzaffarnagar, Uttar Pradesh. The main business is to carry on the business of accepting deposits of money from the public, repayable on demand or otherwise, to borrow or raise money, to lend or advance money and to issue letter of credits.

BOARD OF DIRECTORS
Dr. Chandra Kumar Jain, <i>Non-Executive Chairman</i>
Mrs. Chanchal Saxena, <i>Vice Chairperson</i>
Mrs. Mridula Jain
Mr. Mohammad Shahid
Mr. Deepak Kumar
Mr. Mohan Lal Bansal
Mr. Lal Bahadur Jain
Mr. Mohammad Tahir
Mr. Surjan Singh
Mr. R.P. Sharma
Mrs. Uma Garg
Mrs. Peeyush Dutt.

(As per the certification of GMUCBL dated September 30, 2006)

## SHAREHOLDING

Sl.No.	Name of Shareholder	No. of Shares held	%age of Shareholding
1.	Dr. Chandra Kumar Jain	49	0.16%
2.	Smt. Mridula Jain	49	0.16%
3.	Mrs. Arushi Jain	889	2.91%
4.	Mrs. Aditi Jain	855	2.79%
5.	Gulshan Sugars & Chemicals Ltd.	4,778.25	15.63%
6.	Gulshan Chemfill Ltd.	5,000	16.35%
7.	Others	18,959.50	62.00%
	<b>TOTAL</b>	<b>30,579.75</b>	<b>100.00%</b>

(As per the certification of GMUCBL dated September 30, 2006)

The financial highlights for the last 3 years are given below:

	(Rs. in lakhs)		
Year Ended March 31	2006 (Audited)	2005 (Audited)	2004 (Audited)
Total Income	309.63	284.97	292.44
Profit after tax (PAT)	60.21	34.65	34.24
Share Capital	30.58	27.66	25.05
Reserves (excluding revaluation reserve)	260.87	223.72	193.29
Earnings per share (EPS) (Rs.)	196.90	125.28	136.69
Net Asset Value (NAV) per share (Rs.)	953.09	908.78	871.62
Networth	291.45	251.37	218.34

Source: Audited Financial Statements

### Notes:

- Face value of each equity share is Rs. 100/-.
- For the calculation of Earning per share and Net Asset Value per share, number of equity shares outstanding at the end of the year has been considered.
- Net worth = Share Capital + Reserve & surplus + deferred tax liability – Miscellaneous Expenditure-deferred tax assets

### Share Quotation

The Co-operative Bank is not listed in any Stock Exchange. The Co-operative Bank has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Co-operative Bank. The Co-operative bank has not turned sick.

### Related Business Transactions:

There are no related business transactions.

There exist no companies with which the promoters have disassociated themselves.

The following are Companies which are covered u/s 370 (1)(B) of the Companies Act, 1956, but have not been promoted by the Promoters of Gulshan Sugars and Chemicals Limited:

**a. New Hind Fin-Lease Private Limited (New Hind)**

Mrs. Arushi Jain and Mrs. Aditi Jain are having controlling interest in the Company.

The Company was incorporated on April 17, 1995, with the Registrar of Companies, NCT of Delhi & Haryana, as a limited liability company, with its registered office at A-10, Surajmal Vihar, Delhi –110 092.

The main business of the Company as stated in the Memorandum of Association is to act as financial consultants, management consultants, and to provide advice services, consultancy in various fields, general, administrative, commercial, legal, economic, labour, industrial, public relations, scientific, technical, direct and indirect taxation and other levies, statistical accountancy, quality control and data processing.

BOARD OF DIRECTORS	
Mr. Ashwani Kumar Vats	
Mrs. Arushi Jain	
Mrs. Aditi Jain	

(As per the certification of New Hind dated September 30, 2006)

**SHAREHOLDING**

Sl.No.	Name of Shareholder	No. of Shares held	%age of Shareholding
1.	Dr. Chandra Kumar Jain	25,000	25.08%
2.	Mrs. Mridula Jain	25,000	25.08%
3.	Mrs. Arushi Jain	26,700	26.78%
4.	Mrs. Aditi Jain	23,000	23.06%
	<b>TOTAL</b>	<b>99,700</b>	<b>100.00%</b>

(As per the certification of New Hind dated September 30, 2006)

The financial highlights for the last 3 years are given below:

Year Ended March 31	(Rs. in lakhs)		
	2006 (Audited)	2005 (Audited)	2004 (Audited)
Total Income \$	11.19	6.17	6.15
Profit after tax (PAT)	7.07	0.53	0.61
Equity Share Capital <sup>(1)</sup>	9.97	9.97	9.97
Reserves (excluding revaluation reserve)	19.72	12.65	12.12
Earnings per Equity Share (EPS) (Rs.)	7.09	0.53	0.62
Net Asset Value (NAV) per Equity Share (Rs.)	29.78	22.68	22.16
Networth	29.69	22.62	22.09

Source: Audited Financial Statements

**Notes:**

1. Face value of each equity share is Rs. 10/-.
2. For the calculation of Earning per share and Net Asset Value per share, number of equity shares outstanding at the end of the year has been considered.

3. Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.
4. \$ indicates that the Total Income of the company consists of Agriculture Income and interest income from bank deposits and Fixed deposits while no business is being carried on by the Company at present.

#### Share Quotation

The Company is not listed in any Stock Exchange. The Company has not come out with any Public or Rights Issue since inception.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

#### Related Business Transactions:

There are no related business transactions.

#### b. Selfridge Automobile Leasing and Industries Limited (Selfridge)

Mrs. Arushi Jain and Mrs. Aditi Jain are having controlling interest in the Company.

The Company was incorporated on May 29, 1991, with the Registrar of Companies, NCT of Delhi & Haryana, as a limited liability company. The Company obtained its Certificate of Commencement of Business on June 24, 1991. The registered office, which was originally at R-160, Greater Kailash, Part-I, New Delhi –110048 was shifted to its present address at G-81, Preet Vihar, Delhi – 110092 with effect from February 28, 2000.

The main business of the Company as stated in the Memorandum of Association is to manufacture, export, import, deal in and distribute suspension systems for automotive and other applicants, tie-rod ends and drag assemblies for automotive and other applications; invest the available surplus funds, which are not required by the company immediately in deposits, bank deposits, and other available Investment opportunities.

BOARD OF DIRECTORS	
Mr. A.K. Tayal, <i>Chairman</i>	
Mrs. Aditi Jain, <i>Managing Director</i>	
Mrs. Arushi Jain	
Mr. Shailesh Ingole	
Mr. N.K. Dutta	

(As per the certification of Selfridge dated September 30, 2006)

#### SHAREHOLDING

Sl.No.	Name of Shareholder	No. of Shares held	%age of Shareholding
1.	Mrs. Arushi Jain	7,92,164	26.22%
2.	Mrs. Aditi Jain	7,54,236	24.97%
3.	Others (Indian Public, No one individually holds more than 1% of total shares)	14,74,600	48.81%
4.			
	<b>TOTAL</b>	<b>30,21,000</b>	<b>100.00%</b>

(As per the certification of Selfridge dated September 30, 2006)

The financial highlights for the last 3 years are given below:

Year Ended March 31	(Rs. in lakhs)		
	2006 (Audited)	2005 (Audited)	2004 (Audited)
Income from Operations	19.99	25.02	29.70
Profit after tax (PAT)	5.23	5.69	9.71

Equity Share Capital <sup>(1)</sup>	302.10	302.10	302.10
Reserves (excluding revaluation reserve)	56.34	51.43	45.33
Earnings per Equity Share (EPS) (Rs.)	0.17	0.19	0.32
Net Asset Value (NAV) per Equity Share (Rs.)	11.86	11.68	11.45
Networth	358.42	352.76	345.92

*Source: Audited Financial Statements*

**Notes:**

1. Face value of each equity share is Rs. 10/-.
2. For the calculation of Earning per share and Net Asset Value per share, number of equity shares outstanding at the end of the year has been considered.
3. Networth means aggregate of value of the paid-up equity share capital and free reserves (excluding revaluation reserves) reduced by the aggregate value of accumulated losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.

For details regarding change in management and controlling interest in the Company, please refer to page no. 23-24 of the Prospectus.

**Share Quotation**

The Company has not come out with any public or rights issue in the last three years.

The Company is however listed with the Delhi Stock Exchange. The Company's Initial Public Offering in October, 1995, was for the issue of 28,20,000 Equity Shares of Rs. 10/- each for cash at par, out of which 13,40,200 Equity Shares were reserved for Directors, friends and relatives on firm allotment basis, and the balance 14,79,800 Equity Shares was net offer to the public. The net offer to the public aggregated Rs. 147.98 lakhs.

**Market Data**

The trading platform of DSE being non functional in the last few years, trading data in respect of Selfridge is not available.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and it is not a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

For details of litigations related to the company, please refer to page no. 217-218 of this Prospectus.

**Related Business Transactions:**

Selfridge Automobile Leasing and Industries Limited paid a sum of Rs. 4,23,181/- to GSCL towards interest on Inter-Corporate Deposits during the financial year 2005-06. As on, 31<sup>st</sup> March, 2006, there is no outstanding amount, payable to Selfridge Automobile Leasing and Industries Limited, in the books of Gulshan Sugars and Chemicals Limited.

There is no transaction during the first Quarter of the financial year 2006-07.

## **FINANCIAL INFORMATION REGARDING THE TRUSTS IN WHICH THE PROMOTERS ARE TRUSTEES.**

### **a. Mridul Literacy Society**

The above society was registered on June 17, 1999 under the Societies Registration Act XXI of 1860, with its Office at G-81, Preet Vihar, Delhi – 10 092

Registration No.: S/35023 of 1999

Governing Body/Office Bearers:

1. Mrs. Mridula Jain, *President*
2. Mr. A.K. Maheshwari, *Secretary*
3. Mr. Ashwani Kumar Vats, *Treasurer*
4. Mrs. Rita Dutta, *Member*
5. Mr. Y.K. Sharma, *Member*
6. Mr. A.K. Garg, *Member*
7. Mr. Ajay Sant, *Member*

The total corpus of the society as on March 31, 2006 was Rs. 17.31 lakhs.

The main objectives of the trust as stated in the trust deed are:

- a. To promote and diffuse the useful knowledge for the advancement of education.
- b. To arrange, establish, run, looking after the Technical and non-Technical Educational Schools/ Institutes including Nursery, Primary, Higher Secondary and Upper Higher secondary Educational Institutions, and to provide to the general public, poor and needy children, SC/ST community/weaker sections of the society as per policy of the Government of India at the lowest possible cost and to provide education as per policy of Government of India, and to produce well-informed and self-assured young men and women.
- c. To open libraries, organize discussions and seminars, to publish books, journals, magazines etc. and to run hospitals for the weaker sections of the society at the lowest possible cost.

#### **Financial Results of Mridul Literacy Society:**

<b>Particulars</b>	<b>(Rs. in lakhs)</b>		
	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>
Total Income	4.89	8.50	3.89
Excess of Income over Expenditure	2.56	6.18	1.87
Corpus	17.31	14.75	8.57

### **b. Gulshan Sugars and Chemicals Ltd. Employees Group Gratuity Trust**

The trust was formed on April 29, 1999 with its office at G-81, Preet Vihar, Delhi- 110092, to set up a non-contributory Group Gratuity Scheme for providing Gratuity benefits to the employees of GSCL, with the following trustees:

1. Dr. Chandra Kumar Jain
2. Mr. Parveen Kumar Jain
3. Mr. A.K. Maheshwari

The present corpus is Rs. 47.02 lakhs.

#### **Financial Results of GSCL Employees Group Gratuity Trust:**

	<b>(In Rupees)</b>		
	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>
Total Income	3.05	2.48	2.61
Excess of Income over Expenditure	2.25	2.14	2.10
Corpus	47.02	40.80	32.02

**c. GSCL Technical & Management Institute**

The trust was formed on December 3, 2004, and registered with the Sub-Registrar, Delhi, and having its office at G-81, Preet Vihar, Delhi- 110092. The present Office bearers are as under:

1. Dr. Chandra Kumar Jain, *President*
2. Mrs. Mridula Jain, *Secretary*
3. Mrs. Arushi Jain
4. Mrs. Aditi Jain
5. Mr. Rahul Jain

The present corpus is Rs. 10,000/-.

The trust is a charitable trust and the main objectives of the trust as stated in the trust deed are:

1. To establish, promote and run social, cultural and educational institutions including technical education.
2. To establish, promote and run Medical Research and allied foundations
3. To propagate and impart industrial, literary, moral and physical education on modern techniques to uplift the social fabric of the country.
4. To advance loans on returnable basis free of interest or grant scholarships to the children of employees of the founder company as well as to other deserving and outstanding students for the purpose of their education in any field.
5. To do all such things as may be necessary or incidental or conducive to the attainment of the above objects and as per section 20 to the Societies Registration Act, 1860

**d. Gulshan Education Foundation**

The charitable trust was formed on December 12, 2002 with the Sub-Registrar, Delhi, and having its office at G-81, Preet Vihar, Delhi- 110092.

The present trustees are:

1. Dr. Chandra Kumar Jain, *President*
2. Mrs. Mridula Jain, *Secretary*
3. Mrs. Arushi Jain
4. Mrs. Aditi Jain
5. Mr. Rahul Jain

The corpus as on March 31, 2006 was Rs. 76.68 lakhs.

The trust is a charitable trust and the main objectives of the trust as stated in the trust deed are:

1. To establish, promote and run social, cultural and educational institutions including technical education.
2. To establish, promote and run Medical research and allied foundations
3. To propagate and impart industrial, literary, moral and physical education on modern techniques to uplift the social fabric of the country
4. To advance loans on returnable basis free of interest or grant scholarships to the children of employees of the founder company as well as to other deserving and outstanding students for the purpose of their education in any field.

**Financial Results of Gulshan Education Foundation**

(Rs. in Lakhs)

	2005-06	2004-05	2003-04
Total Income	2.73	0.08	0.43
Excess of Income over Expenditure	1.60	(0.24)	0.6
Capital Fund	76.68	26.13	20.38

**Related Business Transactions:**

As on 31<sup>st</sup> March, 2006, the total amount of outstanding loans (in the books of GSCL) payable to Gulshan Education Foundation by GSCL was Rs. 7,00,000/-. The above sum has been lent as a Fixed Deposit at an interest of 7% per annum.

**e. Gulshan Rai Charitable Trust**

The charitable trust was formed on 13.4.1977 with the following trustees:

1. Late Shri Gulshan Rai Jain
2. Dr. C.K. Jain
3. Shri Champat Rai
4. Shri Shitta Prasad
5. Smt. Hem Lata

The registered office is at 45 B, New Mandi, Muzaffarnagar. The total corpus of the trust as on 31.3.2006 is Rs. 52.18 lakhs.

The trust is a charitable trust and the main objectives of the trust as stated in the trust deed are:

1. To run hospital(s) for providing medical relief or giving medical aid to the poor and destitute.
2. To give donations and develop the following types of institutions:
  - a. Charitable medical institutions
  - b. Any Pathshala or the advancement of Indian Culture or the like institution.
  - c. Gaushala for the maintenance and upkeep of cows.
  - d. Temples and religious institutions of all communities
3. To give donations for the marriage of children of the poor.
4. To give scholarships to meritorious cum poor students.
5. To provide food and cloth to the poor and destitute.
6. To organize Sat Sangh, Bhandaras etc.

**Financial Results of Gulshan Rai Charitable Trust**

	<b>(Rs. in lakhs)</b>		
	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>
Total Income	16.17	4.02	1.77
Excess of Income over Expenditure	1.99	0.59	(5.86)
Corpus	52.18	45.69	43.58

**Related Business Transactions:**

Gulshan Rai Charitable Trust has lent a sum of Rs. 1,10,000/- to GSCL during the financial year 2005-06, as Fixed Deposit/. The Deposit is at an interest of 7% per annum for a three period, with interest being cumulative on quarterly compounding basis.

Gulshan Rai Charitable Trust was paid a sum of Rs. 7,797/- as interest during the financial year 2005-06. No interest has been paid in the first Quarter of financial year 2006-07.

**f. GEE EMM Education Foundation**

The charitable trust was formed on December 5, 2002 with the Sub-Registrar, Delhi with its office at 303, Kanishka, Commercial Complex, 3<sup>rd</sup> Floor, Saini Enclave, Vikas Marg, Delhi – 110 093. The Trust was formed with the following trustees:

1. Mr. Mahendra Kumar, *President*
2. Dr. Chandra Kumar Jain, *Secretary*
3. Mrs. Mridula Jain
4. Mrs. Satyawati
5. Mr. Deepak Kumar
6. Mrs. Arushi Jain



The total corpus of the trust is Rs. 1,02,000/-.

The trust is a charitable trust and the main objectives of the trust as stated in the trust deed are:

1. To establish, promote and run social, cultural and educational institutions including technical education and Medical research foundations.
2. To propagate and impart industrial, literary, moral and physical education on modern techniques to uplift the social fabric of the country.
3. To advance loans on returnable basis free of interest or grant scholarships to the children of employees of the founder company as well as to other deserving and outstanding students for the purpose of their education in any field.
4. To carry on any other work of Public Utility.

The trust is inactive.

**g. Gulshan Education Academy**

The charitable trust was formed on December 3, 2004 and registered with the Sub-Registrar, Delhi, and having its office at G-81, Preet Vihar, Delhi- 110092. The present corpus of the trust is Rs. 10,000/-.

The trustees are as under:

1. Dr. Chandra Kumar Jain, *President*
2. Mrs. Mridula Jain, *Secretary*
3. Mrs. Arushi Jain
4. Mrs. Aditi Jain
5. Mr. Rahul Jain

The trust is a charitable trust and the main objectives of the trust as stated in the trust deed are:

1. To establish, promote and run social, cultural and educational institutions including technical education and Medical research foundations
2. To propagate and impart industrial, literary, moral and physical education on modern techniques to uplift the social fabric of the country
3. To advance loans on returnable basis free of interest or grant scholarships to the children of employees of the founder company as well as to other deserving and outstanding students for the purpose of their education in any field.
4. To carry on any other work of Public Utility.
5. To do all such things as may be necessary or incidental or conducive to the attainment of the above objects and as per section 20 to the Societies Registration Act, 1860.

The trust is inactive.

**h. Gulshan Education Society**

The charitable trust was formed on December 3, 2004 with an initial corpus of Rs. 10,000, with the following trustees:

1. Dr. Chandra Kumar Jain, *President*
2. Mrs. Mridula Jain, *Secretary*
3. Mrs. Arushi Jain
4. Mrs. Aditi Jain
5. Mr. Rahul Jain

The trust is a charitable trust and the main objectives of the trust as stated in the trust deed are:

1. To establish, promote and run social, cultural and educational institutions including technical education and Medical research foundations
2. To propagate and impart industrial, literary, moral and physical education on modern techniques to uplift the social fabric of the country

3. To advance loans on returnable basis free of interest or grant scholarships to the children of employees of the founder company as well as to other deserving and outstanding students for the purpose of their education in any field.
4. To carry on any other work of Public Utility.
5. To do all such things as may be necessary or incidental or conducive to the attainment of the above objects and as per section 20 to the Societies Registration Act, 1860.

The trust is inactive.

**i. GSCL Academy for Management & Technical Studies**

The charitable trust was formed on December 3, 2004 and registered with the Sub-Registrar, Delhi with an initial corpus of Rs. 10,000/-, with the following trustees:

1. Dr. Chandra Kumar Jain, *President*
2. Mrs. Mridula Jain, *Secretary*
3. Mrs. Arushi Jain
4. Mrs. Aditi Jain
5. Mr. Rahul Jain

The trust has its office at G-81, Preet Vihar, Delhi- 110092.

The trust is a charitable trust and the main objectives of the trust as stated in the trust deed are:

1. To establish, promote and run social, cultural and educational institutions including technical education and Medical research foundations
2. To propagate and impart industrial, literary, moral and physical education on modern techniques to uplift the social fabric of the country
3. To advance loans on returnable basis free of interest or grant scholarships to the children of employees of the founder company as well as to other deserving and outstanding students for the purpose of their education in any field.
4. To do all such things as may be necessary or incidental or conducive to the attainment of the above objects and as per section 20 to the Societies Registration Act, 1860

**Financial Results**

The trust is inactive.

**j. GSCL Education Foundation**

The charitable trust was formed on March 27, 2003 and registered with the Sub-Registrar, Delhi with an initial corpus of Rs. 11,000/-, with the following trustees:

1. Dr. Chandra Kumar Jain, *President*
2. Mrs. Mridula Jain, *Secretary*
3. Mrs. Arushi Jain
4. Mrs. Aditi Jain
5. Mr. Rahul Jain

The trust has its office at G-81, Preet Vihar, Delhi- 110092.

The trust is a charitable trust and the main objectives of the trust as stated in the trust deed are:

1. To establish, promote and run social, cultural and educational institutions including technical education and Medical research foundations
2. To propagate and impart industrial, literary, moral and physical education on modern techniques to uplift the social fabric of the country.
3. To advance loans on returnable basis free of interest or grant scholarships to the children of employees of the founder company as well as to other deserving and outstanding students for the purpose of their education in any field.
4. To carry on any other work of public utility.

**Financial Results**

The trust is inactive.

## **Common Pursuits**

There are no common pursuits amongst the aforesaid promoter group companies.

### **Sales or purchase between the Issuer Company and Promoter Group Companies where such sale or purchase exceeds in value in the aggregate 10% of the total sales or purchase of the Issuer Company**

During the period between April, 2006 to June, 2006, the Company purchased 1981.1 MT of Calcium Carbonate from Gulshan Chemfill Ltd., a company under the same management, for Rs. 1,46,06,990/-.

## **iii. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following is the management's discussion of the financial conditions and results of operations together with the audited financial statement for each of the fiscal years ended March 31, 2004, 2005 and 2006 including the notes thereto and the reports thereon in the section titled "Financial Statements" beginning from page no. 142 of this Prospectus. These financial statements have been prepared in accordance with Indian GAAP and the Companies Act.

The fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

### **i. OVERVIEW OF THE BUSINESS OF THE COMPANY**

The company was incorporated in 1980 by Late Mr. Gulshan Rai Jain and his son Dr. Chandra Kumar Jain. Dr. Jain, aged 58 years, a science graduate and doctorate in Chemistry has more than 33 years of industrial experience. The registered office of the company is located at 9th KM., Jansath Road, Muzaffarnagar, Uttar Pradesh and the Corporate Office is at G-81, Preet Vihar, and Delhi. The concerned Registrar of Companies is Registrar of Companies, Uttar Pradesh and Uttaranchal located at West Cott. Building, The Mall, Kanpur 208 001 and the Equity Shares of the company are listed at the Bombay Stock Exchange Ltd. The focus of the Company has been on a single product segment i.e., Calcium Carbonate.

Gulshan Sugars and Chemicals Ltd. has been engaged in the manufacture of activated and precipitated calcium carbonate. In December 1981, it commenced commercial production of calcium carbonate with an initial capacity of 2,100 TPA. GSCL enhanced the capacity of the plant in stages through technology up-gradation, installation of balancing equipments, expansion of capacities and by the year 1991, when it came out with its Initial Public Offering, the Company had an installed capacity of 22,500 TPA. Further, in subsequent years, the company carried out expansion of capacity and diversification of business. It set up power plant of 3 MW to meet its entire power requirements. In the year 2000-01, the company carried out demerger of units and two more resulting companies namely Gulshan Polyols Ltd (Sorbitol unit located at Bharuch, Gujarat) and Gulshan Chemfill Ltd (PCC unit, now located at Dhaulakuan, District Sirmaur, Himachal Pradesh) were separated. The current capacity of Gulshan Sugars & Chemicals Ltd is 70000 TPA as on March 31, 2006. Till 2005, the Company was operating at more than 100% capacity utilization. During, 2005-06, the company has carried out another expansion of 10000 MT, the commercial operations of the same has also begun.

The product of the company find application in various industries such as PVC products, rubber & plastics, leather, tooth paste, cosmetics, pharma, paints & coatings, paper etc. The company now proposes to set up further capacities to produce Ground Calcium carbonate to meet the growing demand from paper Industry. The technology is proposed to be procured/used in the ongoing expansion project would enable the Company to manufacture Special Grade Ground Calcium Carbonate (GCC), which finds exclusive application in the Paper and PVC Industry. Since the new technology does not involve any chemical changes to the raw material, while reducing the size of limestone to 2-5 microns, the manufacturing of GCC through this proposed process would be free from levy of Excise Duty.

## ii. SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO THE LAST FINANCIAL STATEMENT

The last financial year of the company ended on 31-03-2006. In April 2006, the company extended corporate guarantee of Rs. 12 crore in favour of Industrial Development Bank of India Ltd for securing financial assistance in the form of opening Foreign Letter of credit for import of telecommunication equipments by a group company M/s Gulshan Industries Ltd. The sale price of the product of the company has been increased by an average of 3-4% to most of the customer industries.

The directors of the company have confirmed that in their opinion, except for routine developments taking place in implementation of ongoing project after the end of the last financial year, no circumstances have arisen since the date of the last financial statements as disclosed in the Prospectus and, except as mentioned above, which materially and adversely affect or are likely to affect the business or profitability of the company or the value of assets or the ability to pay the liabilities within the next twelve months.

Gulshan Sugars & Chemicals Limited has given Corporate Guarantee to Industrial Development Bank of India Limited for Rs. 1200 lakhs for opening of Foreign Letter of Credit enjoyed by Gulshan Industries Limited.

The Company has also executed a Corporate Guarantee in September 2006 favouring Bank of Baroda for securing a Term Loan of Rs. 350 lakhs for Gulshan Polyols Limited.

### Significant developments during the last 3 years

#### Capacity – addition, utilization & production

The following table depicts the capacity utilization of GSCL for the past few years:

Financial Year	Installed Capacity (MT)	Actual Production (MT)	%age Utilization
2005-06	70,000	57,072.45	81.53%
2004-05	60,000	60,037.15	100.06%
2003-04	48,000	54,370.70	113.27%
2002-03	48,000	51,404.35	107.09%

The installed capacity to produce calcium carbonate of the company was 48000 TPA during 2003-04. The company installed certain balancing & additional equipments during the year that were in the nature of giving permanent effect for increase in the capacity. The company produced 54,370 MT during 2003-04 resulting into the capacity utilization of over 113% of the installed capacity of 48000 MT. The expenditure on the equipment was funded from the internal accruals of the company

During 2004-05, the balancing & additional equipments installed during previous years alongwith other capital expenditure stabilized and the capacity increased to 60000 MT. The actual production during 2004-05 was 60037 MT. The capacity utilization worked out to 100% of the installed capacity.

During the year 2005-06 the company has increased the installed capacity to 70000 MT. The project was financed from IDBI and the cost of project and means of finance as under:

#### Cost of project

**Rs. 600 lacs**

#### Means of finance

- |                       |               |
|-----------------------|---------------|
| - Term loan from IDBI | Rs. 500 lakhs |
| - Internal accruals   | Rs. 100 lakhs |

All the equipments were procured/fabricated indigenously. The facilities were installed and the commercial production begun during the year 2005-06. The financial benefits are expected to come during 2006-07 and onwards.

Further to the above, the company has taken up a project to install additional capacities of 20000 MT to produce special grade of calcium carbonate mainly for paper industry & PVC industry. The project is based on dry process technology for which arrangements have been

made with foreign technology supplier namely M/s IVA Industrieberatung, GmbH, Germany. The technology is proven and many of projects have been installed all around the world. The company has also plan to set up the additional captive power plant of 3 MW to meet the additional power requirement and to support the existing power plant. The entire integrated plant has been appraised by IDBI and the cost of project and means of finance is as under:

**Cost of project** Rs. 2990 lakhs

**Means of finance**

- Term loan from IDBI Rs. 800 lakhs  
- Equity share capital & Premium /promoters contribution Rs. 2190 lakhs

**Raw Material**

The basic raw material is limestone, which is procured from mines located in Himachal Pradesh. The manufacturing site is near to the raw material source. Limestone is bulky and heavy mineral and is transported by road. There has been increasing trend in the cost of raw material for past 3 years. The landed cost of limestone increased to 15.03% during 2005-06 from 13.99% in 2004-05 with respect to the percentage of raw material ratio to the Income. This cost was lower at 12.28% of the Income during 2003-04. However, this increase is being passed on to the customers gradually.

**Power and Fuel Cost**

Another major cost of production apart from the raw material cost is power & fuel cost. The manufacturing process of the product require significant amount of power in the form of producer gas, electricity and steam. The company has captive power arrangement through its 3 MW captive power plant for supply of steam and power. It also has standby arrangement in case of scheduled breakdown and higher power requirement. The power & fuel cost accounts for appx 30% of its sale price. Considering this being the major cost reduction potential, efforts have been made to improve the higher yield by balancing of power within the equipments, curb and reduce the wastage and increasing the efficiency of turbine and boiler. This has resulted to reduce the power cost to 29.67% of income during 2005-06 from 32.66% in 2004-05.

**Expenses/ overheads**

During the year 2005-06, the overall overheads (comprising of personnel, administration, repairs & maintenance, selling & distribution costs) have reduced by 3.82% of income as compared to 2004-05. The figures of 2005-06, for personnel and administrative expenses are inclusive of the expenses incurred under these heads at various branches whereas these expenses were booked under the head of sales office expenses in the preceding years. As such, the figures of different head of expenditure under schedules of Personnel, Administrative expenses and Selling & distribution expenses of the current year were not comparable with the previous year figures under these heads.

**Interest & Bank charges**

Interest cost of the company has been reducing for past 3 years. These were Rs. 260.05 lacs, Rs. 226.85 lacs and Rs. 202.29 lacs during 2003-04, 2004-05 and 2005-06 respectively mainly due to regular repayment of term loan amounts on due dates. The above reduction in interest costs had contributed a lot for improving the profitability.

**Income Tax**

In view of the availability of unabsorbed depreciation of the previous years, the company at present pays Minimum Alter Tax (MAT) under the provisions of Income Tax Act, 1956. The company has also paid Fringe Benefit Tax (FBT) during 2005-06. It has also availed the benefit of deferred tax credit during the last years amounting to Rs. 34.50 lacs, Rs. 22.25 lacs and Rs.20.16 lacs during 2003-04, 2004-05 and 2005-06 respectively.

**Investments**

The company has held investments in the form of unquoted shares of various companies including equity shares in Gulshan Mercantile Urban Cooperative Bank Ltd (GMUCB) and Preference shares of Gulshan Polyols Ltd (both under the same group). During 2005-06, the company disposed off the investment of Rs. 375 lacs held by it in the form of redeemable preference shares in Gulshan Polyols Ltd (a group company) and utilized the money to repay unsecured loans, and for long-term working capital. This has helped in improving the debt equity ratio of the company and would save interest on unsecured loans in future.

### Dividend

The company has paid the dividend (all tax free) @ 8% for 2003-04, 14% for 2004-05 and 15% in 2005-06 on the equity share capital of the company. The face value of the equity share capital is Rs. 8/- each.

### Human Resources

The company lays due emphasis on all round development of its human resources. The industrial relations continued to be cordial and satisfactory during the period..

### iii. FACTORS THAT MAY AFFECT RESULTS OF THE OPERATIONS

Except as otherwise stated in this Prospectus, the Risk factors given in this Prospectus, the following important factors, among others, could cause the actual results to differ materially from the expectations:

- General economic and business conditions;
- The company's ability to successfully implement its strategy and its growth and plans;
- Factors affecting the calcium carbonate industry;
- Increasing compensation in the calcium carbonate industry from unorganized sector or new entrants in organised sector;
- Increases in labour costs, raw materials prices, prices of plant & machineries and insurance premia;
- Manufacturer's defects or mechanical prices with company's plant & machineries or incidents caused by human error;
- Changes in the value of the Indian rupee and other currencies, in particular, the Euro;
- Ability and efficiency of the technical collaborator in supply of design, drawings, project management consultancy, supply of equipment etc;
- Amount that the company is able to realize from the customers;
- Changes in laws and regulations that apply to the calcium carbonate industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

### RESULTS OF OPERATIONS

The following discussion on the financial operations and performance should be read in conjunction with the audited financial results of the company for the year ended March 31st, 2003, 2004, 2005 & 2006:

(Rs/lakhs)									
PARTICULARS	FISCAL 2003	% of Total Income	FISCAL 2004	% of Total Income	FISCAL 2005	% of Total Income	FISCAL 2006	% of Total Income	1.4.2006 to 30.6.2006 (3 months)
Income									
Sales of products:									
-manufactured by the company (including Excise duty)	4605.70		4816.12		4751.80		4705.79		1369.93
Less: Excise duty	492.98		517.78		580.05		578.67		149.21
- traded by the company	-		-		-		-		146.07
Net Sales of products:									
- manufactured by the company	4112.68		4298.34		4171.75		4127.12		1366.79
- traded by the company	0		0.00		0.00		0.00		0.00
Total Sales (net of excise duty)	4112.68	99.07	4298.34	99.18	4171.75	99.29	4127.12	99.33	1366.79
Other Income (Recurring)	38.40	0.93	35.43	0.82	29.65	0.71	27.92	0.67	8.32

<b>Total Income</b>	<b>4151.08</b>	<b>100.00</b>	<b>4333.77</b>	<b>100.00</b>	<b>4201.40</b>	<b>100.00</b>	<b>4155.04</b>	<b>100.00</b>	<b>1375.11</b>
<b>Expenditure</b>									
Raw Materials	591.44	14.25	532.35	12.28	587.75	13.99	624.49	15.03	191.72
Consignment purchase	-	-	-	-	-	-	-	-	146.07
Process, Chemicals, Stores etc.	316.05	7.61	347.27	8.01	349.90	8.33	332.09	7.99	74.50
Power & Fuel	1274.9	30.71	1225.36	28.27	1372.13	32.66	1232.80	29.67	308.38
Personnel	220.19	5.30	227.94	5.26	182.14	4.34	211.92		56.70
Repairs & Maintenance	67.86	1.63	113.18	2.61	178.01	4.24	85.09	2.05	16.86
Administration Expenses	93.33	2.25	95.49	2.20	123.27	2.93	144.14	3.47	39.31
Selling & Distribution Expenses	843.95	20.33	973.83	22.47	924.91	22.01	792.98	19.08	226.19
(Increase)/Decrease in inventories	179.12	4.32	138.20	3.19	-188.64	-4.49	21.68	0.52	129.19
of finished goods & work in process									
<b>Sub-Total</b>	<b>3586.79</b>	<b>86.41</b>	<b>3653.62</b>	<b>84.31</b>	<b>3529.47</b>	<b>84.01</b>	<b>3445.19</b>	<b>82.92</b>	<b>1188.92</b>
<b>Operating Profit- EBITDA</b>	<b>564.29</b>	<b>13.59</b>	<b>680.15</b>	<b>15.69</b>	<b>671.93</b>	<b>15.99</b>	<b>709.85</b>	<b>17.08</b>	<b>186.19</b>
Financing costs	202.71	4.88	260.05	6.00	226.85	5.40	202.29	4.87	52.47
Amortization	0.31	0.01	0.28	0.01	0.00	0.00	0.00	0.00	0.00
<b>Profit before Depreciation, Tax &amp; Non recurring items</b>	<b>361.27</b>	<b>8.70</b>	<b>419.82</b>	<b>9.69</b>	<b>445.08</b>	<b>10.59</b>	<b>507.56</b>	<b>12.22</b>	<b>133.72</b>
Depreciation (net of transfer from revaluation reserve)	213.00	5.13	255.81	5.90	240.61	5.73	200.32	4.82	38.46
<b>Net Profit/(Loss) before tax &amp; Non recurring items</b>	<b>148.27</b>	<b>3.57</b>	<b>164.01</b>	<b>3.78</b>	<b>204.47</b>	<b>4.87</b>	<b>307.24</b>	<b>7.39</b>	<b>95.26</b>
Current Tax	12.12	0.29	9.99	0.23	13.01	0.31	42.70	1.03	8.41
Fringe Benefit Tax	0	0.00	0.00	0.00	0.00	0.00	6.83	0.16	1.25
Deferred Tax Liability/(credit)	-9.84	-0.24	-34.50	-0.80	-22.25	-0.53	-20.16	-0.49	-5.20
<b>Net Profit/(Loss) after tax &amp; before Non-recurring items</b>	<b>145.99</b>	<b>3.52</b>	<b>188.52</b>	<b>4.35</b>	<b>213.71</b>	<b>5.09</b>	<b>277.87</b>	<b>6.69</b>	<b>90.80</b>
Exceptional Items	5.63	0.14	1.36	0.03	4.18	0.10	2.59	0.06	4.68
<b>Net Profit/(Loss) after Tax</b>	<b>151.62</b>	<b>3.38</b>	<b>189.88</b>	<b>4.32</b>	<b>217.89</b>	<b>4.99</b>	<b>280.46</b>	<b>6.63</b>	<b>95.48</b>

**Management Discussions for post-audit period of full year period (April 2006 onwards) is as under:**

- The turnover and other income of the company was Rs. 1529 lakhs and Rs. 1249.08 lakhs during the quarter ended 30th June 2006 and 30th September 2006 respectively. The net profit after tax during the above period was Rs. 95.48 lakhs and Rs. 105.46 lakhs during the quarter ended 30th June 2006 and 30<sup>th</sup> September 2006 respectively. The total turnover and income for the half year ended 30th September 2006 was Rs. 2778.08 lakhs and the net profit after tax was Rs. 200.91 lakhs.
- The company executed the corporate guarantee of Rs. 350 lakhs in favour of Bank of Baroda (BOB) for securing a term loan of Rs. 350 lakhs by M/s. Gulshan Polyols Ltd (a group company). However, the financial liability against this guarantee is NIL as on date as there has been no disbursement against the above loan.
- The company is in the process of implementing the project of Ground Calcium Carbonate (GCC) and Captive Power Plant. The company has incurred an amount of Rs. 888.66 lakhs on the project upto 28-09-2006 as certified by the Statutory Auditors vide their certificate. This amount has been partly financed by withdrawing rupee term loan of Rs. 600 lakhs.

## **INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 OF SEBI DIP GUIDELINES**

### **(a) Comparison of performance and analysis of developments for Fiscal 2004 with Fiscal 2003**

#### **Net Sales**

Net sales have increased during the fiscal 2004 by Rs. 185.66 lacs. The main reason was the increase in production and sales. The production and sales was 51404.35 MT and 53565.85 MT respectively during 2002-03 as against 54370.70 MT and 56303.80 MT respectively during 2003-04.

#### **Other Income**

During the year, other income (recurring nature) decreased from Rs. 38.40 lacs to Rs. 35.43 lacs from the previous year, due to decrease in agriculture income. The non-recurring income decreased from Rs. 5.63 lacs to Rs. 1.36 lacs due to reduction in profits on sale of scrapped asset and other receipts.

#### **Material expenses**

The cost of raw material consumed has decreased by 1.97% to total income during the fiscal 2004 as compared to fiscal 2003. The main reason for decrease was lower cost of lime stone.

#### **Process Chemicals & stores etc**

There was increase in cost of process chemicals and stores etc by 0.4% to total income during the fiscal 2004 as compared to fiscal 2003. This increase was mainly on account of increase in the prices of process chemicals etc.

#### **Power & fuel**

There was decrease in cost of captive power & fuel by 2.44% to total income during the fiscal 2004 as compared to fiscal 2003. The aforesaid decrease was mainly on account of complete switch over from purchased electricity to total captive generation of power. There was lower cost of paddy husk during 2004, which was the main feedstock for running the boiler and resulting power and steam.

#### **Personnel expenses**

The personnel expenses have marginally increased by Rs.7.75 lacs mainly on account of annual increments given to the employees during the year.

#### **Repairs & Maintenance**

The repairs & maintenance costs in fiscal 2004 have increased by 0.98% to total income in comparison to Fiscal 2003 mainly on account of higher cost of repairs incurred on building and plant & machinery to retain the efficiency level.

#### **Administrative expenses**

The administrative expenses in fiscal 2004 have decreased by 0.05% to total income in comparison to Fiscal 2003. There is no major change in the absolute costs.

#### **Selling and distribution expenses**

The selling and distribution expenses have increased by 2.14 % to total income during the fiscal 2004 as compared to fiscal 2003. This was mainly due to increase in sales office expenses and increase in commission & discounts on sales.

#### **Interest**

There was an increase of Rs. 57.34 lacs in interest cost during the fiscal 2004 as compared to fiscal 2003 showing an increase by 1.12% to total income during the fiscal 2004 mainly on account of interest on new loan taken from IDBI for setting captive power plant, which became operational during the year.

#### **Profit before tax**

Profit before tax has increased by Rs. 15.74 lacs during the fiscal 2004 as compared to fiscal 2003. The main reasons for increase in profitability were increased level of activities & saving in power cost.



**(b) Comparison of performance and analysis of developments for Fiscal 2005 with Fiscal 2004**

**Net Sales**

Net sales have decreased during the fiscal 2005 by Rs. 126.59 lacs. The main reason was decrease in average sales realization. The sale was 56502.80 MT during fiscal 2005 as against 56303.80 MT during fiscal 2004.

**Other Income**

During the year, other income (recurring nature) decreased from Rs. 35.43 lacs to Rs. 29.65 lacs from the previous year, due to decrease in agriculture income. The non-recurring income increased from Rs. 1.36 lacs to Rs. 4.18 lacs due to increase in other receipts.

**Material expenses**

The cost of raw material consumed has increased by 1.71% to total income during the fiscal 2005 as compared to fiscal 2004. Though the average cost of lime stone was stagnant, the cost of raw material works out on higher side due to its computation on lower sales realization.

**Process Chemicals & stores etc**

There was an increase in cost of process, chemicals and stores etc by 0.32% to total income during the fiscal 2005 as compared to fiscal 2004. Though the average cost of process chemicals and stores was unchanged, the total cost under this head works out on higher side due to its computation on lower sales realization.

**Power & fuel**

There was an increase in cost of captive cost of power & fuel by 4.39% to total income during the fiscal 2005 as compared to fiscal 2004. The aforesaid increase was mainly on account of increase in the feedstock such as coal (for boiler & Microniser), paddy husk (for boiler), charcoal (for gas producer plant).

**Personnel expenses**

The personnel expenses have reduced significantly by Rs. 45.80 lacs showing a reduction of 0.92% to total income during fiscal 2005 as compared to fiscal 2004. This was mainly on account of rationalization of manpower within all the facilities and improving the effective cost per MT.

**Repairs & Maintenance**

The repairs & maintenance costs in fiscal 2005 have increased by 1.63% to total income in comparison to Fiscal 2004 mainly on account of higher cost of repairs incurred on building and plant & machinery to retain the efficiency level.

**Administrative expenses**

The administrative expenses in fiscal 2005 have increased by 0.73% to total income in comparison to Fiscal 2004 mainly on account of increase in cost of insurance.

**Selling and distribution expenses**

The selling and distribution expenses have decreased by 0.46% to total income during the fiscal 2005 as compared to fiscal 2004. This was mainly due to reduction in commission & discounts on sales.

**Interest**

There was a decrease of Rs. 33.20 lacs in interest cost during the fiscal 2005 as compared to fiscal 2004 previous showing a decrease of 0.60% to total income during the fiscal 2005. This was mainly on account of reduction in the term loan amount by repayment of installments on regular intervals.

**Profit before tax**

Profit before tax has increased by Rs. 40.46 lacs during the fiscal 2005 as compared to fiscal 2004. The main reasons for increase in profitability were lower depreciation and financing cost.

### **(c) Comparison of performance and analysis of developments for Fiscal 2006 with Fiscal 2005**

#### **Net Sales**

Net sales have decreased during the fiscal 2006 by Rs. 44.63 lacs. The main reason was decrease in average sales realization but with marginal increase in sales volume. The sale was 57324.50 MT during fiscal 2006 as against 56502.80 MT during fiscal 2005.

#### **Other Income**

During the year, other income (recurring nature) decreased from Rs. 29.65 lacs to Rs. 27.92 lacs from the previous year, due to decrease in agriculture income. The non-recurring income decreased from Rs. 4.18 lacs to Rs. 2.59 lacs due to decrease in other receipts.

#### **Material expenses**

The cost of raw material consumed has increased by 1.04% to total income during the fiscal 2006 as compared to fiscal 2005. The average cost of lime stone during the year has increase resulting into the higher cost of raw materials. This increase could not be passed on during the year. However, the recent trend has shown the pass on of the costs in raw material to the increase in selling price.

#### **Process Chemicals & stores etc**

There was a decrease in cost of process, chemicals and stores etc by 0.34% to total income during the fiscal 2006 as compared to fiscal 2005. This was due to efficient use of process chemicals and stores etc., which had resulted due to better maintenance of equipments.

#### **Power & fuel**

There was a decrease in cost of captive power & fuel by 2.99% to total income during the fiscal 2006 as compared to fiscal 2005. The aforesaid decrease was contributed mainly on account of better yield of coal consumption used for Microniser, better yield of gas producer plant by reduction in coal consumption, and better yield of boiler by reducing the husk consumption coupled with lower pricing of feed stock.

#### **Personnel expenses**

The personnel expenses have increase by Rs. 29.78 lacs sowing an increase of 0.76% to total income during fiscal 2006 as compared to fiscal 2005. This was mainly on account of reclassification and regrouping of personnel cost of branches of the company under this head whereas these expenses were earlier booked under the head of sales office expenses in the preceding years including fiscal 2005.

#### **Repairs & Maintenance**

The repairs & maintenance costs in fiscal 2006 have significantly decreased by 2.19% to total income in comparison to Fiscal 2005 mainly on account of lower cost of repairs incurred on building and plant & machinery. In earlier years, the amount spent was high which has resulted into effective results during the fiscal 2006.

#### **Administrative expenses**

The administrative expenses in fiscal 2006 have increased by 0.54% to total income in comparison to Fiscal 2005 mainly on account of increase in cost of traveling and communication cost. Further, there was reclassification and regrouping of administrative costs of branches of the company under this head whereas these expenses were earlier booked under the head of sales office expenses in the preceding years including fiscal 2005.

#### **Selling and distribution expenses**

The selling and distribution expenses have decreased by 2.93% to total income during the fiscal 2006 as compared to fiscal 2005. Though, there was an increase in rental of offices, commission and discount on sales during the fiscal 2006 as compared to fiscal 2005, this was set off due to reclassification and regrouping of personnel, administrative costs etc of branches of the company to the respective heads of accounts whereas these expenses were earlier booked under the head of sales office expenses in the preceding years including fiscal 2005.

#### **Interest**

There was a decrease of Rs. 24.56 lacs in interest cost during the fiscal 2006 as compared to fiscal 2005 previous showing an decrease of 0.53% to total income during the fiscal 2005. This was mainly on account of reduction in the term loan amount by repayment of installments on regular intervals.

**Profit before tax**

Profit before tax has increased by Rs. 102.77 lacs during the fiscal 2006 as compared to fiscal 2005. The main reasons for increase in profitability were reduction in cost of power & fuel, lower depreciation and financing cost.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company depends on both internal and external sources of liquidity to fund working capital and capital expenditure. The company has traditionally funded the working capital requirements and capital expenditures from internally generated funds, unsecured loans and debt financing. In respect of the debt funding of working capital, the company use cash credit limits from Bank of Baroda whereas for project or capital expenditure, the company has entered into long term borrowings in the form of term loans/ unsecured loans which may be in Rupees or foreign currencies. As of March 31, 2006, the Company had cash and cash equivalents of Rs.83.25 lakhs, which represented an increase of Rs. 1.18 lacs over fiscal 2005. As of March 31, 2006, the company also had committed but undrawn credit facilities of Rs. 800 lacs in respect of term loans and Rs. 9.33 in respect of working capital finance.

**Dividend**

The dividends declared by the company for the last five fiscal years are presented below:

**Statement of Dividend paid for the last five years:**

Financial Year	Dividend %	Dividend per share Rupees	Dividend Amount	Dividend Tax	No. of shares	Class of shares
2001-02	11	0.88	5466762	NIL	6212230	Equity Shares of Rs. 8/- each
2002-03	8	0.64	3975827	509400	6212230	Equity Shares of Rs. 8/- each
2003-04	8	0.64	3975827	509400	6212230	Equity Shares of Rs. 8/- each
2004-05	14	1.12	6957698	975817	6212230	Equity Shares of Rs. 8/- each
2005-06	15	1.20	7454676	1045518	6212230	Equity Shares of Rs. 8/- each

Dividends are approved at the annual general meeting of the shareholders based on the recommendation of the Board. The Board considers a number of factors in making a recommendation to pay dividends, including but not limited to profits earned during the fiscal year, future capital expenditure plans, cash flow situation, financing needs and shareholders interest. The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

**i.) Unusual or infrequent events or transactions**

There have been no unusual or infrequent transactions that have taken place during the last three years.

**ii.) Significant economic changes that materially affected or are likely to affect income from continuing operations**

Any likely ban on mining of lime stone by the Government or Judiciary body may adversely affect the business prospects and operations of the company. Any major changes in policies of the Government would have the significant impact on the profitability of the company.

Except the above, there are no significant economics changes that may materially affect or likely to affect income form continuing operations.

- iii.) **Known Trends or Uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations**  
 Except as described in this Prospectus in general and the section titled "Risk Factors" and "Management Discussion and Analysis of Financial Conditions and Results of Operations", in particular, to our knowledge, there are few grey avenues or known trends or uncertainties that have or had or expected to have any material adverse impact on revenues or income of the company from continuing operations. These trends are in line with the international practice of setting of 'onsite plant' for the customer who source larger volume of the product. Worldwide, the world's big players such as Omya and Imerys, SME of Pfizer have set up numerous onsite plants worldwide for the consumption by the paper industry. This may impact the market in India also where either the big players may set up their own facilities for captive consumption of ground calcium carbonate or big world players may tap this market. However, looking at the economy of operations and size of Indian paper Industry (the consumer industry), the domestic players would have an edge over such players. Similarly, the concept of 'coastal plant' in India may pick the speed due to probable increase in transportation cost of the input and finished product. Currently, the plants are set up near to raw material source, but in future these may be set up in coastal areas where the imports of good quality raw material from nearby countries such as Malaysia, Egypt, china is feasible. The higher cost if any, may be offset due to proximity to consumer in that region.
- iv.) **Future changes in relationship between costs and Income, in case of events such as future increase in labour or material costs or prices that will cause a material change are known**  
 Review of trends in the calcium carbonate industry over the past few years and current developments within the user industry shows positive improvements in terms of quantum jump in demand from existing user industry and also from new user such as paper, agriculture industry etc. The unorganized sector is also expected to fall in line due to rationalization of duties and excise. The expected increase in transportation costs due to future increase in petroleum products would have adverse impact on the input cost. The sales effected by the company are ex-factory basis, may be quickly passed on to the customers. Hence, the company does not foresee any factors that would adversely affect cost as a percentage of revenue.
- v.) **The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices**  
 The increase in turnover is a mix of increase in sales volume and increase in sales prices.
- vi.) **Total turnover of each major industry segment in which the issuer company operated**  
 The company is operating only in one segment namely 'calcium carbonate'. However, the management of the company estimates that there is a market of around 3 lacs MT of calcium carbonate in India both from organised and unorganized sector.
- vii.) **Status of any publicly announced new products or business segment**  
 Except the introduction of new grade of calcium carbonate for paper industry, there is no new product or business segment.
- viii.) **The extent to which the business is seasonal**  
 The business of the company is not seasonal in nature.
- ix.) **Any significant dependence on a single or few suppliers or customers**  
 The company sources the raw material from a number of suppliers and is not under threat from excessive dependence on any single or few suppliers.  
  
 Similarly, the company has nationwide customers of its products and hence there is no dependence on any single customer.
- x.) **Competitive Conditions**  
 The company faces competition from small players in unorganized sector. However, in the long run, all the small and medium players are expected to be covered in single policy to pay excise duty on the products, which would have level playing field to all the players.

## SECTION VI: LEGAL AND OTHER INFORMATION

### i. OUTSTANDING LITIGATIONS AND DEFAULTS

#### Litigation involving the Company

There are no outstanding litigations, defaults etc pertaining to matter likely to affect operations and finances of the company including prosecution under any enactment in respect of Schedule XIII of the Companies Act 1956 (1 of 1956).

Except as described below, there are no other outstanding litigations including statutory dues, commercial disputes, patent disputes etc. No Criminal proceedings, civil prosecution or tax liabilities have been launched against the Company or any of the Directors or for any of the offenses under the enactment specified in paragraph 1 of schedule XIII of the Companies Act 1956, except as mentioned herein-below.

No disciplinary action / investigation has been taken by Securities and Exchange Board of India (SEBI)/ Stock Exchanges against the Company, its directors, promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370(1B) of the Companies Act 1956.)

The Company has not defaulted in meeting any economic offences, statutory dues, Bank dues, institutional dues and any dues to instrument holders of debentures, fixed deposits.

#### AGAINST THE COMPANY

#### LABOUR CASES

Sl. No.	Cause Title	Nature of case	Amount Involved (In Rs.)	Present Status of the case
1.	Brij Mohan Sharma Vs. Gulshan Sugars & Chemicals Ltd.	Mr. Brij Mohan Sharma was illegally absent from GSCL from 1 <sup>st</sup> October 2004. Two notices were issued to him with a request to join GSCL. Since he did not respond to any of the notices he was terminated on 17 <sup>th</sup> November 2004. However, he challenged his dismissal and filed a case in the Labour Court of Saharanpur on 9 <sup>th</sup> February 2005. The case is pending for filing the written statement and the case is fixed for hearing on 8.11.2006.	25,325/-	Written Statement to be filed by GSCL.
2.	Shri Krishan Vs. Gulshan Sugars & Chemicals Ltd.	Mr. Shri Krishan was illegally absent from the company from 27 <sup>th</sup> October, 2004. One notice dated 8.11.2004 was issued to him with a request to join GSCL. Since he did not respond to the notice he was terminated on 17 <sup>th</sup> November, 2004. However, he challenged his dismissal and filed a case on the labour court of Saharanpur on 16 <sup>th</sup> February, 2005. The case is pending for filing the written statement and hearing of the case is fixed on 08.11.2006.	26,238/-	Written Statement to be filed by GSCL.
3.	Naresh Kumar Vs. Gulshan Sugars & Chemicals Ltd.	A charge sheet along with suspension letter were issued to Mr. Naresh Kumar on 4.5.1991. An enquiry was set up for 15.5.1991 and an enquiry officer finalised the enquiry on 28.5.1991 since Mr. Naresh Kumar did	4,446/-	The case is pending for arguments.

		not make himself present in the enquiry. A termination letter was issued to him on 10 <sup>th</sup> June, 1991. He filed the Labour Case before the Conciliation Officer on 14.4.1994 which was dismissed on 3 <sup>rd</sup> August, 1994 because of his absence during the hearing. After this, the Applicant filed the case before the Deputy Labour Commissioner, Meerut and the case was dismissed on 10.2.1995 due to his absence. The case is referred to the Labour Court, Meerut on 31.7.1996. GSCL had already submitted its written statement and its witness. The next date of the hearing is 6.11.2006.		
4.	Mahipal  Vs.  Gulshan Sugars & Chemicals Ltd.	A Charge sheet was issued to Mr. Mahipal due to his misconduct on 20.10.1995 followed by a suspension letter on 24.10.1991. An enquiry was set up for 16.11.1995 and an Enquiry Officer finalized the enquiry on 27.11.1995 and submitted his enquiry report on 8.4.1996. As recommended by the Enquiry Officer, a termination letter issued to Mr Mahipal, on 10.4.1996. Mr. Mahipal challenged his termination and filed the case in the Labour Court of Meerut on 26.4.1996. The last hearing was held on 02.09.2006. All evidences have been furnished and the company is waiting for the award.	12,811/-	Evidence of GSCL's employee who is responsible for keeping the record of attendance and salary is to be recorded.
5.	Yogesh Sharma  Vs.  Gulshan Sugars & Chemicals Ltd.	Mr. Yogesh Sharma was illegally absent from GSCL from 30 <sup>th</sup> September, 2000. He challenged his dismissal and filed the case in the Labour Court of Meerut. The next date for hearing 12.1.2007.	48,815/-	Written Statement from the company to be filed.
6.	Smt. Harpal Kaur  Vs.  Gulshan Sugars & Chemicals Ltd.	Late Mr. Surjeet Singh was working from 1.5.2003. However, he was an employee of the Contractor and not the Company's employee. He expired in a road accident outside the factory premises on 26.7.2003. His wife filed a case against GSCL under the Workmen's Compensation Act seeking compensation. The next date of hearing 12.11.2006.	3,94,120/-	Written Statement to be filed by GSCL.
7.	Parmod Verma  Vs.  Gulshan Sugars & Chemicals Ltd.	Mr. Pramod Verma was illegally absent from GSCL from 29 September 2000. He was dismissed from GSCL with effect from the same date. He challenged his dismissal and filed the case in the court of the Deputy Labour Commissioner, Meerut, which he himself withdrew on 30.5.2001. However, he filed a writ petition in the High Court of Allahabad. The writ petition is pending in the Allahabad High Court.	20,961/-	The Writ Petition is pending disposal.

8.	Kusumpal  Vs.  Gulshan Sugars & Chemicals Ltd.	Kusumpal was illegally absent from GSCL from 30 <sup>th</sup> September, 2000. He was dismissed by GSCL with effect from the same date. He challenged his dismissal and filed the case in court of the Deputy Labour Commissioner, Meerut which he himself withdrew on 30.5.2001. However, he filed a writ petition in High Court of Allahabad. The writ petition is pending in the Allahabad High Court.	29,582/-	The Writ Petition is pending disposal.
9.	Subhash Chand Sharma  Vs.  Gulshan Sugars & Chemicals Ltd.	Mr. Subhash Sharma was illegally absent from GSCL from 30 <sup>th</sup> September, 2000. He was dismissed from GSCL with effect from the same date. He challenged his dismissal and filed the case in court of the Deputy Labour Commissioner, Meerut which he himself withdrew on 30.5.2001. However, presently the case is pending before the Industrial Tribunal, Meerut and the next date of hearing is yet to be fixed.	36,767/-	The case is pending for arguments.

#### BY THE COMPANY

#### DETAILS OF PENDING TRADE TAX CASES

Sl. No.	Nature of Case	Brief Facts of Case	Amount Involved (in Rupees)	Present Status
1.	Trade Tax matter	<p>During the assessment proceedings of trade tax concerning Presteege Fibres Ltd [PFL] (merged with GSCL in 1992-93) for the year 1989-90, the Assessing Authority imposed trade tax on the purchase of paddy husk in the sum of Rs. 23,653.60 and Rs. 8,764.29 vide Order dated 31.3.1994. Against the Order of the Assessing Authority, PFL filed an appeal before the Assistant Commissioner Appeals, [AC Appeals] Trade Tax, Muzaffarnagar. The A.C. (Appeals) exempted the purchase of paddy husk vide order dated 9.6.1994 and quashed the demand of tax of Rs. 32,417.89.</p> <p>However, against the order of A.C. Appeals, the Trade Tax Department filed an appeal before the Trade Tax Tribunal, which dismissed the same and upheld the order of the A.C. Appeal by its order dated 4.1.1997. Subsequently, the Trade Tax Department again filed an appeal before the High Court of Allahabad. The High Court also dismissed the appeal of the Department and passed an order on 16.5.2005 in favour of PFL.</p> <p>Being aggrieved by the Order of the High Court, the Trade Tax Department Special Leave Petition (Civil) No. CC 10736-10737 of 2005. The SLP is numbered 24802-24803 of 2005.</p>	32,417.89	<p>The Special Leave Petition under Article 136 is pending in Supreme Court of India.</p> <p>The next date of hearing is yet to be fixed.</p>

2.	Trade Tax matter	<p>During the assessment proceedings by the Trade Tax Department, concerning Presteege Fibres Ltd, [PFL] (which has since merged with GSCL) for the year 1991-1992 the Assessing Authority imposed a trade tax on the purchase of paddy husk amounting to Rs. 1,16,940/- and Rs. 71,487/- vide Order dated 2.2.1996. Against the Order of the Assessing Authority, PFL filed an appeal before the Assistant Commissioner Appeals [AC Appeals] Trade Tax Muzaffarnagar.</p> <p>The A.C. Appeals dismissed the appeal of PFL and maintained the imposition of the tax of Rs. 1,16,940/- vide order dated 11.3.1997. Against the Order of the Appellate Authority, the company filed an appeal before Trade Tax Tribunal. The Tribunal knocked off the imposed tax vide Order dated 4.5.1998.</p> <p>Against the Order of the Trade Tax Tribunal, the Department filed an appeal before the High Court, Allahabad.</p>	1,16,940/- and 71,487/-	<b>Status:</b> The Revision Tax Appeal before the High Court, Allahabad is still pending.
3.	Trade Tax	<p>In the trade tax assessment PFL (which has since merged with GSCL), for the year 1991-92, the Trade Tax Officer imposed a penalty of Rs. 26,400/- on account of late deposit of tax.</p> <p>GSCL filed six appeals before the A.C. (Appeal) against the Order of the Trade Tax Officer. The A.C. Appeals disposed of the penalty and passed the order in favour of GSCL vide order dated 6.1.1993.</p> <p>Against the Order of the A.C. Appeal, the Trade Tax Department filed an appeal before the Trade Tax Tribunal. The Tribunal passed the order against GSCL and maintained the demand of penalty of Rs. 26,000/- vide order dated 30.4.1993.</p> <p>Against the Order of Trade Tax Tribunal, GSCL filed an appeal before the High Court, Allahabad.</p>	26,400/-	<b>Status:</b> The Revision Tax Appeal before the High Court, Allahabad is still pending.
4.	Trade Tax	<p>During the assessment proceedings of Trade Tax of GSCL for the year 1986-1987, the Assessing Authority imposed a trade tax on GSCL of Rs. 4,65,613/- on account of non-receipt of Form-C of Central Sales and rejection of consignment sales vide its Order dated 30.11.1989. GSCL filed an appeal before the Deputy Commissioner Appeal. The appellate authority reduced the penalty to Rs. 3,52,492 the demand of imposed tax order dated 5.12.1990. Being aggrieved with the order of D.C. (Appeals), the Department filed and appeal before the trade tax tribunal. The tribunal also dismissed the appeal of the department vide order dated 27.1.1998.</p> <p>Finally, against the Order of Tribunal, the Trade Tax Department filed an appeal before the High Court, Allahabad.</p>	4,65,613/-	<b>Status:</b> The Revision tax appeal before the High Court, Allahabad is still pending.
5.	Trade tax matter	During the assessment proceedings of trade tax case of GSCL for the year 1992-93 the	1,06,099.42	<b>Status:</b> The Revision



		<p>assessment authority imposed tax an amount of Rs. 1,06,099.42 on purchase of paddy husk vide order dated 25.03.96. Against the order of assessing authority, the company filed an appeal before the D.C. Appeal. The appellate authority dismissed the order of assessing authority and quashed the demand of Rs. 1,06,099.42 vide order dated 6.10.1998. Against the order of Appeal, the Trade Tax Department filed an appeal before Trade Tax Tribunal. The tribunal passed the order in favour of the company vide order dated 12.2.1999.</p> <p>Against the order of tribunal, the Trade Tax Department filed an appeal before the High Court, Allahabad against GSCL.</p>		Tax Appeal before the High Court, Allahabad is still pending.
6.	Local trade tax matter	<p>During the assessment proceedings of Trade Tax for the year 1993-94, the Assessing Authority vide its Oder dated 31.1.1997, imposed an extra tax on GSCL of Rs. 10,27,402/- against lease rent and purchase of paddy husk, coal.</p> <p>Against the order of the Assessing Authority, GSCL filed an appeal before the D.C. Appeal. The Appellate Authority reduced the penalty to Rs. 6,38,600/- vide its order dated 23.2.1999. Against the order of D.C. Appeal, GSCL and the Trade Tax Department both filed an appeal before the Trade Tax Tribunal. The Tribunal has determined the tax liability of Rs. 1,71,763/- vide its order dated 8.12.1999.</p> <p>Being aggrieved by the order of D.C. Appeal, the Department filed an appeal before the High Court of Allahabad.</p>	1,71,763/-	<b>Status:</b> The Revision tax appeal before the High Court, Allahabad is still pending.
7.	Central Trade Tax matter	<p>During the assessment proceedings of trade tax for the year 1993-94 the Assessing Authority imposed on GSCL, an extra tax Rs. 6,75,091/- against consignment of sales and freight and handling charges vide its order dated 31.1.1997.</p> <p>Against the Order of the Assessing Authority, GSCL filed an appeal before the D.C. (Appeal). The Appellate Authority reduced the tax to Rs. 5,98,640/- vide its Order dated 23.2.1999. Against the order of the D.C. Appeal, GSCL filed an appeal before the Trade Tax Tribunal. The Tribunal has held that the amount of freight and handling charges of Rs. 6,58,316/- is not included in the sales for imposing the tax vide order dated 8.12.1999. Therefore, the total tax liability against GSCL in this case was disposed off.</p> <p>Being aggrieved by the Order of the Tribunal, the Department filed an appeal before the High Court of Allahabad.</p>	6,58,316/-	<b>Status:</b> The Revision Tax Appeal before the High Court, Allahabad is still pending.
8.	Trade Tax matter	<p>During the assessment proceedings of trade tax, for the year 1994-1995, the Assessing Authority imposed extra tax of Rs. 23,18,668.38 against timber, imported</p>	5,56,453/-	<b>Status:</b> Revision tax appeal before the High

		<p>coal, fire wood and rice husk vide Order dated 29.10.1997.</p> <p>Against the Order of the Assessing Authority, GSCL filed an appeal before the D.C. Appeal. The Appellate Authority reduced Rs. 13,35,960/- vide Order dated 23.2.1999. Against the Order of the D.C. Appeal, GSCL and the Trade Tax Department both filed an appeal before the Trade Tax Tribunal. The Tribunal determined the tax liability of Rs. 5,56,453/- vide Order dated 8.12.1999.</p> <p>Therefore, the total tax liability against GSCL in this case was disposed of.</p> <p>On being aggrieved with the order of the Tribunal, the Department filed an appeal before the High Court, Allahabad.</p>		Court, Allahabad is still pending.
9.	Trade Tax matter	<p>During the assessment proceedings of trade tax for the year 1995-1996 the Assessing Authority imposed extra tax of Rs. 3,87,270/- and Rs. 7,31,297/- against lease rent on machinery, coal and rice husk Order dated 16.5.1998.</p> <p>Against the Order of the Assessing Authority, GSCL filed an appeal before the D.C. Appeal. The Appellate Authority reduced Rs. 1,28,251.75 and Rs. 3,73,850/- vide the Order dated 20.3.1999. Against the order of D.C. Appeal, GSCL and the Trade Tax Department both filed an appeal before the Trade Tax Tribunal. The Tribunal determined the tax liability of Rs. 5,83,480/- vide order dated 8.12.1999. Therefore, the total tax liability against GSCL in this case was disposed off.</p> <p>Being aggrieved by the Order of the Tribunal, the Department filed an appeal before the High Court Allahabad.</p>	5,83,480/-	<p><b>Status:</b></p> <p>The Revision Tax Appeal before the High Court, Allahabad is still pending.</p>
10.	Trade Tax matter	<p>During the assessment proceedings of trade tax, for the year 1996-97, the Assessing Authority imposed extra tax Rs. 83,83,624/- &amp; Rs.12,90,825/- against lease rent and central sales vide order dated 27.3.1999.</p> <p>Against the Order of the Assessing Authority, GSCL filed an appeal before the D.C. Appeals. The Appellate Authority reduced the tax to Rs. 3,35,860/- and Rs. 57,753/- vide order dated 7.9.1999. Against the order of the D.C. Appeal, GSCL filed an appeal before the Trade Tax Tribunal. The Tribunal quashed the demand.</p> <p>Being aggrieved with the order of Tribunal, the Department filed an appeal before the High Court Allahabad.</p>	Rs.3,35,860 /- and Rs.57,753	<p><b>Status:</b></p> <p>Revision tax appeal before the High Court, Allahabad is still pending.</p>

## EXCISE CASES

SL. No.	Nature of case	Brief Facts of the case	Amount Involved (In Rs.)	Present Status of Case
1.	Letter dated 13.4.2006 issued by the Central Excise Superintendent Muzaffarnagar	A notice dated 13/4/2006 issued by the Central Excise Superintendent directing GSCL to deposit service tax of Rs. 44,03,883/- and education cess of Rs. 88,079/-, being the differential service tax payable on the gross value of the freight amount paid by GSCL to the transporter while availing the service of transportation of goods by road [GTA], during the period from January 2005 to December 2005.	Service tax of Rs. 44,03,883/- and Education cess of Rs. 88,079/-	GSCL has responded to this notice by its letter of 15 <sup>th</sup> May 2006.

## LITIGATIONS BY THE COMPANY - CASES UNDER SECTION 138 OF THE NEGOTIABLE INSTRUMENTS ACT, 1881 READ WITH SECTIONS 415, 417, 420 OF THE INDIAN PENAL CODE, 1860, FILED IN THE COURT OF THE ADDITIONAL CHIEF METROPOLITAN MAGISTRATE, NEW DELHI

Sl. No.	Case No.	Name of Complainant	Name of the Accused	Brief History	Amount Involved (In Rs.)	Remarks
1.		Gulshan Sugars & Chemicals Ltd.	Venkatesh Chemicals	<b>Case under Section 138 of Negotiable Instruments Act, 1881</b>  GSCL Ltd. supplied the product to the Customer (the Accused). The Cheque given by the Accused has been dishonoured. GSCL has filed this case against the accused, i.e., Venkatesh Chemicals under Section 138 of the <i>Negotiable Instruments Act, 1881</i> . The Court has directed the issue of notice to the accused to pay the dues along with interest or to file its reply.	Rs. 1,06,208/-	The next date of the hearing is 15.12.2006
2.	1792/1/03	Gulshan Sugars & Chemicals Ltd.	Shri Ganpati Pipes, 351/1, Rajpal Bhawan, Raja Park, Jaipur.	<b>Case under Section 138 of Negotiable Instruments Act, 1881</b>  GSCL had supplied the product to the Customer (the Accused). The 5 Cheques given by the Accused have been dishonoured. GSCL has filed a case against the Accused under Section 138 of the <i>Negotiable Instruments Act</i> . The Court has directed that notice be issued to the Accused, to pay the dues along with interest or to file its reply. Cheque numbers 22214, 22215, 22216, 22217 payable at Union Bank and Cheque number 104480 payable at Oriental Bank, have been dishonoured.	66187x5= Rs. 3,30,935 /-	5 cheques of Rs. 66,187/- each, have been dishonoured and the next date of the hearing is 17.1.2007
3.	1793/1/03	Gulshan Sugars & Chemicals Ltd.	Tetra Organics, H-1-878, Indl Area,	<b>Case under Section 138 of Negotiable Instruments Act, 1881</b>	Rs. 25,500/-	The next date for

			Bhiwadi, Rajasthan	<p><b>Act, 1881</b></p> <p>GSCL had supplied the product to the Customer (Accused). The cheque given by the Accused has been dishonored. GSCL has filed a case against the Accused under Section 138 of the <i>Negotiable Instruments Act</i>.</p> <p>The Court has directed that notice be issued to the Accused, to pay the dues along with interest or to file its reply.</p>		hearing is 17.1.2007
4.	1796/1/03	Gulshan Sugars & Chemicals Ltd.	Sweet Plastics Pvt. Ltd., Alampur House, Agra Road, Itawah	<p><b>Case under Section 138 of Negotiable Instruments Act, 1881</b></p> <p>GSCL had supplied the product to the Customer (Accused). The cheque given by the accused has been dishonored. GSCL has filed the case against the party under section 138 of the <i>Negotiable Instruments Act</i>.</p> <p>The Court has directed to issue notice to pay the dues along with interest or to file their reply.</p>	Rs.10,800/-	The next date of the hearing is 1.12.2006
5.	1797/1/03	Gulshan Sugars & Chemicals Ltd.	R.P. Chemicals Gali No. 11, Station Road, Samaypur, Delhi	<p><b>Case under Section 138 of Negotiable Instruments Act, 1881</b></p> <p>GSCL had supplied the product to the Customer (Accused). The cheque given by the Accused has been dishonoured. GSCL has filed a case against the Accused under Section 138 of the <i>Negotiable Instruments Act</i>.</p> <p>The Court has directed that notice be issued to the Accused to pay the dues long with interest or to file its reply.</p>	Rs.11,000/-	In the instant case, the amount mentioned in the pleadings is Rs. 11,000/-, but Cheque which was dishonored is for the sum of Rs.15000/-. The next date for the hearing is 27.12.2006
6.	1679/1/03	Gulshan Sugars & Chemicals Ltd.	Omsons Cable Co., BP-47, Shalimar Bagh, Delhi	<p><b>Case under Section 138 of Negotiable Instruments Act, 1881</b></p> <p>GSCL had supplied the product to the Customer (Accused). The cheque given by the Accused has been dishonored. GSCL has filed a case against the Accused under Section 138 of the <i>Negotiable Instruments Act</i>.</p> <p>The Court has directed that notice be issued to the Accused, to pay the dues along with interest or to file its reply.</p>	Rs. 50,000/-	The next date for the hearing is 18.4.2007.
7.	1777/1/03	Gulshan Sugars & Chemicals Ltd.	Dhudwal Ind., 3539, Jawahar Colony, Nangal Rai Road, Faridabad.	<p><b>Case under Section 138 of Negotiable Instruments Act, 1881</b></p> <p>GSCL had supplied the</p>	Rs. 5,000/-	The next date for the hearing is 18.4.2007.

				product to the Customer (Accused). The cheque given by the Accused has been dishonored. GSCL has filed a case against the Accused under Section 138 of the <i>Negotiable Instruments Act</i> . The Court has directed that notice be issued to the Accused, to pay the dues along with interest or to file its reply.		
8.	131/1/04	Gulshan Sugars & Chemicals Ltd.	Jay Closure (P) Ltd., E-11, Krishna Nagar, Shahdara.	<p><b>Case under Section 138 of <i>Negotiable Instruments Act, 1881</i></b></p> <p>GSCL had supplied the product to the Customer (Accused). The cheque given by the Accused has been dishonored. GSCL has filed a case against the Accused under Section 138 of the <i>Negotiable Instruments Act</i>.</p> <p>The Court has directed that notice be issued to the Accused, to pay the dues along with interest or to file its reply. The next date for hearing is 8<sup>th</sup> August, 2006</p>	Rs. 10,000/-	The next date for the hearing is 18.4.2007.
9.	249/1/2005	Gulshan Sugars & Chemicals Ltd.	Shubhlakshmi Polyplast Ltd.	<p><b>Case under Section 138 of <i>Negotiable Instruments Act, 1881</i></b></p> <p>GSCL had supplied the product to the Customer (Accused). The cheque given by the Accused has been dishonored. GSCL has filed a case against the Accused under Section 138 of the <i>Negotiable Instruments Act</i>. The Court has directed that notice be issued to the Accused, to pay the dues along with interest or to file its reply.</p>		The next date for the hearing is 18.4.2007.
10.	596/1/2004	Gulshan Sugars & Chemicals Ltd.	SRS Polymers C-46 & 48, Habbal Industrial Estate, Mysore	<p><b>Case under Section 138 of <i>Negotiable Instruments Act 1881</i></b></p> <p>GSCL had supplied the product to the Customer (Accused). The cheque given by the Accused has been dishonored. GSCL has filed a case against the Accused under Section 138 of the <i>Negotiable Instruments Act</i>.</p> <p>The Court has directed that notice be issued to the Accused, to pay the dues along with interest or to file its reply.</p>	Rs. 1,01,407/-	The next date of the hearing is 22.12.2006
11.	1776/1/03	Gulshan Sugars & Chemicals Ltd.	Dhudwal Ind., 3539, Jawahar Colony, Nangal Rai Road, Faridabad.	<p><b>Case under Section 138 of <i>Negotiable Instruments Act 1881</i></b></p> <p>GSCL had supplied the product to the Customer (Accused). The cheque given by the Accused has been dishonored. GSCL has filed a case against the Accused under Section 138 of the</p>	Rs. 5,000/-	The next date for the hearing is 18.4.2007.

				<p><i>Negotiable Instruments Act.</i></p> <p>The Court has directed that notice be issued to the Accused, to pay the dues along with interest or to file its reply.</p>		
12.	598/1/2004	Gulshan Sugars & Chemicals Ltd.	Jaydee Plastics & Chemicals.	<p><b>Case under Section 138 of <i>Negotiable Instruments Act, 1881.</i></b></p> <p>GSCL had supplied the product to the Customer (Accused). The cheque given by the Accused has been dishonored. GSCL has filed a case against the Accused under Section 138 of the <i>Negotiable Instruments Act.</i></p> <p>The Court has directed that notice be issued to the Accused, to pay the dues along with interest or to file its reply.</p>	Rs. 10,000/-	The next date of the hearing is 22.12.2006

#### **AGAINST OR BY THE PROMOTERS:**

There are no cases / litigations filed by or against the promoters (i.e., Dr. Chandra Kumar Jain, Mrs. Mridula Jain, Ms. Anubha Jain and Gulshan Holdings Private Limited).

In terms of Clause 6.11.1.1 (g), as at June 30, 2006, the Company does not owe a sum exceeding Rs. 1 lakh to a Small Scale Undertaking or any other creditor, which is outstanding for more than 30 days.

**LITIGATIONS OF COMPANIES PROMOTED BY THE PROMOTERS OF GULSHAN SUGARS AND CHEMICALS LTD.**

**1. GULSHAN CHEMIFILL LTD.**

**LABOUR CASES AGAINST THE COMPANY**

Sl. No.	CASE NO.	NAME OF PLAINTIFF	NOTE REASON & DATE OF TERMINATION	AMOUNT INVOLVED	UPTODATE STATUS OF THE CASE
1.	66\04	SHARAFAT ALI Vs GULSHAN SUGARS & CHEMICALS LTD.	Resignation submitted by the employee on 1.7.2001 and his full and final payment was made by the company. However, he has filed the case against the company on 13.6.2003 challenging his dismissal before the Labour Court, Saharanpur (Uttar Pradesh)	-	The next date for the hearing fixed by the Court is 5.1.2007.
2.	02\04	SHARAFAT ALI Vs GULSHAN SUGARS & CHEMICALS LTD.	The employee met with an accident in the factory on 12.10.2000 and the complete expenses for his treatment was born by the company. However, he has filed a case on 19.3.2004 before the Assisstant Labour Commissioner, Saharanpur	Rs. 1,42,085/-	The next date for the hearing fixed by the Court is 7.11.2006.
3.	59\04	NEERAJ MITTAL Vs GULSHAN SUGARS & CHEMICALS LTD.	The factory was closed from 3.1.2004 and accordingly the full and final payment made to him by cheque and the same was accepted by him. However, he has filed a case on 15.3.2004 before the Labour Court, Saharanpur. The last hearing was held on 25.09.2006. All evidences have been furnished and the company is awaiting for the award.	-	Pending for Award.
4.	62\04	NAND KISHORE Vs GULSHAN SUGARS & CHEMICALS LTD.	The factory was closed from 3.1.2004 and accordingly the full and final payment made to him by cheque and the same was accepted by him. However, he has filed a case on 15.3.2004 before the Labour Court, Saharanpur. The last hearing was held on 25.09.2006. All evidences have been furnished and the company is awaiting for the award.	-	Pending for Award.
5.	63\04	AVNISH GOEL. Vs GULSHAN SUGARS & CHEMICALS LTD.	The factory was closed from 3.1.2004 and accordingly the full and final payment made to him by cheque and the same was accepted by him. However, he has filed a case on 15.3.2004 before the Labour Court, Saharanpur. The last hearing was held on 25.09.2006. All evidences have been furnished and the company is awaiting for the award.	-	Pending for Award.

6.	61\04	ARVIND MALIK Vs GULSHAN SUGARS & CHEMICALS LTD.	The factory was closed from 3.1.2004 and accordingly the full and final payment made to him by cheque and the same was accepted by him. However, he has filed a case on 15.3.2004 before the Labour Court, Saharanpur. The last hearing was held on 25.09.2006. All evidences have been furnished and the company is awaiting for the award.	-	Pending for Award.
7.	60\04	NUSRAT ALI Vs GULSHAN SUGARS & CHEMICALS LTD.	The factory was closed from 3.1.2004 and accordingly the full and final payment made to him by cheque and the same was accepted by him. However, he has filed a case on 15.3.2004 before the Labour Court, Saharanpur. The last hearing was held on 25.09.2006. All evidences have been furnished and the company is awaiting for the award.	-	Pending for Award.
8.	03\03	SUBHASH CHAND Vs GULSHAN SUGARS & CHEMICALS LTD.	After making the necessary enquiry a chargesheet was issued to him on 13.6.2001 proving misconduct by him while at the job. After that a show cause notice was issued to him and finally a termination letter was issued to him and against the termination he filed a case on 27.6.2001 in the Labour Court, Meerut.	Rs. 5,772/-	The next date for the hearing is fixed by the Court is 14.11.2006

## 2. GULSHAN POLYOLS LIMITED (GPL)

### LABOUR CASES AGAINST THE COMPANY

Sl. No.	Cause Title	Brief Facts	Amount Involved (In Rupees)	Current Status of the case
1.	Dhansukh Vasava Vs. Gulshan Polyols Limited  (Case No. 169/05)	The employee was working on probation and resigned from the employment on his own accord vide letter of resignation dated 25.5.2005 and the same was accepted by GPL and his legal dues were paid by GPL by way of cheque and the same was cleared/debited from GPL's account.  Mr. Dhansukh Vasava has filed a case against GPL on 11.7.2005 in the Labour Court, Bharuch (Gujarat) for restoration of services and payment of salary for the termination period along with interest @ 12%.	Restoration of service and payment of salary for the termination period along with interest @ 12% & Court Expenses.	The next date of hearing fixed by the court is 29.11.2006
2.	Dalpat Gamar	The employee was working on	Restoration of service	The next date of



	<p>Vs. Gulshan Polyols Limited (Case No. 170/05)</p>	<p>probation and resigned from the employment on his own accord vide letter of resignation dated 25.05.2005 and the same was accepted by the company and his legal dues were paid by the company by way of cheque and the same was cleared/debited from the company's account.</p> <p>Mr. Dalpat Gamar has filed a case against the company on 11.07.2005 in the Labour Court, Bharuch (Gujarat) for restoration of services and payment of salary for the termination period along with interest @ 12%</p>	<p>and payment of salary for the termination period along with interest @ 12% &amp; Court Expenses.</p>	<p>hearing fixed by the court is 29.11.2006</p>
3.	<p>Vinog Pagi Vs. Gulshan Polyols Limited (Case No. 171/05)</p>	<p>The employee was working on probation and resigned from the employment on his own accord vide letter of resignation dated 25.05.2005 and the same was accepted by the company and his legal dues were paid by the company by way of cheque and the same was cleared/debited from the company's account.</p> <p>Mr. Vinog Pagi has filed a case against the company on 11.07.2005 in the Labour Court , Bharuch (Gujarat) for restoration of services and payment of salary for the termination period along with interest @ 12%</p>	<p>Restoration of service and payment of salary for the termination period along with interest @ 12% &amp; Court Expenses.</p>	<p>The next date of hearing fixed by the court is 29.11.2006</p>
4.	<p>Mukesh Vasava Vs. Gulshan Polyols Limited (Case No. 172/05)</p>	<p>The employee was working on probation and resigned from the employment on his own accord vide letter of resignation dated 25.05.2005 and the same was accepted by the company and his legal dues were paid by the company by way of cheque and the same was cleared/debited from the company's account.</p> <p>Mr. Mukesh Vasava has filed a case against the company on 11.07.2005 in the Labour Court, Bharuch (Gujarat) for restoration of services and payment of salary for the termination period along with interest @ 12%</p>	<p>Restoration of service and payment of salary for the termination period along with interest @ 12% &amp; Court Expenses.</p>	<p>The next date of hearing fixed by the court is 29.11.2006</p>

5.	J.D. Limbachiya Vs. Gulshan Polyols Limited  (Case No. 151/98)	<p>The employee was working on probation and was relieved as per the terms of appointment letter as the company was not satisfied with his performance during the probation period and moreover he had not completed 240 days of service. Accordingly the company had terminated his service and paid his all legal dues and the same was cleared/debited from the company's account.</p> <p>Mr. J. D. Limbachiya had filed a case against the company on 31.03.1998 in the Labour Court, Bharuch (Gujarat) for restoration of services and payment of salary for the termination period along with interest @ 18%</p>	Restoration of service and payment of salary for the termination period along with interest @ 18% & Court Expenses.	The next date of hearing fixed by the court is 1.12.2006
6.	Baldev Solanki Vs. Gulshan Polyols Limited  (Case No. 152/98)	<p>The employee was working on probation and was relieved as per the terms of appointment letter as the company was not satisfied with his performance during the probation period and moreover he had not completed 240 days of service. Accordingly the company had terminated his service and paid his all legal dues and the same was cleared/debited from the company's account.</p> <p>Mr. Baldev Solanki had filed a case against the company on 31.03.1998 in the Labour Court, Bharuch (Gujarat) for restoration of services and payment of salary for the termination period along with interest @ 18%</p>	Restoration of service and payment of salary for the termination period along with interest @ 18% & Court Expenses.	The next date of hearing fixed by the court is 1.12.2006
7.	Ashok Solanki Vs. Gulshan Polyols Limited  (Case No. 153/98)	<p>The employee was working on probation and was relieved as per the terms of appointment letter as the company was not satisfied with his performance during the probation period and moreover he had not completed 240 days of service. Accordingly the company had terminated his service and paid his all</p>	Restoration of service and payment of salary for the termination period along with an interest @ 18% & Court Expenses.	The next date of hearing fixed by the court is 1.12.2006

		<p>legal dues and the same was cleared/debited from the company's account.</p> <p>Mr. Ashok Solanki had filed a case against the company on 31.03.1998 in Labour Court, Bharuch (Gujarat) for restoration of services and payment of salary for the termination period along with interest @ 18%.</p>		
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## LITIGATIONS RELATED TO COMPANY BELONGING TO PROMOTER GROUP

### i. SELFRIDGE AUTOMOBILE LEASING AND INDUSTRIES LIMITED

#### PETITIONS UNDER SECTION 621A OF THE COMPANIES ACT, 1956 FILED BY THE COMPANY

The present management has taken over the Company under *SEBI (Substantial Acquisition of Shares and Takeover) Regulations 1997* in March 2001. Details of the same may be referred to at page no. 23 to 24 of this Prospectus.

The books of accounts/records of the Company were subjected to inspection under Section 209A of the Companies Act, 1956 by an officer of the Department of Company Affairs. All the cases have been filed by the Company in the Office of the Registrar of Companies, Delhi/Company Law Board (CLB), Delhi.

Sl. No.	Petition No.	Case Title	Brief History & current status	Amount Involved
1.	Complaint u/s 23(2) and 24 of the Securities Contracts (Regulation) Act, 1956 read with relevant provisions of CrPC	The Delhi Stock Exchange Association Ltd. Vs. Selfridge Automobile Leasing and Industries Ltd. and Others	<p>The Delhi Stock Exchange has filed a case/complaint against Selfridge Automobile Leasing and Industries Ltd. and its three erstwhile Directors for violation and non-compliance of the provisions of Listing Agreement entered into on December 19, 1995 with the Exchange u/s 21 of Securities Contracts (Regulations) Act, 1956. The case has been filed before the Hon'ble Court of Chief Metropolitan Magistrate, District Court, Tis Hazari, Delhi.</p> <p>The violations pertain to Clauses 15 and 16 (regarding book closure), Clause 35 (regarding submission of Distribution Schedule as on the date of Annual General Meeting), Clause 41 (regarding submission of Quarterly Results and publication thereof), Clause 18 (regarding publishing periodical interim statement of its working earnings), Clause 31 (non-submission of Statutory and Directors Annual Reports, Balance Sheets, Profit and Loss Accounts etc), non-payment of Annual Listing fees, non-intimation regarding the disclosures under Regulation 6 and 8 of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.</p> <p>The Delhi Stock Exchange sent a Show</p>	Based on decision of the Court.

			<p>Cause notice to the Company regarding the above violations on March 12, 1999.</p> <p>The present promoters and management of Selfridge Automobile Leasing and Industries Limited have no relationship with the above case, as the case pertains to a period prior to its takeover by the present promoters/management.</p>	
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There is case filed by the Registrar of Companies, NCT of Delhi and Haryana under sections 63 and 628 of the Companies Act, 1956 against the erstwhile Directors and Company Secretary of Selfridge Automobile Leasing and Industries Limited.

There was a change in the controlling interest and management of company in the year 2000. The Company was taken over by Mrs. Aditi Jain and Mrs. Arushi Jain in terms of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. The current Promoters of Selfridge Automobile Leasing and Industries Limited viz., Mrs Aditi Jain and Mrs. Arushi Jain; and the Promoters of Gulshan Sugars and Chemicals Limited have no relationship with either the erstwhile Directors and Company Secretary of Selfridge Automobile Leasing and Industries Limited, or the cases initiated against such individuals.

The promoters, their relatives (as per Companies Act, 1956), issuer, group companies, associate companies are not detained as willful defaulters by the Reserve Bank of India/Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

**LITIGATIONS RELATING TO COMPANIES WHERE MR. ISHWAR CHAND AGARWAL IS ASSOCIATED AS DIRECTOR**

**A. GENUS OVERSEAS AND ELECTRONICS LIMITED:**

***CRIMINAL CASE***

**1. GENUS OVERSEAS VS. MANOJ K. SINGH, PROP. RAJ ENTERPRISES, GAUHATI: (BY THE COMPANY)**

A suit under section 138 of Negotiable Instruments Act was instituted against M/s Raj Enterprises, Gohati, before the Court of Asstt. Chief Judicial Magistrate, Sr.No.8, Jaipur City, Jaipur in July, 2003, for dishonouring the five cheques for an aggregate amount of Rs.155000/- issued by the said party and drawn on the Industrial Cooperative Bank Ltd., Maligaon Branch, Gohati. Further similar suit for dishonouring cheques of Rs. 50000/- drawn on Standard Chartered Bank, Gohati, by the said party was instituted before the said Court in September, 2003. The adjudications in above matters are yet pending.

***CIVIL CASES***

**2. GENUS OVERSEAS ELECTRONICS LTD. VS. COMMISSIONER, CENTRAL EXCISE, JAIPUR: (BY THE COMPANY)**

The Central Excise Commissionerate, Jaipur, issued a Show Cause Notice dated 6.1.2003, demanding further Central Excise Duty Rs.376805/- and Rs.62405/-, besides penalty and interest for the period April, 1998 to March, 2001. Vide its reply dated 25.8.2003, the company explaining the position in the matter requested the Authorities to drop the proceeding and examine the matter afresh and also paid Rs.62405/- towards the demand. The Joint Commissioner, Central Excise Commissionerate, Jaipur, vide its order dated 15.9.2003, confirmed the remaining demand and imposed a penalty of Rs.376805/- and interest recoverable as prescribed. Against further application dated 15.11.2003 submitted under section 35 of Central Excise Act, 1944, for stay of operation of order of the Joint Commissioner before the Commissioner (Appeals), Customs & Central Excise, Jaipur, the overall demand of Excise duty was reduced to Rs.101125/- beside the penalty of Rs.101125/- in the order made on 22-06-2004. A further appeal was made by the company before the Customs, Excise And Service Tax Appellate Tribunal, New Delhi on 13.8.2004 and the Appellate Tribunal issued the order on 30.9.2004 staying the recovery of the aforesaid demand till the disposal of the appeal. The final adjudication in the matter is yet pending.

**3. KUMARI SANGITA VS. RAMAVTAR S/O MADANLAL, GENUS OVERSEAS & THE NEW INDIA INSURANCE CO.LIMITED: (AGAINST THE COMPANY)**

A case was filed before the Motor Accident Cases Appellate Authority, Jaipur, in 2001 for payment of compensation of Rs.14.55 lacs arising out of accident met by Kumari Sangita on account of rash driving of company's bus as alleged on the road near Tonk Pulia in Jaipur. The company filed its reply on 7.6.2002 while not accepting any liability, as the Insurance Company is fully responsible to settle the amount of claim compensation. The adjudication in the matter is yet awaited.

**4. DR. RAJ RAJENDRA SHARMA VS. DAULAT SINGH, GENUS OVERSEAS AND BAJAJ ALLIANZE GENERAL INSURANCE CO.LTD.: (AGAINST THE COMPANY)**

A case was filed before the Motor Accident Cases Appellate Authority, Jaipur, in 2005 for payment of compensation of Rs.7.25 lacs arising out of accident met by Dr. Raj Rajendra Sharma on Agra road, Jaipur near Chulgiri on 16.11.04 due to negligence in driving of company's minibus as alleged. Owing to incorrect facts placed in the application, no liability was admitted in company's reply filed on 6.2.2006 in this regard. However, the adjudication in the matter is yet pending.

**5. JAIPUR VIDYUT VITRAN NIGAM LIMITED, JAIPUR VS. GENUS OVERSEAS ELECTRONICS LIMITED (DB CIVIL SPECIAL APPEAL WRIT NO. 662/2004): (BY THE COMPANY)**

Against a tender invited by Jaipur Vidyut Vitran Nigam Limited, Jaipur in 2001, for supply of energy meters, the offer of the company was accepted and the terms and conditions were finalised. Against total supply of 150000 meters with the prescribed specifications, 45000 meters were offered for inspection but perhaps not accepted and the remaining meters were later on to be accepted with changed specifications without any additional cost in arbitrary manner, as a result of which the amount of Rs. 8.72 crore invested by the company in manufacturing the said meters as per prescribed specifications became

unuseful as delivery of the manufactured meters as per order was refused. Accordingly, a Writ Petition was filed before the Hon'ble High Court of Rajasthan, Jaipur in 2003. In its award made on 16.8.2004, the Writ Petition was partly allowed and the respondents were directed to accept 45000 meters and for the rest of disputes, it was directed that the petitioner is at liberty to move before the civil court for appropriate relief. Later on, the Respondents, Jaipur Vidyut Vitran Nigam Ltd, Jaipur filed DB Civil Special Appeal (Writ) in 2004 before the Hon'ble High Court of Rajasthan, Jaipur, seeking direction in appeal to quash the order made on 16.8.2004 by the learned single Judge and also requesting for staying the Order of learned single Judge in the interest of justice. Simultaneously, company also filed an appeal before the Division Bench of the Hon'ble High Court within due date. The final adjudication in the matter is yet awaited. Owing to heavy pendency of cases, it was orally suggested in the court that as per decision of the learned single judge dated 16.8.04 JVVNL may accept the delivery of 45000 meters and balance quantity of meters may be supplied by the company within a period of 3-4 months with a specific condition that the rates of such meters so supplied be decided by an agreed Arbitrator who may be a retired Judge of Hon'ble Supreme Court of India or Hon'ble Rajasthan High Court. Accordingly, JVVNL has been requested on 2.3.2006 to implement the suggestion orally made by the court in the interest of justice and save losses of both JVVNL and the company. The matter is being pursued vigorously for appropriate resolution accordingly.

**6. GENUS OVERSEAS VS. MERCURY ELECTRONICS PVT.LTD., MADRAS (STATE COMMISSION CONSUMER FORUM, RAJASTHAN, JAIPUR): (BY THE COMPANY)**

The company purchased a Photo Plotter Machine for Rs.7.72 Lacs vide Invoice dated 16.6.1995 from M/s. Mercury Electronics Pvt. Ltd., Madras, with a warranty of one year from the date of installation. The said machine was installed on 20.1.1996 six months after the date of purchase and said machine stopped working within 3 days. The Supplier was continuously informed and reminded for the failure of machine by fax, telephones, and letters but did not take any corrective steps to rectify the machine. Thus the supplier failed in providing adequate service during the period of warranty. In above matter, a case was filed before the State Commission, Consumer Protection (Rajasthan), Jaipur in 1997 for relief, viz. claiming the price paid Rs.7.72 lac with interest @ 24% per annum, beside the compensation of Rs.5.00 lac and litigation expense of Rs.21000/-. The supplier while not accepting the contention of the company agitated that the machine was purchased for commercial purpose and secondly the slight disfunction of the machine was due to inadequate temperature. However, the State Commission vide its order dated 26.4.2005 sent back the matter to the District Forum, Jaipur II for adjudication under the law whose jurisdiction under the law has been increased to Rs.20 lacs. The matter is yet to be adjudicated.

**7. INCOME TAX APPEAL BEFORE THE HON'BLE HIGH COURT OF RAJASTHAN AT JAIPUR (APPEAL NO.32/05): (AGAINST THE COMPANY)**

An income-tax demand of Rs.28.83 lacs (net) was made by the Assessing Authority for the A.Y. 2001-02, which was finally decided by the ITAT in favour of the company. The Income Tax Department has filed an appeal on 22.11.2005 before the Hon'ble High Court of Rajasthan, Jaipur against the order dated 30.3.2005 made by the ITAT reversing the order dated 3.1.2005 made by the CIT (Appeal), wherein the deduction for an amount of Rs.4, 31,33,058/- under section 37 of the Income Tax Act, 1961, was allowed to the company in respect of the accounting year 2000-01 (A.Y.2001-02). The appeal is yet to be decided.

**8. GENUS VS. CENTRAL BANK OF INDIA (BY THE COMPANY)**

The Company has filed a petition under section 12 of Consumer Protection Act, 1986 before State Commission, Consumer Protection, Jaipur against Central Bank of India for recovery of Rs. 24 Lacs as excess payment charged by the Bank. The matter is yet to be adjudicated.

**LABOUR CASES**

**9. DINESH SINGH VS. GENUS OVERSEAS: (AGAINST THE COMPANY)**

Mr. Dinesh Singh employed as Purchase Assistant since Sept., 1995 and remained absent on and after 19.2.2003 without information and despite written notice dated 28.2.2003 did not report for duty, made an industrial dispute alleging for dismissal of his service before the Joint Commissioner, Labour Department, Rajasthan, Jaipur in November, 2003 under provisions of section 12(4) of Industrial Disputes Act, 1947. Subsequently, on failure of conciliation, he filed a suit in said matter before the Labour Court, Jaipur in December, 2004, for adjudication of the dispute.

**10. GOPALLAL SHARMA VS. GENUS OVERSEAS: (AGAINST THE COMPANY)**

Mr. Gopal Lal Sharma employed since 12.8.1994 and working as Office Assistant, who remained absent on and after 7.10.2003 without information, filed an application before the Labour and Conciliation Officer, Jaipur on 10.10.2003 and upon failure of conciliation, he filed an industrial dispute before the Labour Court, Jaipur in March, 2005 for adjudication of the dispute.

**11. KAPIL GUPTA VS. GENUS OVERSEAS: (AGAINST THE COMPANY)**

Mr. Kapil Gupta working as Computer Assistant who resigned and relieved on 18.5.1999, filed an application before the Payment Wages Authority, Jaipur City, on 16.9.2003 for deducting the amount on account of short notice period of 15 days which was as per service condition. He had received all his payments as full and final. The matter is yet pending for adjudication.

**B. KAILASH INDUSTRIES LIMITED:  
CRIMINAL CASE**

**1. SHOW CAUSE NOTICE ISSUED BY DIRECTOR GENERAL OF FOREIGN TRADE, GOVT. OF INDIA, NEW DELHI (AGAINST THE COMPANY)**

The company imported 283.490 M.T. of Heavy Melting Scrap for CIF value of Rs. 34.33 lacs as per Bill of Lading No. IRSLECLO151HQ793B dated 16.11.2004 duly supported with Pre-shipment Inspection Certificate No. 650201/14187 dated 20.10.2004 from SGS Iran Limited, Africa Ave., Tehran. In course of inspection, the Commissioner of Customs, ICD, New Delhi, found 740 Kgs. of rusted/used empty used shells mixed in said material imported. On account of mis-declaration of the said goods for "Heavy Melting Scrap" containing "war material" falling within "Ammunition" as defined in Arms Act, 1959, which amounted to suppression of actual information, Director General of Foreign Trade, Govt. of India, New Delhi, vide its Show Cause Notice No. 3/48/HQ/05-06/ECA-II/1996 dated 4.1.2006 called upon the company to show cause within 15 days as to why action should not be initiated against it under section 8(b), 9(4) and 11(2) of Foreign Trade (Dev. & Regn.) Act, 1992 and Rules 10(d) and 14 of the Foreign Trade (Regulation) Rules, 1993 for imposing penalty apart from suspension/cancellation of IEC No. and without prejudice to any action against the Directors under the law. Personal hearing allowed in the matter by DGFT, New Delhi, may take place any day, when written submission shall also be made on behalf of the company.

**CIVIL CASES**

**2. KAILASH INDUSTRIES LTD. (FORMERLY: K.C.CEMENT INDUSTRIES LIMITED) VS. DY.COMMISSIONER, CUSTOMS, CUSTOMS HOUSE, KANDLA (2005): (BY THE COMPANY)**

The company received demand notice dated 17.3.1999 imposing custom duty of Rs.5.43 lacs on the benefit under the DEEC and advance license availed by the importer from whom it bought Chinese metallurgical coke for trading. On appeal thereagainst, the Commissioner of Customs (Appeals), Kandla (Ahmedabad) vide his order dated 20.7.2005 confirmed the said demand but rejected demand of interest. The order discriminating the levy of anti-dumping duty from importer to importer is illegal and bad in law and thus the order is liable to be set-aside under the law. Thus a further appeal was filed before the Customs, Central Excise & Service Tax Tribunal, Mumbai on 19.10.2005 requesting to set aside the said order of demand. The final adjudication in the matter is yet awaited.

**3. KAILASH INDUSTRIES VS. DEPUTY COMMISSIONER, TRADE TAX, MORADABAD: (AGAINST THE COMPANY)**

- (a) For A.Y. 2001-02 UP (Paper Unit), a liability of Rs.63641/- is yet to be settled for non-submission of Form 3B, which is to be, received from M/s Globe Metal Industries (an export unit of Moradabad). The said party has agreed to provide the same Form now and same upon receipt shall be deposited with the authorities. The appeal is pending before the Member, Tribunal Trade Tax, Moradabad.
- (b) For A.Y. 2002-03 UP (Paper Unit and Steel Unit), a liability of Rs.1447371/- arose for non-submission of Form 3B and export certificates, which are receivable from a few parties. The same upon receipt shall be submitted to the authorities. However, the Member, Tribunal Trade Tax, Moradabad, had granted 100% stay over the said levy of tax. The adjudication is pending.
- (c) For A.Y. 2002-03 Central (Paper Unit and Steel Unit) a liability of Rs. 1137596/- arose for non-submission of Form C, which are receivable from a few parties. The same upon receipt shall be deposited with the authorities. However, the Member, Tribunal Trade Tax, Moradabad, had granted 100% stay over the said levy of tax. The adjudication is pending.

- (d) For A.Y. 2003-04 UP (Steel Unit), a liability of Rs.3361542/- arose for non-submission of Forms 3B which are receivable from a few parties. The same upon receipt shall be deposited with the authorities. However, the Member, Tribunal Trade Tax, Moradabad, had granted 90% stay over the said levy of tax. The adjudication is pending.

**C. KAILASH STEELS (UNIT OF KAILASH INDUSTRIES LTD.):  
CIVIL CASES**

**KAILASH STEELS VS. COMMISSIONER OF CUSTOMS & CENTRAL EXCISE, MEERUT (2005): (BY THE COMPANY)**

The Additional Commissioner, Central Excise Commissionerate, Meerut, vide its Show Cause Notices dated 24.3.2004 and dated 13.4.2004, demanded reversal of cenvat credits of Rs. 513035.00 and Rs. 513035.00 respectively availed wrongly as alleged and for imposing interest and penalty. On appeal against this notice, the Commissioner (Appeals) Central Excise, Meerut, granted vide his Order dated 16.5.2005 stay on recovery of Rs. 1026070/- and penalty thereof subject to the condition of depositing of Rs.3.00 lacs by 10.6.2005 being the case arguable. A further appeal was made in the matter before the Customs, Excise & Service Tax Appellate Tribunal, New Delhi on 30.9.2005 justifying the availment of cenvat credits and requesting for vacating the orders for demand of duty, etc. and remand the matter back to the Appellate Authority for deciding the matter on merit without any further deposit. The adjudication in the matter is yet awaited.

**D. KAILASH COAL AND COKE CO. LIMITED:  
CIVIL CASE**

**KAILASH COAL AND COKE CO. LTD. VS. DEPUTY COMMISSIONER TRADE TAX, MORADABAD:**

For A.Y. 2002-03 (UP, Central) the Deputy Commissioner, Trade Tax, Moradabad, imposed tax liability of Rs.510000/- (State) and Rs.20000/- (Central) respectively on the goods seized while in transit. In appeals made, the Joint Commissioner, Appeal, granted relief in tax-imposed upto Rs.470000/- and Rs.10000/- respectively. The further appeals were made to the Member, Tribunal Trade Tax, Moradabad, which are pending for adjudication.

**E. KAILASH PAPER PRODUCTS LIMITED**

**CRIMINAL CASES**

**1. CHIEF JUDICIAL MAGISTRATE, MORADABAD (Case No.10757/05):**

The Asst. Director (Factory), State Govt. (U.P.) based on an inspection filed a case against the company under section 92 of the Factories Act, 1948 for not having adopted certain safety measures. Reply on behalf of company explaining the position is being filed.

**2. CHIEF JUDICIAL MAGISTRATE, MORADABAD (Case No.10902/05):**

The Asst. Director (Factory), State Govt. (U.P.) based on an inspection filed a case against the company under section 92 of the Factories Act, 1948 for not having adopted certain safety measures. Reply on behalf of company explaining the position is being filed.

**CIVIL CASES**

**3. UP TRADE TAX ASSESSMENT FOR A.Y. 2004-05:**

By an ex-parte order, the Assessing Authority determined Central Trade Tax of Rs.97,50,000/- for the A.Y. 2004-05 on 20.2.06. For reopening the case, an application was filed before the D.C. (A) IIIrd Trade Tax, Moradabad on 24.3.06 and the hearing may take place on any day when actual liability, if any, was to be determined. The company has already deposited Rs.14,35,317/- towards the said liability.

**4. UP TRADE ASSESSMENT FOR A.Y. 2004-05:**

By an ex-parte order, the Assessment Authority determined State Trade Tax of Rs. 98,00,000/- for the year A.Y. 2004-05 on 20.1.06. For reopening the case, an application was filed before the D.C. (A) IIIrd Trade Tax, Moradabad on 24.3.06 and hearing may take place on any day when actual liability if any was to be determined. The company has already deposited Rs.34,91,498/- towards the said liability.

**5. JT. COMMISSIONER (APPEAL) I TRADE TAX, MORADABAD:**

One truck load of M.S.Ingot sold was inspected in transit on 29.8.05 and owing to some accidental error appeared in photocopy of Invoice the authorities raised a total demand of State Trade Tax of Rs. 15,28,000/- on 30.1.06. The company had already paid Rs.5,66,806/- on account of trade tax for the month of August, 2005. The matter is expected to be heard by the Jt. Commissioner (Appeal) I Trade Tax, Moradabad, shortly when actual liability if any shall be determined.

**6. JT. COMMISSIONER (APPEAL) I TRADE TAX, MORADABAD:**



Paper machinery purchased from Vapi while in transit was found at the checkpoint without despatch documents due to non-transfer of documents by original driver to changed driver and Authorities levied Central Trade Tax of Rs.5,40,800/-. The company filed a bank guarantee of Rs.3,25,000/- and was able to secure 70% stay over the tax demanded. The hearing in the matter is expected on any day when the tax leviable if any shall be determined.

7. **SMT. RAMPAUTHI VS. KAILASH PAPER PRODUCTS LTD. (WCA01/2003):**

One Prithvisingh a worker (provided by contractor) who was badly injured due to blast in Digester on 6.12.2001 due to careless handling by co-workers (when factory was not in working condition) and was admitted in Hospital, died in course of treatment on 12.12.2001. On humanitarian ground, company paid compensation of Rs.1.20 lacs to his family members. However, a suit for payment of adequate compensation was filed by her mother, Smt. Rampauthi before the court of Workmen Compensation Commissioner (DLC), Moradabad. The approximate liability worked out is for Rs.4.00 lacs. The adjudication in the matter is yet to be made.

## ii. MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statement disclosed in the Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or their ability to pay their material liabilities within the next twelve months.

## iii. GOVERNMENT APPROVALS/LICENSING ARRANGEMENTS

As per Notification No. FEMA 20 / 2000 - RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank, the Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits. However, the allotment / transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

The Company has all the necessary licenses, permissions and approvals, as may be applicable, from the Central and State Governments and other government agencies/certification bodies required for the business and no further approvals are required by the company, except those approvals that may be required to be taken from any government or any other authority in the normal course of business from time to time to continue the activities, and those mentioned under the heading Risks Envisaged.

The Company does not require any other approvals or renewals pertaining to land.

It must, however be, distinctly understood that in granting the below-mentioned approvals, the Central Government, State Government, RBI and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, the Company can undertake this Issue and its current and proposed business activities and no further material approvals are required from any Government authority to continue such activities.

Sl. No.	Name of Registration	Licence/ Registration No. & Date	Name of Issuing Authority/Department
1.	Central Sales Tax Registration	MZ 5085744	Sales Tax Department, Muzaffarnagar
2.	U.P. Sales Tax Registration	MZ 0141930	Asst. Commissioner Trade Tax Khatauli, Muzaffarnagar
3.	Central Sales Tax Registration, Delhi	LC/35/049304/0182	Sales Tax Department, Delhi
4.	Local Sales Tax, Delhi	41604	Sales Tax Department, Delhi
5.	Central Excise Registration	AAACG1022BXM002	Asst. Commissioner Central Excise Commission, Muzaffarnagar
6.	Boiler Licence	Bearing Enquiry No. UP/5911, valid up to 16.3.2007	Deputy Director of Boilers, U.P., Kanpur.
7.	Approval for manufacture of Ground Calcium Carbonate upto 20,000 Tonnes per annum	5170/ SIA/IMO/2005 dated 8.11.2005	Secretariat for Industrial Assistance, Ministry of Commerce & Industry, Entrepreneurial Assistance Unit, Government of India
8.	Approval for manufacture of Precipitated Chalk upto 70,000 Tonnes per annum	149/SIA/IMO/96 dated 9.1.1996	Secretariat for Industrial Approvals, Ministry of Industry, Government of India
9.	Permanent Account Number	AAACG1022B	Income Tax Department, Government of India
10.	TAN Number	DELG06429D	National Securities Depository Limited
11.	Factory Licence (Valid upto 31.12.2006)	MZR-301	Deputy Director of Works, U.P. Meerut Division, Meerut
12.	License to Import and Store Petroleum Installation (Valid upto 31.12.2006)	P/HQ/UP/15/1061(P846 4)	Department of Explosives, Government of India
13.	Certificate of Importer-Exporter	0589021800 dtaed	Jt. Director General of Foreign Trade,

	Code (IEC)	4.11.1997	Ministry of Commerce, Government of India
14.	Air Consent from Uttar Pradesh, Pollution Control Board (Valid upto 31.12.2006)	273/Consent (Air Order)/238/06, Lucknow	U.P. Pollution Control Board, Lucknow
15.	Water Consent for the year under Water Pollution Control Act, 1974 (Valid upto 31.12.2006)	F00214/C- 3/Water/247/9/06 275/Consent/Water Order/247/06, Lucknow	U.P. Pollution Control Board, Lucknow
16.	Provident Fund Number	17608-CL/UP/4669/E-I	Office of Regional Provident Fund Commissioner, Uttar Pradesh
17.	Licence under Contract Labour (Regulation and Abolition) Act, 1970	08/2004/Muzaffarnagar	Asst. Commissioner, Labour Muzaffarnagar
18.	Certificate of Membership with Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council	CHEM/ME/G-44/2002- 03/1818 Valid up to 31.3.2007	Basic Chemicals, Pharmaceuticals, cosmetics Export Promotion Council, Mumbai

\* The Company has its Corporate Office at G-81, Preet Vihar, Delhi. The Company however does not have registration under the Delhi Shops and Establishment Act for its place of business.

## **SECTION VII**

### **OTHER REGULATORY AND STATUTORY DISCLOSURES**

#### **1. AUTHORITY FOR THE PRESENT ISSUE**

The issue of Equity Shares by the Company has been authorized by the resolution of the Board of Directors passed at their meeting held on January 20, 2006, and subsequently authorized by the shareholders vide a Special Resolution passed at the Extraordinary General Meeting of the Company held on March 6, 2006.

#### **2. PROHIBITION BY SEBI/ANY OTHER AUTHORITY**

The Company, its Directors, its Promoters, Promoter Group, the Group Companies, other companies with which the promoters/directors are associated as Directors or as Promoters are not prohibited from accessing the capital markets under any order or direction passed by SEBI or any other authority.

None of the directors or the persons in control of Gulshan Holdings Private Limited, being the promoter company, have been prohibited from accessing the capital markets under any order or direction passed by SEBI or any other authority.

#### **3. ELIGIBILITY FOR THE ISSUE**

According to Clause 2.3.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereof, a listed company shall make a public issue (FPO) of an equity share or any other security convertible into equity shares at a later date subject to the fulfillment of the following conditions:

- a. The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through the offer document + firm allotment + promoters' contribution through the offer document) does not exceed five (5) times its pre-issue net worth of the Company as per the audited Balance Sheet of the last financial year.
- b. In case the Company has changed its name within the last one year, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name.

**The details of such Eligibility Criteria are as follows:**

- The Aggregate of the proposed Issue in terms of size does not exceed 5 times the pre-Issue net worth.
- Net Worth as on 31.3.2006 : Rs. 1515.69 lakhs
- Net Worth as on 30.6.2006 : Rs. 1610.75 lakhs
- Five times Pre-Issue Net Worth : Rs. 7578.45 lakhs (based on 31<sup>st</sup> March, 2006)
- Proposed Issue Size : Rs. 2640 lakhs

The Company has not changed its name since incorporation except as change from Private to Public Limited Company.

Based on the above criteria, the Lead Manager has confirmed that the Company is fulfilling the criteria of eligibility norms for public issue by listed company as specified in the Guideline 2.3.1 of SEBI (DIP) Guidelines, 2000, and subsequent amendments thereof.

#### **4. DISCLAIMERS**

##### **SEBI DISCLAIMER CLAUSE**

**AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA.**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE**

CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGER, SREI CAPITAL MARKETS LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE 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 LEAD MANAGER, SREI CAPITAL MARKETS LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 06, 2006 IN ACCORDANCE WITH 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 MORE PARTICULARLY IN CONNECTION WITH THE FINALISATION OF THE 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, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

- a. THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - b. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - c. THE DISCLOSURES MADE IN THE 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. WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.
  - iv. WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL 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 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 PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE.

**SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MERCHANT BANKER ANY IRREGULARITIES OR LAPSES IN PROSPECTUS.**

**5. DISCLAIMER STATEMENT FROM THE ISSUER AND THE LEAD MANAGER**

**THE ISSUER COMPANY AND THE LEAD MANAGER ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR AT THE INSTANCE OF THE COMPANY AND THAT ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION, INCLUDING OUR WEBSITE [www.gulshanindia.com](http://www.gulshanindia.com) WOULD BE DOING SO AT HIS OR HER OWN RISK.**

The Lead Manager accepts no responsibility, save to the limited extent as provided in terms of the Memorandum of Understanding entered into between the Company and the Lead Manager, and the Underwriting Agreement to be entered into among the Underwriters and the Company.

All information shall be made available by the Lead Manager, and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at collection centers or elsewhere.

The Issuer and Lead Manager are obliged to update the Prospectus and keep the public informed of any material changes till the listing and trading commencement.

**6. 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 not minors, 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, scheduled commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares, Foreign Venture Capital Funds registered with SEBI, State Industrial Development Corporation, permitted Insurance Companies, Provident Funds with minimum corpus of Rs. 2500 Lakhs and Pension Funds with minimum corpus of Rs. 2500 Lakhs., and to non-residents including NRIs and FIIs. This Prospectus does not, however, constitute an offer to sell or, invitation to subscribe to 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 Prospectus comes is required to inform himself or herself about it, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the exclusive jurisdiction of appropriate court(s) in Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Prospectus has been filed with RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**7. DISCLAIMER CLAUSE OF THE STOCK EXCHANGE:**

**A. DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED (BSE) – The Designated Stock Exchange**

**Bombay Stock Exchange Ltd.** ("the Exchange") has given vide its letter dated July 26, 2006 permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
  - ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
  - iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;
- and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange 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.

## 8. **FILING OF PROSPECTUS WITH THE BOARD AND THE REGISTRAR OF COMPANIES**

A copy of the Prospectus, along with the documents required has been filed with SEBI (Head Office) Mittal Court, 'B' Wing, 1st Floor, 224 Nariman Point, Mumbai- 400 021. A copy of the Prospectus, along with the material contracts and documents required to be filed under Section 60B of the Companies Act would be delivered for registration to the Registrar of Companies, Uttar Pradesh and Uttaranchal located at 37/17, Westcott Building, The Mall, Kanpur – 208001.

The Issuer and the Lead Manager confirm compliance of all legal requirements applicable till the filing of the Prospectus with RoC.

## 9. **LISTING**

The Company's existing equity shares is already listed with the Bombay Stock Exchange Limited (BSE). As regards the proposed follow-on Public Issue, the Initial listing applications have been made by the Company to the Bombay Stock Exchange Limited (Designated Stock Exchange) and the National Stock Exchange of India Limited (NSE) for permission to list the equity shares and for an official quotation of the Equity Shares of the Company. The Company has withdrawn its application for in-principle listing approval from the NSE vide its letter dated August 14, 2006.

In case the permission to deal in and for official quotation of the Equity Shares are not granted by the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Prospectus. If such money is not paid within eight days after the Company becomes liable to repay it (i.e., from the date of refusal or within 70 days from the Issue Closing Date, whichever is earlier), then the Company and every Director of the Company who is an officer in default shall, on and from the date the expiry of 8 days, will be jointly and severally liable to repay the money with interest as prescribed under section 73 of the Companies Act, 1956.

The Company with the assistance of the Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

## 10. **IMPERSONATION**

**Attention of 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 of any Equity Shares therein, or**
- b. **Otherwise induces a company to allot, or register any transfer of Equity 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."**

## 11. **CONSENTS**

Consents, in writing, of the Directors, Company Secretary & Compliance Officer, Statutory Auditors, Bankers to the Company, Lead Manager to the Issue, Legal Advisor to the Issue, Registrar to the Issue, and Bankers to the Issue, to act in their respective capacities, have

been obtained and shall be filed along with a copy of the Prospectus with the Registrar of Companies, Uttar Pradesh and Uttaranchal at Kanpur as required under Section 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

M/s Shahid & Associates, statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

M/s Shahid & Associates, statutory auditors have given their written consent to the inclusion of their report on the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

## 12. EXPERT OPINION

As per legal opinion sought by the company from Mr. V. Lakshmi Kumaran, Advocate, Lakshmi Kumaran and Sridharan, New Delhi, Legal expert in the area of Excise Duty, since the proposed technology doesn't involve any chemical change in the product, the limestone powder obtained after grinding is classifiable under Tariff Item 2521 00 90 which attracts a Nil Excise duty. Hence manufacture of Ground Calcium Carbonate through the proposed technology for expansion would be excise duty free.

Except as stated above and at page no. 70 in this Prospectus, the Company has not obtained any other expert opinion.

## 13. PUBLIC ISSUE EXPENSES

The Expenses of this Issue includes, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertising expenses, bank charges, listing fees, and other miscellaneous expenses.

The total estimated expenses would be met out of the proceeds of the issue. All expenses with respect to the Issue would be borne by the company

Public Issue expenses are estimated as follows:

(Rs. in Lakhs)

SL. NO.	ACTIVITY	AMOUNT	% of Total Issue Expenses	% of Total Issue Size
1.	Issue Management fees & Underwriting Commission	79.20	30.46	3.0
2.	Registrar, Legal Advisor, Auditors etc.	10.00	3.85	0.38
3.	Printing, Stationery and Distribution/Postage Expenses	50.00	19.23	1.89
4.	Brokerage & Selling Commission	39.60	15.23	1.5
5.	Advertisement & Marketing Expenses	50.00	19.23	1.89
6.	Other Miscellaneous Expenses (including listing fees, SEBI filing fees and other statutory fees)	10.00	3.85	0.38
7.	Contingencies	21.20	8.15	0.8
	<b>Total</b>	<b>260.00</b>	<b>100.00</b>	<b>9.84</b>

(Note: IDBI Appraisal Report has considered Rs. 318 Lakhs as Public Issue expenses)

### ***Fees Payable to Lead Manager to the Issue***

The total fees payable to the Lead Manager (including underwriting commission, if any, and selling commission) will be as per the terms of the Memorandum of Understanding dated May 24, 2006 signed with the Lead Manager, copy of which is available for inspection at the Registered Office of the Company.



### ***Fees Payable to Registrar to the Issue***

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding dated May 25, 2006 signed with the Registrar, copy of which is available for inspection at the Registered Office of the Company. The Registrar will also be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc.

### ***Others***

The total fees payable to the Legal Advisor, Auditors and Tax Auditors will be as per the terms of their respective engagement letters.

## **14. UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION**

The Underwriting commission for the Issue would be set out in the Underwriting Agreement, copy of which would be available for inspection at the Registered Office of the Company. Brokerage (not more than 1.5%) will be paid on the basis of allotment made against application bearing the stamp of a member of any recognized exchange in India in the brokers columns. Brokerage at the same rate shall also be payable to the bankers to the issue in respect of allotment made against applications bearing their respective stamps in the brokers columns.

In case of tampering or over stamping of broker/agents codes on the application form, Issuers decision to pay brokerage in respect will be final and no further correspondence will be entertained in the matter.

## **15. PREVIOUS PUBLIC OR RIGHTS ISSUES (DURING THE LAST FIVE YEARS)**

The Company has not come out with any public or rights issue during the past 5 years.

However the initial public offering of Gulshan Sugars and Chemicals Ltd. came in July, 1991. The IPO consisted of 17,50,000 equity shares of Rs. 10/- each offered at par, out of which 5,40,000 equity shares of Rs.10/- each were kept reserved for allotment to Indian Resident Directors, their friends and relatives and 87,500 equity shares of Rs.10/- each were kept reserved for allotment to employees/ workers of the company. Hence the net offer to the public was that of 11,22,500 equity shares of Rs.10/- each.

The issue was subscribed about 40 times and 15% over subscription was retained, as approved in the resolution of the Board of Directors in their meeting held on August 29, 1991. The listing of the equity shares was done at Kanpur, Ahmedabad, Bombay and Delhi Stock Exchange.

### **Delisting**

- i. In terms of the letter no. DEL/LST/37/95 dated April 21, 1995 of the Ahmedabad Stock Exchange, the equity shares of the Company were delisted from the said Exchange w.e.f. April 17, 1995, due to non-payment of Annual Listing Fees.
- ii. The shares of the company have been voluntarily delisted from the Delhi Stock Exchange w.e.f. December 11, 2004 vide their letter no. DSE/LIST/343
- iii. The shares of the Company have been voluntarily delisted from the Kanpur Stock Exchange vide their letter no. UPSE/LC/2004-2005/3675 w.e.f. December 1, 2004.

Presently the shares of the Company are listed on the Bombay Stock Exchange only.

### **Registrar to the Previous Issue and the Registrar of the Company**

PCS Data Products Ltd., New Delhi, was the appointed Registrar to the Last Public Issue.

#### **a. CLOSING DATE**

The Issue closed on July 5, 1991.

#### **b. DATE OF ALLOTMENT**

The allotment of Shares was made on August 29, 1991. The date of completion of dispatch of physical share certificates was September 13, 1991.

**c. DATE OF REFUNDS**

The date of completion of dispatch of Refund Orders was September 13, 1991.

**d. DATE OF LISTING ON THE STOCK EXCHANGE**

The date of listing permission received from BSE was September 12, 1991.

**e. IF THE ISSUE AT PREMIUM OR DISCOUNT AND THE AMOUNT THEREOF**

The Issue of Equity Shares of face value of Rs. 10/- per share was made at par.

**f. THE AMOUNT PAID OR PAYABLE BY WAY OF PREMIUM**

The Issue of shares was made at par.

Presently Alankit Assignments Ltd., 205-208 and 2E/21, Alankit House, Jhandewalan Extension, New Delhi – 110 055 is the appointed Registrar and Transfer Agent of the Company.

In terms of the MOU signed between Alankit Assignments Ltd. and GSCL dated February 18, 2005, the agreement is valid for a period of 3 years from March 22, 2004 to March 21, 2007.

The salient features of the agreement are:

- i. The agreement is for a maximum number of 7500 folios.
- ii. The agreement is for a period of 3 years.
- iii. The agreement can be terminated after one year by giving 15 days advance notice in writing by either of the party.

**16. PREVIOUS ISSUES OF SHARES OTHERWISE THAN FOR CASH**

The Company has not made any previous issues of shares otherwise than for cash, except as stated in the Prospectus under "Capital Structure" beginning on page no. 12 of this Prospectus.

**17. COMMISSION AND BROKERAGE ON PREVIOUS ISSUES**

The expenses of the previous issue was estimated at Rs. 24.65 lakhs including the underwriting commission, brokerage, fees of Managers to the Issue, Printing of and Publication expenses, legal charges and registration fees, auditors fees, etc.

Underwriting commission was paid at the rate of 2.5% to the underwriters on the issue price of the equity shares offered to public and brokerage was paid at the rate of 1.5% on the nominal price of the Shares on the basis of allotments made against applications bearing the stamp of a member of any recognized Stock Exchange in India.

*(As mentioned in the prospectus for the previous issue)*

**18. PARTICULARS IN REGARD TO GULSHAN SUGARS AND CHEMICALS LTD. AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370 (1B) OF THE COMPANIES ACT, 1956 THAT MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS**

The following companies have been declared to be under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956:

- h. Gulshan Chemfill Ltd. – *Listed Company*
- i. Gulshan Polyols Ltd. – *Listed Company*
- j. Gulshan Capital Ltd. – *Not listed*
- k. Gulshan Industries Ltd. – *Not listed*
- l. Gulshan Agro Food Ltd. – *Not listed*
- m. Gulshan Impex Private Ltd. – *Not listed*
- n. Gulshan Holdings Private Ltd. – *Not listed*
- o. Gulshan Micro Minerals Pvt. Ltd. – *Not listed*
- p. New Hind Fin-Lease Pvt. Ltd. – *Not listed*
- q. Selfridge Automobile Leasing and Industries Ltd. – *Listed*

For more details, please refer to the section titled “Financial and Other Information of Group Companies” beginning on page no. 168 of this Prospectus.

There have been no capital issues during the last three years either by the Company or any other listed company under the same management within the meaning of Sec. 370(1)(B) of the Act.

#### 19. **PROMISE VIS-À-VIS PERFORMANCE – LAST ISSUE (BEING AN INITIAL PUBLIC OFFERING)**

##### **Issuer**

The initial public offering of the company dates back to July 1991.

The Objects of the Issue were as under:

The issue was made with a view to providing a part of the finance required for the modernization-cum-Energy conservation project, Augmentation of the Margin Money for Working Capital Requirements, for meeting the expenses of this issue and to get the shares listed on the stock exchange.

All the objects were complied with. The Company had not made any projections in the Offer Document.

With regard to the implementation schedule of the project as mentioned in the prospectus of the IPO, Boiler and Turbine were to be commissioned by January/February 1992, Producer Gas Plant and other equipment were to be commissioned by June 1991, the trial runs were scheduled for March 1992 and the commercial production was expected by April 1992.

All the above-mentioned projections with regard to implementation of the project were achieved in time.

<b>Promise</b>	<b>Performance</b>
Construction of the Building	Completed in December, 1991
Installation of Boiler and Producer Gas plant	Completed in February, 1992
Commission of Producer Gas Plant and other equipments	Completed in June, 1991
Trial Run expected in March, 1992	Completed in March 1992
Commercial Production expected in April, 1992	Commenced as per schedule

##### **Listed Ventures of Promoters**

None of the ventures of the Promoters have ever raised funds through public offering.

However, Selfridge Automobile Leasing and Industries Limited, a Company being part of the Promoter's group, is listed with the Delhi Stock Exchange. The Company came out with its Initial Public Offering in October, 1995 by its previous promoters.

The Company was taken over by way of negotiated purchase and Open Offer under SEBI (Substantial Acquisitions and Takeover) Regulations, 1997 by Mrs. Aditi Jain and Mrs. Arushi Jain.

##### **Promise V/s Performance**

In the year 1995, Selfridge Automobile Leasing and Industries Limited made a public issue of 14,79,800 Equity Shares of Rs. 10/- each for cash at par aggregating Rs. 147.98 lakhs. The said issue opened for subscription on 16<sup>th</sup> October, 1995.

The objects of the issue was to augment its long term requirement of funds for operations in the field of Leasing and Hire Purchase; to strengthen its equity base and net worth so as to enhance its ability to leverage; to get the shares listed at Delhi Stock Exchange; and to meet the expenses of the issue.

The Company made profitability projections as per their own estimates for a 3 year period. The Company could not achieve its projections as per details on broad parameters mentioned herein-below:

-----Year ended March '96-----      ----- Year ended March '97---						
PARTICULARS	Projected	Achieved	Shortfall	Projected	Achieved	Shortfall
Lease Rental Income	24.80	-	24.80	66.03	-	66.03
Hire Purchase Income	21.69	15.21	6.47	56.64	20.26	36.38
Management Fee	3.11	-	3.11	1.32	-	1.32
Profit after Tax (PAT)	20.10	0.36	19.74	53.15	1.25	51.90
Equity Capital	302.00	302.10	-	302.00	302.10	-
Reserves & Surplus	8.71	0.38	8.33	31.66	1.63	30.03
Earnings Per Share (Rs.)	0.67	0.01	0.66	1.76	0.07	1.69
Dividend *	11.40	-	11.40	30.20	-	30.20
Dividend	10%	-	10%	10%	-	10%

\* - Prorata

-----Year ended March '98-----			
PARTICULARS	Projected	Achieved	Shortfall
Lease Rental Income	100.85	-	100.85
Hire Purchase Income	84.95	17.32	67.63
Management Fee	2.26	-	2.26
Profit after Tax (PAT)	54.47	1.48	52.99
Equity Capital	302.00	302.10	-
Reserves & Surplus	55.93	3.11	52.82
Earnings Per Share (Rs.)	1.80	0.08	1.72
Dividend *	30.20	-	30.20
Dividend	10%	-	10%

\* - Prorata

20. **OUTSTANDING DEBENTURES OR BOND ISSUES**

The Company does not have any outstanding debentures or bonds.

21. **OUTSTANDING PREFERENCE SHARES**

The Company does not have any outstanding preference shares

22. **STOCK MARKET DATA**

The Equity Shares of the Company are listed on the BSE.

The Stock Market Data for BSE is as under:

The following table sets forth, the high and low of daily closing prices of the Company's Equity Shares on BSE, for a period of three years, for the period from 3.10.2003 to 31.3.2004, for the year 2004-2005, for the year 2005-2006, and for the period 1.4.2006 to 29.9.2006:

PERIOD	High (Rs.)	Date of High	Volume on Date of High (No. of Shares)	Low (Rs.)	Date of Low	Volume on Date of Low (No. of Shares)	Average Price for the Period
October 3, 2003 – March 31, 2004	14.65	15.12.2003	1,300	6.62	5.11.2003	300	9.86
2004-2005	29.35	5.1.2005	64,627	5.30	16.7.2004	10	14.32
2005-2006	52.95	19.9.2005	77,344	17.95	2.5.2005	3,075	33.26
April 1, 2006 – September 29, 2006	95.30	29.8.2006	4,94,737	46.45	3.4.2006	29,725	67.61

The following table sets forth, the high and low prices of the Equity Shares of the Company on BSE, and the number of Shares traded, in the last six months, for the periods indicated:

<b>MONTHS</b>	<b>High (Rs.)</b>	<b>Date of High</b>	<b>Volume on date of high (No. of Shares)</b>	<b>Low (Rs.)</b>	<b>Date of Low</b>	<b>Volume on date of low (No. of Shares)</b>
April 2006	58.10	29.4.2006	25,858	46.45	3.4.2006	29,725
May 2006	62.65	12.5.2006	74,877	58.05	19.5.2006	33,061
June 2006	81.20	25.6.2006	32,761	57.80	13.6.2006	49,181
July 2006	77.10	5.7.2006	66,500	74.70	4.7.2006	44,984
August 2006	95.30	29.8.2006	4,94,737	73.90	3.8.2006	2,23,953
September 2006	79.15	8.9.2006	3,39,003	62.70	22.9.2006	13,327

The Board of Directors vide its meeting dated January 20, 2006 approved the Issue. The Market Price of the Equity Shares on January 23, 2006 (the next date of trading) was as under:

Open : Rs. 48.50  
High : Rs. 53.35  
Low : Rs. 46.10  
Close : Rs. 49.85

The following table sets forth the total volume of Equity Shares traded on the BSE, during the preceeding six months, for the period indicated:

<b>Month</b>	<b>No. of Equity Shares</b>
April 2006	5,39,045
May 2006	12,20,471
June 2006	18,69,852
July 2006	12,37,228
August 2006	45,51,022
September 2006	19,55,151

The shares of the Company are actively traded on the BSE.

Mr. Mukul Maheswari, Non Executive Independent Director of the Company, has sold 501 shares (out of his total holding of 5,000 shares) of the Company on 2nd August, 2006 at a price of Rs. 75.70. He had intimated the fact to the Company on 7th August, 2006 and the Company in turn also intimated the same to the Stock Exchange on 11th August, 2006 [under Regulation 13(4) of SEBI (Prohibition of Insider Trading) Regulation, 1992].

## 23. MECHANISM EVOLVED FOR REDRESSAL OF INVESTOR GRIEVANCES

### Existing system within the Company

The Company has adopted Corporate Governance practices for ensuring protection of the rights and interests of its Shareholders. For Investor Grievances and redressal, the Company has formed a Shareholder's Grievance Committee to look into the shareholders complaints, if any, and to redress the same expeditiously. The Committee approves requests for issue of duplicate share certificates and issue of certificates after split/consolidation etc. as also requests for transmission of shares, referred to by the Share Transfer Committee. The Registrar and Share Transfer Agent of the Company is Alankit Assignments Limited.

The Composition of the committee comprises of two Non-Executive Directors namely Mr. I.C. Agarwal (Chairman) and Mr. Mukul Maheswari (Member). The Company Secretary Mr.

A.K. Maheshwari is the Compliance Officer. During the period (1<sup>st</sup> April, 2005 to 31<sup>st</sup> March, 2006), a total of 195 complaints were received. The Committee attended to all the complaints and all were resolved/replied to the satisfaction of the shareholders. There were no unresolved complaints transfer pending as on 31<sup>st</sup> March, 2006.

There are no investor complaints received or pending for redressal over more than one month.

### **Objects of the Committee**

To look into the shareholder complaints, if any, and to redress the same expeditiously, the Committee approves requests for issue of duplicate share certificates and issue of certificates after split/consolidation etc. as also requests for transmission of shares, referred by the Share Transfer Committee.

### **Date of formation**

The Company formed its Committee on March 12, 2001, at the time of re-listing of its equity shares with reduced face value (Face Value of Rs. 8/- per share) to meet the requirement of Corporate Governance.

### **Composition of Committee**

The Committee, at present, was reconstituted on June 5, 2006, with the following Directors:

Mr. I. C. Agarwal : Chairman (Non Executive Chairman & Independent Director)  
Mr. Mukul Maheswari : Member (Non Executive & Independent Director)  
Mr. A.K. Maheshwari : Compliance Officer.

### **Composition during the year 2004-05:**

Mr. Ajay Jain : Chairman (Non Executive & Independent Director)  
Dr. V.K. Sharma : Member (Non Executive & Independent Director)  
Mr. A.K. Maheshwari : Compliance Officer

### **Composition during the year 2003-04:**

Mr. Ajay Jain : Chairman (Non Executive & Independent Director)  
Dr. V.K. Sharma : Member (Non Executive & Independent Director)  
Mr. A.K. Maheshwari- Compliance Officer

All investor complaints that cannot be resolved by the Company Secretary or the Compliance Officer would be placed before the Investors Grievance Committee for resolution. The Company will settle investor grievances expeditiously and satisfactorily.

The agreement between the Company and the Registrar to the Issue will provide for retention of records with the Registrar to the Issue, Bigshare Services Private Limited, for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

### **ii. Disposal of Investor Grievances**

The Company estimates that the average time required by it or the Registrar to the Issue for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company or the Registrars will seek to redress these complaints as expeditiously as possible.

The company has appointed Mr. A. K. Maheshwari as the Compliance Officer and he may be contacted in case of any pre-issue or post-issue related problems such as non-receipt of allotment advice, refund orders and demat credit, etc. He can be contacted at:

Mr. A.K. Maheshwari  
Director (Finance) & Company Secretary  
Gulshan Sugars & Chemicals Ltd.  
G-81, Preet Vihar  
Delhi – 110 092  
Tel.: (011) 22514751, 22515802  
Fax: (011) 22529848  
E-mail: fpo@gulshanindia.com

iii. **Mechanism evolved for redressal of investor grievances of listed companies under the same management**

a. **Gulshan Chemfill Ltd.**

The Company has adopted Corporate Governance practices for ensuring protection of the rights and interests of its Shareholders. For Investor Grievances and redressal, the Company has formed a Shareholder's Grievance Committee to look into the shareholders complaint, if any, and to redress the same expeditiously. The Committee approves requests for issue of duplicate share certificates and issue of certificates after split/ consolidation etc. as also requests for transmission of shares, referred by the Share Transfer committee.

The composition of the Committee comprises of two Non-Executive Directors namely Mr. Deepak Kumar (Chairman) and Mr. Ajay Jain (Member). The Company Secretary, Mr. Rohit Kathuria is the Compliance Officer. The Committee attended to all the complaints and all were resolved/replied to the satisfaction of the shareholders. There were no unresolved complaints /transfers pending as on 31<sup>st</sup> March, 2006, and also as on 30<sup>th</sup> June, 2006, and 30<sup>th</sup> September, 2006.

There are no investor complaints received or pending for redressal over more than one month.

**Objects of the Committee**

To look into the shareholder complaints, if any, and to redress the same expeditiously, the Committee approves requests for issue of duplicate share certificates and issue of certificates after split/consolidation etc. as also requests for transmission of shares, referred to by the Share Transfer Committee.

**Date of formation**

The Committee was initially constituted on May 7, 2001 at the time of listing of the equity shares of the Company to meet the requirement of Corporate Governance.

**Composition of Committee**

**Current Composition w.e.f September 1, 2006**

Mr. Deepak Kumar : Chairman (Non Executive & Independent Director)  
Mr. Ajay Jain : Member (Non Executive & Independent Director)  
Mr. Rohit Kathuria: Compliance Officer

b. **Gulshan Polyols Ltd.**

The Company has adopted Corporate Governance practices for ensuring protection of the rights and interests of its Shareholders. For Investor Grievances and redressal, the Company has formed a Shareholder's Grievance Committee to look into the shareholders complaint, if any, and to redress the same expeditiously. The Committee approves requests for issue of duplicate share certificates and issue of certificates after split/ consolidation etc. as also requests for transmission of shares, referred to by the Share Transfer committee.

The composition of the Committee comprises of two Non-Executive Directors namely Mr. I.C. Agarwal (Chairman) and Mr. Ajay Jain (Member). The Company Secretary Mr. Saurabh Mittal is the Compliance Officer. The Committee attended to all the complaints and all were resolved/ replied to the satisfaction of the shareholders. There were no unresolved complaints/ transfers pending as on 31<sup>st</sup> March, 2006, and also as on 30<sup>th</sup> June, 2006, and 30<sup>th</sup> September, 2006.

There are no investor complaints received or pending for redressal over more than one month.

### **Objects of the Committee**

To look into the shareholder complaints, if any, and to redress the same expeditiously. The Committee approves requests for issue of duplicate share certificates and issue of certificates after split/consolidation etc. as also requests for transmission of shares, referred by the Share Transfer Committee.

### **Date of formation**

The Committee was constituted on May 7, 2001 at the time of listing of the equity shares of the Company to meet the requirement of Corporate Governance.

### **Composition of Committee**

#### **Current Composition w.e.f August 1, 2006**

Mr. I. C. Agarwal : Chairman (Non Executive & Independent Director)

Mr Ajay Jain : Member (Non Executive & Independent Director)

Mr. Saurabh Mittal: Compliance Officer

### **c. Selfridge Automobile Leasing and Industries Limited**

Shareholder's Grievance Committee

#### **(a) Terms of reference:**

To look into the shareholder's complaints, if any, and to redress the same expeditiously. The committee approves requests for issue of duplicate share certificates and issue of certificates after split/consolidation etc. as also requests for transmission of shares, referred by the Share Transfer Committee.

#### **(b) Composition:**

The Company reconstituted its Committee on May 11, 2006 with the following members:

i. Mr. A.K. Tayal – Chairman

ii. Mr. Shailesh Ingole - Member

The Company Secretary, Ms. Renu Sharma is the Compliance Officer. During the financial year 2005-06, four meetings took place and the Committee resolved/replied to all the complaints to the satisfaction of shareholders. There were no unresolved complaints/transfers pending on 30<sup>th</sup> June, 2006, and on 30<sup>th</sup> September, 2006.

There are no investor complaints received or pending for redressal over more than one month.



24. **CHANGE IF ANY TO THE AUDITORS DURING LAST 3 YEARS AND REASONS THEREOF**

There has been no change in the Auditors of the Company during the last three financial years. M/s Shahid & Associates, Chartered Accountants, have been the auditors for the above period.

25. **CAPITALISATION OF RESERVES OR PROFITS**

Except as stated herein-below and at page no. 27 in the Prospectus under "Capital Structure", the Company has not issued any Equity Shares on capitalisation of profits or reserves.

<b>Date of Allotment of Bonus Shares</b>	<b>Ratio of Bonus Issue</b>	<b>Number of Equity Shares of Rs. 10/- each issued as Bonus</b>	<b>Amount of Reserves Capitalized</b>
23.10.1986	1:1	2,75,000	27,50,000
04.2.1989	1:1	5,50,000	55,00,000

26. **REVALUATION OF ASSETS, IF ANY**

The Company has not revalued its Fixed Assets in the last five years. However, the Company revalued its Fixed Assets earlier in 1994.

However, the Company revalued its Fixed Assets comprising Land, Building, and Plant & Machinery earlier during the financial year 1993-94. The above properties were located at 9th K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh.

On account of the revaluation, the gross block of the Land increased by Rs. 48.50 lakhs, the Buildings by Rs. 51.50 lakhs, and Plant and Machinery by Rs. 154.59 lakhs, aggregating Rs. 254.59 lakhs.

The above amount was credited to Revaluation Reserves, and the accounts were approved by the Shareholders at their Annual General Meeting held on July 20, 1994. The same was adopted in the Company's books. The current reduced balance in the said revaluation account as on 31<sup>st</sup> March, 2006 is Rs. 64.52 lakhs.

## SECTION VIII

### ISSUE INFORMATION

#### i. TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Prospectus, Application Form, the Revision Form, 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, listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Registrar of Companies, Stock Exchanges, and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### i. Authority for the Issue

The issue of Equity Shares by the Company has been authorised by the resolution of the Board of Directors passed at their meeting held on 20<sup>th</sup> January, 2006, which has been approved by the shareholders through a special resolution to passed, pursuant to Section 81 (1A) of the Companies Act, on 6<sup>th</sup> March, 2006, the shareholders approved the Issue at the Extraordinary General Meeting of the Company.

#### ii. Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles and shall rank *pari passu* in all respects with the other existing Equity Shares of the Company including rights in respect of dividend. The Allottees of Equity Shares will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment.

#### iii. Mode of payment of Dividend

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition.

#### iv. Face Value and Issue Price

The Equity Shares with a face value of Rs. 8/- each are being offered in terms of this Prospectus at a price of Rs. 40, which is 5 times of the Face Value.

#### v. Compliance with SEBI DIP Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time. In this regard, we have appointed Mr. A. K. Maheshwari, as the Compliance Officer of the Company.

#### vi. Rights of the Equity Shareholder

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

- a. Right to receive dividend, if declared;
- b. Right to attend general meetings and exercise voting powers, unless prohibited by law;
- c. Right to vote on a poll either in person or by proxy;
- d. Right to receive offers for rights shares and be allotted bonus shares, if announced;
- e. The right of free transferability;
- f. Right to receive surplus on liquidation; and
- g. Such other rights, as may be available to the shareholder of a listed Public Company under the Companies Act and the Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting of Shares, refer to the section titled "Description of Equity Shares and Terms of The Articles of Association" beginning from page no. 253 of this Prospectus.

### MARKET LOT

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. As trading in the Equity Shares is compulsorily in dematerialized form, the market lot is one Equity Share.

Allotment of Equity Shares will be done in multiples of one Equity Share, subject to a minimum allotment of 125 Equity Shares.

#### **NOMINATION FACILITY TO INVESTOR**

In accordance with Section 109A of the Companies Act, the sole or first Applicant, along with other joint Applicants, may nominate any one person in whom, in the event of death of sole Applicant or in case of joint Applicants, death of all the Applicants, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the 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 the Company or at the Registrar and Share Transfer Agents of the Company.

In accordance with Section 109B of the Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may, at any time, give notice requiring any nominee to elect/choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment/transfer of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require change in the nomination, they are requested to inform their respective depository participant.

#### **MINIMUM SUBSCRIPTION**

"If the company does not receive the minimum subscription of 90% of the net offer to public, including devolvement of Underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956."

#### **ARRANGEMENTS FOR DISPOSAL OF ODD LOTS**

The Company's shares will be traded in dematerialized form only and the marketable lot is one share. Therefore there is no possibility of odd lots.

#### **RESTRICTIONS, IF ANY, ON TRANSFER AND TRANSMISSION OF SHARES AND ON THEIR CONSOLIDATION/SPLITTING**

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer to the sub-heading "Main Provisions of the Articles of Association of Gulshan Sugars and Chemicals Ltd." of this Prospectus.

## ii. ISSUE PROCEDURE

### Principal Terms and Conditions of the Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Prospectus, Application Form, the Revision Form, and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Registrar of Companies, Stock Exchanges, and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### HOW TO APPLY

#### i. Availability of Prospectus and Application Forms

The Memorandum, Form 2A containing salient features of the Prospectus may be obtained from the Registered Office of the Company, Lead Manager to the Issue, Registrar to the Issue, Brokers to the Public Issue and Bankers to the Issue named herein or from their branches/collection centres as stated on the Application Form. Any individual desiring to have a full copy of the Prospectus may write to the Lead Manager or to the Registered Office of the Company.

NRIs / FIIs / Indian Mutual Funds & Indian and Multilateral Development Financial Institutions can obtain the Application Form from the registered office of the Company.

#### ii. Applications not to be made by:

- a. Minors
- b. Partnership firms or their nominees
- c. Foreign Nationals (except NRIs)
- d. Overseas Corporate Bodies (OCBs)

#### iii. Who can Apply:

1.	Indian Nationals, who are resident in India and are Adult Individuals and are not lunatic, in single or joint names (not more than three)
2.	Hindu Undivided Families (HUFs) through the Karta of the Hindu Undivided Family
3.	Companies, Bodies Corporate and Societies registered under the applicable laws in India, and authorised to invest in the Equity Shares
4.	Indian Mutual Funds registered with SEBI
5.	Indian Financial Institutions & Banks, subject to RBI regulations, as applicable.
6.	Indian Venture Capital Funds / Foreign Venture Capital Funds registered with SEBI subject to the applicable RBI Guidelines and Approvals, if any.
7.	State Industrial Development Corporations
8.	Insurance Companies registered with Insurance Regulatory and Development Authority
9.	Provident Funds with minimum corpus of Rs. 2500 Lakhs, and who are authorized under their constitution to hold and invest in Equity Shares.
10.	Pension Funds with minimum corpus of Rs. 2500 Lakhs, and who are authorized under their constitution to hold and invest in Equity Shares.
11.	Trusts or Societies registered under the Societies Registration Act, 1860 or any other applicable Trust Law and are authorised under its constitution to hold and invest in Equity Shares of a Company
12.	Commercial Banks, Regional Rural Banks. Co-operative Banks may also apply subject to Reserve Bank of India regulations, as applicable.

13.	Permanent and Regular employees of the Company
14.	Non-Resident Indians (NRIs) on a repatriation / non-repatriation basis, subject to applicable laws.
15.	Foreign Institutional Investors (FIIs) on repatriation / non-repatriation basis, subject to applicable laws.

iv. **Applications by Hindu Undivided Families (HUF)**

Applications may be made by Hindu Undivided Families (HUF) through the Karta of the (HUF) and will be treated at par with individual applications.

v. **Minimum and Maximum Application Size**

Applications should be for a minimum of 125 Equity Shares and in multiples of 125 Equity Shares thereafter. An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public. In the case of reserved categories, a single applicant in the reserved category can make an application for a number of Equity Shares, which exceeds the reservation.

**OPTION TO SUBSCRIBE**

As on the date of this document, there are no pending options to subscribe to Equity Shares or convertible instruments pending conversion into Equity Shares of any kind.

In terms of Section 68B of the Companies Act, 1956, the Equity Shares in this Offer shall be allotted only in dematerialized form. The investor shall have the option to either receive the security certificates or to hold the securities in dematerialized form with a depository.

**The shares of the company will be traded on the stock exchanges only in demat mode.**

**PRE-ISSUE ADVERTISEMENT**

The Company will issue a statutory advertisement after filing of the Prospectus with the RoC. This advertisement will contain the information that has to be set out in the statutory advertisement. Material updates, if any, between the date of filing the Prospectus with the RoC and the date of release of this statutory advertisement will be included in the statutory advertisement.

**GENERAL INSTRUCTIONS FOR APPLICANTS**

Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English, as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so made. The prescribed application forms will have the following colours:

Net Offer to Public including NRIs / FIIs on non-repatriation basis	Blue
NRIs / FIIs on repatriation basis	Pink

1. Thumb impressions and signatures other than in English/Hindi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/her official seal.

2. Bank Account Details of Applicant:

**ALL THE APPLICANTS WILL GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL APPLICANTS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE 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 APPLICATION FORM.**

**DETAILS OF DEPOSITORIES ACCOUNT IS MANDATORY AND APPLICATIONS WITHOUT DEPOSITORIES ACCOUNT WOULD BE TREATED AS INCOMPLETE AND REJECTED. INVESTORS WILL NOT HAVE THE OPTION OF GETTING ALLOTMENT OF PHYSICAL SHARES. INVESTORS MAY HOWEVER GET THE SHARES REMATERIALISED SUBSEQUENT TO ALLOTMENT .**

Applicants should note that on the basis of name of the Applicants, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the Applicants such as address, bank account details for making refunds and occupation ("Demographic Details"). Hence, Applicants are advised to immediately update their bank account details including Magnetic Ink Character Recognition (MICR) Code (a nine-digit code appearing on a cheque leaf) as appearing on the records of the depository participant, and carefully fill in their Depository Account details in the Application Form. Please note that failure to do so could result in delays in credit of refunds to Applicants at the Applicants sole risk and neither the LM nor the Company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

These Demographic Details would be used for all correspondence with the Applicants including mailing of the Allocation Advice and making refunds as per the modes disclosed and the Demographic Details given by Applicants in the Application Form would not be used for these purposes by the Registrar.

Hence, Applicants are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Application Form, Applicant would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Allocation Advice / refund orders/ refund advice would be mailed at the address of the Applicants as per the Demographic Details received from the Depositories. Applicants may note that delivery of allocation advice/ refund orders/ refund advice may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In the case of refunds through electronic modes as detailed in page no. 249 and 250-251 of this Prospectus, Applicants may note that refund may get delayed if the bank particulars obtained from the Depositories are incorrect

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Applications are liable to be rejected.

3. Applicants should write their names and Application Form Number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.
4. Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non-Resident Ordinary (NRO) Account. The relevant bank certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.

## **PAYMENT INSTRUCTIONS**

- i. Payments should be made in cash or cheque/bank draft drawn on any Bank (including a Co-operative Bank), which is situated at and is a Member or a Sub-Member of the Bankers' Clearing House, located at the Centers (indicated in the Application Form) where the Application is accepted. However, if the amount payable on application is Rs. 20,000/- or more, in terms of section 269SS of the Income-Tax Act, 1961; such payment must be effected only by way of an account payee cheque or bank draft. In case payment is effected in contravention of the conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon.

- ii. Money orders, postal orders, outstation cheques or bank drafts, cheques / draft drawn on Banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected.
- iii. A separate cheque or bank draft must accompany each Application Form.
- iv. All Cheques or Bank Drafts accompanying the Application Form should be crossed "**A/c Payee Only**", and must be made payable to the Bankers to the Issue where the application is lodged and marked: "**Name of the Bank A/C-GSCL Public Issue**".
- v. Investors will not have facility of applying through Stockinvest instrument, as RBI has withdrawn the Stockinvest scheme vide notification no. DBOD.NO.FSC.BC.42/24.47.001/2003-04 dated 5/11/2003.

#### **SUBMISSION OF COMPLETED APPLICATION FORMS:**

All applications duly completed and accompanied by cash/cheques/ bank drafts shall be submitted at any of the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Application(s) should NOT be sent to the office of the Company or the Lead Manager to the Issue.

Applicants residing at places where no collection centers have been opened may submit / mail their applications at their sole risk along with application money due there on by Bank Draft to the Registrar to the Issue, superscribing the envelope "Gulshan Sugars and Chemicals Limited – Public Issue" so as to reach the Registrar on or before the closure of the Subscription List. Such bank drafts should be payable at Delhi only.

The Company will not be responsible for postal delays and loss in transit. The Company will not entertain any claims, damage or loss due to postal delays or loss in transit.

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed Application Form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each Application Form.

Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

#### **APPLICATIONS UNDER POWER OF ATTORNEY**

In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of Trusts, Provident Funds, Superannuation Funds, Gratuity Funds; a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the Application Form, indicating the serial number of the Application Form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Application Form subject to such terms and conditions as it may deem fit.

#### **INSTRUCTIONS FOR APPLICATIONS BY NRIs/FIIs (ON REPATRIABLE BASIS):**

- I. As per Notification No. FEMA 20 / 2000 - RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank, the Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits.
- II. NRIs / FIIs / Indian Mutual Funds & Indian and Multilateral Development Financial Institutions can obtain the Application Form from either the Registered Office of the Company at 9<sup>th</sup> K.M., Jansath Road, Muzaffarnagar, Uttar Pradesh, Pin: 251 001; or the Corporate Office of the Company at G-81, Preet Vihar, Delhi – 110 092.
- III. In case of application by NRIs on repatriation basis, the payments must be made through Indian Rupees purchased abroad or cheques or banks, for the amount payable on application remitted through approved 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 the Certificate from the Bank

issuing the Draft confirming that the Draft has been issued by debit to NRE/FCNR account. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Subscribers applying on a repatriation basis.

- IV. However, the allotment / transfer of the Equity Shares to NRIs/FIIs shall be subject to RBI approval under prevailing RBI Guidelines or any other requisite statutory authority as may be necessary under the existing Exchange Control regulations. The sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon, subject to the permission of the RBI and subject to the Indian Tax Laws and regulations and any other applicable laws.
- V. In case of application by FIIs on repatriation basis, the payment should be made out of funds held in Special Non-Resident Rupee Account along with documentary evidence in support of the remittance like certificates such as FIRC, bank certificate etc. from the authorised dealer. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to Special Non-Resident Rupee Account.
- VI. Duly filled Application Forms, by NRIs / FIIs, along with the cheques/bank drafts, and crossed '**Account Payee only**' in favour of "**\_\_\_\_\_Bank A/c- GSCL Public Issue-NRI**" will be accepted at designated branches of the Bankers to the Issue.
- VII. Refunds/dividends and other distributions, if any, will be payable (net of Bank Charges/commissions) in Indian Rupees only. In case of applicants who remit their application money from funds held in NRE / FCNR accounts, such payments shall be credited to their respective NRE / FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be despatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
- VIII. Applications in this category may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

#### **INSTRUCTIONS FOR APPLICATIONS BY INDIAN MUTUAL FUNDS & INDIAN AND MULTILATERAL DEVELOPMENT FINANCIAL INSTITUTIONS:**

- a. A separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications. The applications made by the Asset Management Company or Trustees / Custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.
- b. Indian Mutual Funds & Indian and Multilateral Development Financial Institutions should apply in this Public Issue based upon their own investment limits and approvals.
- c. Application Forms together with cheques or bank drafts drawn in Indian Rupees for the full amount payable at the rate of Indian Rs. 40 per Equity Share must be delivered before the close of subscription list to such branches of the Bankers to the Issue at places mentioned in the Application Form.
- d. A separate single cheque / bank draft must accompany each Application Form.

#### **Terms of Payment**

The entire Issue price of Rs. 40 per Equity Share is payable on application only. In case of allotment of lesser number of Equity Shares than the number applied, the Company shall refund the excess amount paid on application to the applicants.

#### **OTHER INSTRUCTIONS**

##### **A. Joint Applications in case of Individuals**

Applications may be made in single or joint names (not more than three). In case of Joint Applications, refund, pay orders, dividend warrants etc. if any, will be drawn in favour of the first applicant and all communications will be addressed to the first named applicant at her/his address as stated in the Application Form.



**B. Multiple Applications**

An applicant should submit only one Application Form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/or first Applicant is one and the same.

The Company reserves the right to accept or reject, in its absolute discretion, any or all multiple applications. Unless the Company specifically agrees in writing with or without such terms and conditions it deems fit, a separate cheque/draft must accompany each Application Form.

**C. PAN / GIR Number**

Where an application is for a total value of Rs. 50,000/- or more, the applicant or in the case of applications in joint names, each of the applicant, should mention his/her Permanent Account Number (PAN) allotted under Income Tax Act, 1961. The copy of the PAN card or PAN Allotment letter is required to be submitted with the Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that the Applicant should not submit the GIR Number instead of the PAN as the application is liable to be rejected on this ground. In case the Sole/First Applicant and Joint Applicant(s) is/are not required to obtain PAN, each of the applicant(s) shall mention "Not Applicable" and in the event the sole Applicant and/or the joint Applicant(s) have applied for PAN which has not been allotted each of the Applicant(s) should mention "Applied For" in the Application Form. Further, where the Applicant(s) have mentioned "Applied for" or "Not Applicable", the Sole/First Applicant and each of the Joint Applicant(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (Form of declaration to be filed by a person who has agricultural income and is not receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving Licence (d) Identity Card issued by any Institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All applicants are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

**D. Equity Shares in Dematerialized Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares of the Company can be held in a dematerialised form (i.e., not in the form of physical certificates but be fungible and be represented by the Statement issued through the electronic mode).

In this context, two Tripartite agreements have been signed between the Company, the respective Depositories and the Registrar to the Issue:

- a) a Tripartite agreement dated December 13, 2000 between the NSDL, the Company and Alankit Assignments Limited, the Registrar to the Company;
- b) a Tripartite agreement dated October 12, 2000 between the CDSL, the Company and Alankit Assignments Limited, the Registrar to the Company.

Successful allottees in this Issue will be compulsorily allotted Equity Shares in dematerialized form.

- An applicant applying for shares must have at least one beneficiary account with any of the Depository participants (DPs) of NSDL or CDSL, registered with SEBI, prior to making the application.
- The applicant seeking allotment of shares in the electronic form must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) in the Application Form.
- Equity Shares allotted to an applicant in the electronic mode will be credited directly to the respective beneficiary accounts (with the DP).

- For subscription in electronic form, names in the share Application 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.
- The Registrar to this Issue will directly send non-transferable Allotment Letters/Refund Orders to the applicant.
- Incomplete/incorrect details given in the Application Form shall be treated as an invalid application and shall be liable to be rejected.
- The applicant is responsible for the correctness of the applicant's demographic details given in the Application Form vis-à-vis those with his/her DP.
- It may be noted that the Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchange where the Equity Shares of the Company is proposed to be listed is connected to NSDL and CDSL.

**E. Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment / credit of securities in depositories beneficiary account / refund orders, etc., Investors may contact Compliance Officer or Registrar to the Issue.**

### **Acceptance of Applications**

LM and we reserve the right to reject any QIB Application without assigning any reason. In case of Non-Institutional applicants and Retail applicants, Permanent Employees, LM and the Company have a right to reject applications based on technical grounds. Consequent refunds shall be made as per modes disclosed.

### **Grounds for Technical Rejections**

Applicants are advised to note that Applications are liable to be rejected among others on the following technical grounds:

- i. Amount paid doesn't tally with the amount payable for the Equity Shares applied for;
- ii. Bank account details (for refund) are not given;
- iii. Age of First Applicant not given;
- iv. Application by minors;
- v. PAN photocopy/ PAN Communication/ Form 60 / Form 61 declaration not given if Application is for Rs.50,000 or more;
- vi. Application for lower number of Equity Shares than specified for that category of investors;
- vii. Application at a price less than the issue price;
- viii. Application at a price higher than the stated price;
- ix. Application for number of Equity Shares, which are not in multiples of 125.
- x. Category not ticked;
- xi. Multiple applications
- xii. In case of application under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- xiii. Application Form does not have Applicant's depository account details;
- xiv. Application Forms are not delivered by the applicant within the time prescribed as per the Application Form, Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and Application Form; or
- xv. Applications not duly signed by the sole/joint Applicants;
- xvi. Applications by OCBs; or
- xvii. Applications by U.S. residents or U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.
- xviii. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the applicant (including the sequence of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's identity except for Permanent Employees.

**For further instructions regarding application for the Equity Shares, investors are requested to read the Application Form carefully.**

**F. Disposal of Applications and Application Money**

The Company reserves, in its own, absolute and uncontrolled discretion and without assigning any reason, the right to accept in whole or in part or reject any application. If an application is rejected in full, the entire application money received will be refunded to the applicant. If the application is rejected in part, excess of the application money received will be refunded to the applicant within 30 (thirty) days from the date of closure of the Issue. No interest will be payable on the application money so refunded.

The Company shall make refunds in case of oversubscription using the following modes:

- (a) In case of applicants residing in any of the centers specified by the Board – by crediting of refunds to the bank accounts of applicants through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer), as is for the time being permitted by the Reserve Bank of India;
- (b) In case of other applicants – by despatch of refund orders by registered post, where the value is Rs 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules); and
- (c) In case of any category of applicants specified by the Board – crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by the Board from time to time."

Such refund orders will be payable at par at all the collection centres.

The subscription received in respect of Public Issue will be kept in a separate bank account and the Company shall not have access to such funds unless approvals for dealing from all the Stock Exchanges, where listing has been proposed has been obtained.

The Company has undertaken to make adequate funds available to the Registrar to the Issue making refunds to unsuccessful applicants as per the mode(s) disclosed as above.

**G. IMPERSONATION**

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:**

**"Any person who:**

- a. makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or**
- b. otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years."**

**H. INTEREST ON EXCESS APPLICATION MONEY**

The Company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of Public Issue. The Company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants or if, in, a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner) within 30 days from the date of the closure of the Issue. However applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement shall not be entitled for the said interest.

**I. BASIS OF ALLOTMENT**

In the event of the Present Issue of Equity Shares being oversubscribed, allotment shall be made on a proportionate basis and the basis of allotment will be finalized in accordance with the SEBI Guidelines and in consultation with BSE. The Executive Director/Managing Director of BSE along with the Lead Manager and the Registrar to the Issue shall be responsible to

ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the relevant guidelines:

1. A minimum 50% of the Net Issue to the Indian Public will be made available for allotment in favour of those applicants who have applied for Equity Shares of or for a value of not more than Rs. 1,00,000/-. This [percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/Managing Director of the Designated Stock Exchange along with the Lead Manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the SEBI Guidelines.
2. The balance of the net issue to Indian Public shall be made available to investors including Corporate Bodies/Institutions and those applicants who have applied for allotment of Equity Shares for a value of more than Rs. 1,00,000/-.
3. The Unsubscribed portion of the net Issue to any of the categories specified in (1) or (2) shall be made available for allotment to Applicants in the other category, if so required.
4. Applicants will be categorized according to the number of Equity Shares applied for.
5. The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e., the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.
6. Number of the shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e., total number of shares applied for by each applicant in that category multiplied by the inverse of the over subscription ratio.
7. All the Application Forms where the proportionate allotment works out to less than 125 shares per Applicant, the allotment shall be made as follows:
  - a. Each successful Applicant shall be allotted a minimum of 125 Shares; and
  - b. The successful Applicants out of the total applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (6) above.
8. All the Applicants in such categories shall be allotted shares arrived at after such rounding off.
9. If the shares allocated on a proportionate basis to any category are more than the shares allotted to the Applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful Applicants in that category.
10. The balance shares, if any, remaining after such adjustment shall be added to that category comprising applicants applying for minimum number of shares.
11. The process of rounding off to the nearest integer subject to a minimum allotment being equal to 125, which is the minimum application size in this Issue, may result in the actual allotment being less than the shares offered. However, it shall not exceed 10% of the net offer to public.

**‘Retail individual investor’ means an investor who applies for shares of value of not more than Rs. 1,00,000/-.**

Investors may note that in case of over-subscription, allotment shall be on proportionate basis and will be finalized in consultation with BSE. The drawal of lots (where required) to finalize the basis of allotment shall be done in the presence of a public representative on the governing board of the BSE. The Executive Director / Managing Director of the Designated Stock Exchange in addition to Lead Merchant Banker and Registrar to the Public Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the SEBI Guidelines.

#### J. **LETTERS OF ALLOTMENT OR REFUND ORDERS**

The Company shall give credit to the Beneficiary Account with Depository Participants within two (2) working days of finalisation of the basis of allotment of Equity Shares.

The Company shall make refunds in case of oversubscription using the following modes:

- (a) In case of applicants residing in any of the centers specified by the Board – by crediting of refunds to the bank accounts of applicants through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer), as is for the time being permitted by the Reserve Bank of India;
- (b) In case of other applicants – by despatch of refund orders by registered post, where the value is Rs 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules); and
- (c) In case of any category of applicants specified by the Board – crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by the Board from time to time.

Such refund orders will be payable at par at all the collection centres.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made within 30 days from the Issue closing date
- Dispatch of Refund Orders will be done within 30 days from the Issue closing date
- The Company shall pay interest at 15% per annum (for delay beyond 30 day time as mentioned above), if refund orders are not despatched and/or demat credit are not made to investors within the 30 day time prescribed above.

The Company 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 or pay-orders drawn on the bank(s) appointed by the Company, as refund banker(s). Such instruments will be payable at par at the places where applications are accepted. Bank charges, if any, for encashing such cheques or pay orders will be payable by the applicant.

**K. INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS / REFUND ORDERS**

The Company agrees that as far as possible allotment of Equity Shares offered to the public shall be made within 30 days of the closure of Public Issue. The Company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 30 days from the date of the closure of the Issue. However applications received after the closure of Issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest.

**L. UNDERTAKING BY THE COMPANY:**

The Company undertakes:

- that the complaints received in respect of the Issue shall be attended to by the Issuer Company expeditiously and satisfactorily.
- that all steps for completion of the necessary formalities for listing and commencement of trading at the stock exchange where the Equity Shares are to be listed will be taken within seven working days of finalisation of 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 30 days of closure of the issue, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

- that the Certificates of the securities/Refund orders or allotment advice to the NRIs or FIIs shall be despatched within specified time, and
- that no further Issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc.
- refunds shall be made as per the modes disclosed and allotment advice shall be dispatched to NRIs or FIIs or foreign venture capital investors registered with SEBI within the specified time.

**M. UTILIZATION OF ISSUE PROCEEDS**

The Board of Directors of the Company certify that:

- a. all monies received out of this Issue of Equity Shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;
- b. details of all monies utilized out of this Issue referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the purpose for which such monies had been utilized; and
- c. details of all unutilized monies out of the Issue of Equity Shares, if any, referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Board of Directors of the Company further certify that:

- i. The Company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from the stock exchange where listing is sought is received.
- ii. Pending utilization of net proceeds of the Issue of Equity Shares as specified under the section "Objects of the Issue", the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

**Restrictions on Foreign Ownerships of Indian Equity Shares**

Foreign investment in Indian securities is regulated through the industrial policy of the Government of India, or the Industrial Policy 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 of the Government of India, 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.

Investors making a application in this Issue will be required to confirm and will be deemed to have represented to our Company, the LM and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to subscribed to the Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the LM and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor whether such investor is eligible to subscribe to Equity Shares of our Company.

**Investment by Foreign Institutional Investors**

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

## SECTION IX

### DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION OF GULSHAN SUGARS AND CHEMICALS LIMITED

#### CONSTITUTION

1. No regulations contained in Table A, in the first Schedule to the Companies Act, 1956, shall apply to this Company, but the regulation for the management of the company and/or the observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the company with reference to the repeal or alteration of, or addition, to its regulation by the Special Resolution, as prescribed by the said Companies Act, 1956 be such as are contained in the articles

#### Main provisions of the Articles of Association of Gulshan Sugars and Chemicals Limited

Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association of Gulshan Sugars and Chemicals Limited pursuant to Schedule II of the Companies Act, and SEBI Guidelines, the main provisions of the Articles of Association of Gulshan Sugars and Chemicals Limited are set forth below:

#### SHARE CAPITAL

4. The Authorized Capital of the Company is Rs. 16,25,00,000/- (Rupees Sixteen crore twenty five lacs only) divided into:
  - (i) Equity Share Capital of Rs. 12,00,00,000/- consisting of 1,50,00,000 (One crore fifty lacs) Equity Shares of Rs. 8/- each,
  - (ii) Preference Share Capital of Rs. 25,00,000/- consisting of 2,50,000 (Two Lacs Fifty thousand) Redeemable Preference Shares of Rs. 10/- each.
  - (iii) Preference Share Capital of Rs. 4,00,00,000/- consisting of 4,00,000 (Four Lacs) Redeemable Preference Shares of Rs. 100/- each.

#### INCREASE OF CAPITAL BY THE COMPANY AND HOW CARRIED EFFECT INTO

5. The Company in General may, from time to time by an ordinary resolution increase the Share Capital by the Creation of new Shares. Such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the resolution shall prescribe and in particular, such share may be issued with a preferential or qualified right to dividends and in the distribution of Assets of the Company in conformity with Section 87 and 88 of the Act. Whenever the Capital of the Company has been increased under the provisions of this Article, the Directors shall comply with provisions of Section 97 of the Act.

#### REDEEMABLE PREFERENCE SHARES

7. Subject to the provisions of Section 80 of the Act, the company shall have the power to issue Preference Shares which are or at the option of the Company are liable to be redeemed and the resolution authorizing such shall prescribe the terms thereof and the manner and the terms and conditions of redemption. The said Preference Shares including the redeemable one shall confer the right to a fixed preferential dividend cumulative or otherwise as may be decided by the Company at the time of issue.

#### PROVISIONS TO APPLY ON ISSUE OF REDEEMABLE PREFERENCE SHARES

8. On the issue of Redeemable Preference Shares under the Provision of Article 7 hereof, the following provisions shall take effect :-
  - a) No such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption.
  - b) No such shares shall be redeemed unless they are fully paid.
  - c) The premium, if any, payable on redemption must have been provided for out of the profits of the company or the Company's Share premium Account, before the Shares are redeemed.
  - d) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issues there shall out of the profits which would otherwise have been available for dividend, be transferred to a reserve to be called the "Capital Redemption Reserve Account" a sum equal to the nominal amount of the shares redeemed and the provisions at the act relating to the reduction of Share Capital of the Company shall except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account is paid up Share Capital of the Company.

### **REDUCTION OF CAPITAL**

9. The Company may (subject to the provisions of Sections 78, 80, 100 to 105 of the Act) from time to time by Special Resolution, reduce its Capital and Capital Redemption Reserve Account and Share Premium Account in any manner for the time being authorized by law, and in particulars, Capital may be paid off on the footing that it may be called up again or otherwise.

### **FURTHER ISSUE OF CAPITAL**

15. (a) Where at any time after the expiry of two years from the date of formation of the Company or at any time after the expiry of one year from date of allotment of shares in the Company, made for the first time whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of un-issued share capital or out of increased share capital then such further shares shall be offered to the persons who, at the date of offer, are holders of equity shares in the company in proportion as nearly as circumstances admit to the capital paid up on those shares at that date, such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than 30 days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that the declines to accept the shares offered, the Board may dispose of such shares in such manner as it thinks most beneficial to the Company.
- (b) Notwithstanding anything contained in the sub clause (a) above the Company may:
- (i) by a special Resolution or
  - (ii) by any ordinary Resolution and with the consent of the Central Government issued further shares to any person or persons and such person & persons may or may not include the persons who at the date of the offer all the holders of the equity shares in the company.
- (c) Notwithstanding anything contained in the sub clause (a) above, but subject however to Section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.

### **POWER TO COMPANY TO ISSUE SHARES IN GENERAL MEETING**

18. In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 16 and 17, and Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of the Sections 78 and 79 of the Act) at a premium or at par or at discount as such General Meeting shall determine.

### **ACCEPTANCE OF SHARES**

19. Any application signed by or on behalf of an applicant for shares in the company followed by an allotment of any shares therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall for the purpose of these articles, be a member.

### **DEPOSIT AND CALLS ETC. TO BE A DEBT PAYABLE IMMEDIATELY**

20. The money (if any) which the Board shall, on allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares shall immediately or the inscription call or otherwise, in respect of any shares shall immediately on the inscription of the name of the allottee in the Register of members as the name of the holder of such shares, become debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.

### **SHARE CERTIFICATE**

21. (a) Every member or allottee of shares shall be entitled, without payment, to receive one certificate specifying the name of the person in whose favour it is issued the shares to which it relates and the amount paid up there on. Such certificate shall be issued only in pursuance of a resolution passed by the Board. Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of two Directors



or persons acting on behalf of the Directors under a duly registered Power of Attorney and the Secretary or some other person appointed by the Board for the purpose and the two Directors or their attorneys and the secretary or other person shall sign the Share Certificate, provided that if the composition of the Board permits of it atleast on the aforesaid Two Directors shall be a person other than a Managing or whole time Director, Particulars of every share Certificate issued, shall be entered in the register of members against the name of the person to whom it has been issued indicating the date of issue.

Provided however that no share certificate(s) shall be issued for shares held by a Depository.

- (b) Any two or more joint allottees of share shall, for purpose of this Article, be treated as a single member and the certificate of any share, which may be the subject of joint ownership may be delivered to any one of such joint owners on behalf of all of them.
- (c) A Director may sign a 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 that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

#### **FUNDS OF COMPANY MAY NOT BE APPLIED IN PURCHASE OF SHARE OF THE COMPANY**

- 25. None of the funds of the Company shall be applied in the purchase of any shares of the Company and it shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the Company or in its holding Company save as provided by Section 77 of the Act.

#### **UNDERWRITING AND BROKERAGE**

##### **COMMISSION MAY BE PAID**

- 26. Subject to the provisions of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in or debentures of the Company. or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares or debentures in the Company, but so that the commission shall not exceed in the case of shares five percent of the price at which the shares are issued and in the case of debentures two and half percent of the price at which the debentures are issued. such commission may be satisfied by payment in cash or by allotment of fully or partly paid share or debentures or partly in one way and/or partly in the other.

##### **BROKERAGE**

- 27. The Company may pay a reasonable sum for brokerage.

#### **INTEREST OUT OF CAPITAL**

##### **INTEREST MAY BE PAID OUT OF THE CAPITAL**

- 28. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building or the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that Share Capital as is for the time being paid up for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work of building or the provision of plant.

##### **DIRECTORS MAY MAKE CALLS IN RESPECT OF MONEYS UNPAID ON SHARES**

- 29. The Board may from time to time, subject to the terms on which any shares may have been issued and subject to the condition of allotment by a resolution passed at a meeting of the Board (and not by Circular Resolution) make such call as it thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and each Member shall pay the amount of every call so made on him to the person or persons and at the times and place appointed by the Board,

##### **NOTICE OF CALL**

- 30. Thirty days' notice, in writing, of any call shall be given by the company specifying the time and place of payment, and the person or persons to whom such call shall be paid and that option or right to call of shares shall not be given to any person except with the sanction of the company in General Meeting.

31. A call shall be deemed to have been made at the time when the Resolution authorising such call was passed at a meeting of the Board.

#### **LIABILITY OF JOINT HOLDERS**

32. The Joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

#### **CALLS TO CARRY INTEREST**

34. If any Member fails to pay call due from him on the day appointed for payment thereof or any such extension thereof as aforesaid he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board not exceeding 10 percent per annum, but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such Member.
35. The Directors may agree with any central or state financial institutions including the U.P. Financial Corporation, Pradeshia Industrial and Investment Corporation of UP. Ltd., UP. State Industrial Corporation, Banks State or other body that in consideration of any loan, financial assistance of any kind whatsoever which may be rendered by any one of them severally or jointly with an other or others. They shall have power to nominate one or more Directors of the Board of the Company during the currency of loan or any other financial assistance and from time to time appoint or remove them or any one of them and fill an vacancy caused by death, resignation or removal of any such Directors or otherwise causing to hold office by any of them.  
Provided that nominee Director will not be required to hold any qualification shares and shall not be subject to retirement.

#### **PAYMENT IN ANTICIPATION OF CALLS**

38. (a) The Board may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of the amount of his shares beyond the sums actually called up, and upon the moneys so paid in advance, or upon so much thereof from time to time, and at any time thereafter as exceed the amount of the call then made upon and due in respect of the shares on account of which such advances are made, the Board may pay or allow interest at such rate as the Member paying the sum in advance and the Board agree upon, provided that in respect thereof it shall not confer a right to dividend or to participate in profits. The Board may agree to repay at any time any amount so advanced or may at any time repay the same upon giving to the Member three months notice in writing.
- (b) No Member paying any sum in advance shall be entitled to voting right in respect of the money paid by him untill the same would but such payment be come presently payable.
- (c) That any amount paid up in advance of calls on any shares, may carry interest, but shall not in respect thereof have a right to dividend or to participate in profits."

#### **LIEN AND FORFEITURE**

39. The Company shall have a first and paramount lien upon all the Shares other than fully paid up shares registered in the name of each member, (whether solely or jointly with others) and upon the proceeds of sale thereof for all money (whether presently payable or not) called or payable at a fixed time in respect of such shares, and no equitable interest in any share shall be created except upon the footing and condition that Article 24 is to have full effect, and such lien shall extend to all dividends from time to time declared in respect of such shares.

#### **AS TO ENFORCING LIEN BY SALE**

40. For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as it shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorize one of the Directors to execute transfer thereof on behalf of and in the name of such Member. No sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such Member or his representative and default shall have been made by him or them in payment, fulfillment or discharge of such debts, liabilities or engagements for fourteen days after such notice.

#### **APPLICATION OF PROCEEDS OF SALE**

41. The next proceeds of any such sale shall be received by the Company and applied in or towards payments of such part of the amount in respect of which the lien exists as is presently payable 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 person entitled to the shares at the date of the sale.

#### **IF MONEY PAYABLE ON SHARE NOT PAID NOTICE TO BE GIVEN TO MEMBER**

42. If any Member fails to pay any call or installment of a call in or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may, at any time, thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such nonpayment.

#### **TERMS OF NOTICE**

43. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment and such interest thereon at such rate not exceeding 10 percent per annum as the Directors shall determine from the day on which call or installment ought to have been paid and expenses as aforesaid are to be paid, the notice shall also state that in the event of the nonpayment at or before the time and at the place appointed the shares in respect of which the call was made or installment is payable will be liable to be forfeited.

#### **IN DEFAULT OF PAYMENT SHARE TO BE FORFEITED**

44. If the requirements of any such notice as aforesaid shall not be complied with by and share holder, the share in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of any forfeited shares and not actually paid before the forfeiture.

#### **FORFEITED SHARE TO BE PROPERTY OF THE COMPANY AND MAY BE SOLD ETC.**

46. Any Share so forfeited shall be deemed to be the property of the Company, and may be sold, re-allotted or otherwise disposed off either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

#### **EFFECT OF FORFEITURE**

48. The forfeiture of a share shall involve extension, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

#### **EVIDENCE OF FORFEITURE**

49. A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

#### **SURRENDER OF SHARES**

52. The Directors may, subject to the provisions of the Act, accept a surrender of any share from or by any member desirous of surrendering on such conditions as it thinks fit.

### **TRANSFER AND TRANSMISSION OF SHARES**

#### **REGISTER OF TRANSFERS**

54. The Company shall maintain a 'Register of Transfer' and therein shall be fairly and distinctly entered, particulars of every transfer or transmission of any share held in the material form.

#### **FORMS OF TRANSFER**

55. The instrument of transfer of any share shall be in writing and all the provisions of section 108 of the Companies Act, 1956 shall be fully complied with and that a common form of transfer shall be used.

#### **APPLICATION FOR TRANSFER AND NOTICE TO TRANSFEREE**

57. An application for the registration of a transfer of share may be made either by the transferor or by the transferee but when the application is made by the transferor and relates to partly paid shares the transfer shall not be registered, unless the Company gives notice of the application to the transferee by prepaid registered post at the address given in the instrument of transfer and transferee makes no objection to the transfer within two weeks from the receipt of the notice provided that such notice shall be deemed to have been

duly delivered at the time at which it would have been delivered in the ordinary course of post.

#### **TRANSFER BOOKS WHEN CLOSED**

58. The Board shall have power on giving not less than seven days previous notice by advertisement in a newspaper circulating in the district in which the Registered Office of the Company is situated to close the transfer books, the Register of Members or Register of Debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate 45 days in each year as it may seem expedient, provided however that the advertisement in a newspaper for closing the branch Register of Members and/or Debenture holders shall be inserted in newspaper circulating in the district wherein the branch Register of Members or Debenture-holders is kept.

#### **DIRECTORS MAY REFUSE TO REGISTER TRANSFERS**

59. Subject to the provisions of Section 111 of the Act, and the rules of the stock Exchange where the shares of the Company are listed, the Board may at its own absolute and uncontrolled discretion and without assigning any reason for such refusal. Decline to register or acknowledge any transfer of shares (notwithstanding that the proposed transferee is already a Member). If the Board refuses to register the transfer of any share, the Company shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and the transferor notice of the refusal., 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 whatsoever except a lien on shares.

#### **DEATH OF ONE OF JOINT HOLDERS OF SHARES**

60. In the case of the death of any one or more of the persons named in the Register of Members as the joint-holders of any share, the survivor or survivors shall be the only persons recognized by the Company as having any title to or interest in such share, 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.

#### **TITLE TO SHARES OF DECEASED MEMBER**

61. The executors or administrators or holders of a succession Certificate or the legal representative of a deceased member (not being one of two or more joint-holders) shall be the only person recognized by the Company as having any title to the shares registered in the name of such members, and the Company shall not be bound to recognize such executors or administrators or holders of a succession certificates or legal representatives unless such executors or administrators or legal representatives shall have first obtained Probate or Letters of Administration or Succession Certificate, as the case may be, from a duly constituted Court in the Union of India provided that in any case where the Board in its absolute discretion think fit the Board of Directors may dispense with production of Probate or Letters of Administration or Succession Certificate, upon such terms as to indemnify or otherwise, under Article 65 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.
62. No share shall in any circumstance be transferred to any insolvent person or persons of unsound mind.

#### **TO TRANSFER TO INSOLVENT ETC.**

63. If any member of the Company dies, and the Company through any of its Principal Office within the meaning of Section 8 of Estate Duty Act, 1953 has knowledge, of the death, it shall not be lawful for the Company to register the transfer of any shares standing in the name of the deceased Member unless the company is satisfied that the transferee has acquired such share for valuable consideration or a certificate from the Controller, Deputy Controller or Assistant Controller of Estate Duty that either the Estate Duty in respect thereof has been paid or will be paid or none is done as the case may be, is produced.

#### **CONDITIONS OF REGISTRATION OF TRANSFER**

67. Before the registration of a transfer, the certificate or certificates of the share or shares to be transferred must be delivered to the Company along with (save as provided in Section 108 of the Act) a properly stamped and executed instrument of transfer.
- 67A. Dematerialisation of securities
- (i) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities and/or offer fresh securities for subscription in a

dematerialised form pursuant to the Depositories Act and the rules framed there under. Additionally, on the investor exercising an option to hold his/her securities with a depositories form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise his/her securities, in which event, the rights and obligations of the parties concerned shall be governed by the Depositories Act."

- (ii) Option to receive security certificates or hold securities with a depository "Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or hold securities with a depository. Where a person opts to hold securities with a depository, the Company shall intimate to such depository, the details of allotment of the securities, and on receipt of such information, the depository shall enter in its records, the name of the allottee as the beneficial owner of those securities.
- (iii) Securities in depositories to be in fungible form  
"All securities held by a depository shall be dematerialised and shall be in a fungible form."  
"Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owner."
- (iv) Distinctive number of securities held by a Depository  
"Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to Securities held with a Depository."
- (v) Transfer and transmission of securities  
"Notwithstanding anything contained in the Act or these Articles, in the case of transfer or transmission of securities, where the Company has not issued any certificates and where such securities are being held in an electronic and fungible form with a Depository, the provisions of the Depositories Act shall apply."
- (vi) Rights of Depositories and Beneficial Owners
  - (1) Notwithstanding anything to the contrary contained in the Articles or in any other law for the time being in force, a depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of a security on behalf of a beneficial owner.
  - (2) Save as otherwise provided in clause (1) above, the depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it.
  - (3) Every person holding equity share capital of the Company and whose name is entered as beneficial owner in the records of the depository, shall be deemed to be a member of the Company. The beneficial owner shall be entitled to all the rights and benefits and shall be subject to all the liabilities in respect of his securities held by a depository."
- (vii) Option to opt out in respect of any security  
"If a beneficial owner seeks to opt out of a depository in respect of any security, he shall inform the depository accordingly.  
The depository shall, on receipt of such intimation, make appropriate entries in its record and shall inform the company.  
The company shall within 30 days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee, as the case may be."
- (viii) Register and index of beneficial owners  
"The register and index of beneficial owners maintained by a depository under section 11 of the Depository Act shall be deemed to be the register and index of members for the purpose of the Act."
- (ix) Beneficial owner deemed to be absolute owner  
"Except by an order of a court of competent jurisdiction or if required by law, the company shall be entitled to treat the person whose name appears as the beneficial owner of securities in the records of depository as the absolute owner thereof and accordingly the company shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest of any other person in any security or (except as expressly provided by these articles) any right in respect of a security other than an absolute right thereto, on the part of any other person whether or not it shall have express or implied notice thereof."

## **COPIES OF MEMORANDUM AND ARTICLE OF ASSOCIATION TO BE SENT TO MEMBERS**

70. Copies of the Memorandum and Articles of Association of the Company and other documents referred to in Section 39 of the Act shall be sent by the Company to every member at his request within seven days of the request on payment of the sum of Rupee One for each copy.

## **BORROWING POWERS**

### **POWER TO BORROW**

71. Subject to the restrictions under section 58 A, 292 and 293 of the Act, the Board may, from time to time at its discretion accept deposits, including calls in advance, raise or borrow money for the Company with or without interest.

### **PAYMENT OR REPAYMENT OF MONEY BORROWED**

72. The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board of Directors may think fit, and in particular by a resolution passed at a meeting of the Board (and not by a Circular resolution) by the issue of Debentures stock of the Company charged upon all or any part of the property of the Company. (both present and future), including its uncalled capital for the time being; and debentures, debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

### **TERMS OF ISSUE OF DEBENTURES**

73. Any debentures, debenture stock or other securities may be issued at a discount premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privilege and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meetings, appointment of Directors and otherwise, Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting.

### **REGISTER OF MORTGAGES ETC. TO BE KEPT**

74. The Company shall keep at its Registered Office a register of charges and enter therein all charges specifically affecting the property of the company giving in each case the particulars as required under Section 143 of the Act.

### **REGISTER & INDEX OF DEBENTURE HOLDERS**

75. The Company shall, if at any time, issue debentures, keep in one or more books a Register of Debenture-holders and shall enter therein such particulars as required under section 152 of the Act and if the number of Debenture-holders exceeds fifty the Company shall also keep a Register of Index of Debenture-holders unless the Register of Debenture-holders is in such a form as in itself to constitute an index. The Company may keep in any State Country outside India a branch Register of Debenture holders resident in that State or Country.

## **CONVERSION OF SHARES INTO STOCK AND RECONVERSION**

### **SHARES MAY BE CONVERTED INTO STOCK**

76. The Company in General Meeting may convert any fully paid up shares into stock, and when any shares shall have 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 as and subject to the same regulations under which the shares from which the stock arose might have been transferred, if no such conversion had taken place, or as near thereto as circumstances will admit. The Company may at any time reconvert any stock into paid up shares of any denominations.

### **RIGHTS OF STOCK HOLDERS**

77. The holders of stock shall, according to the amount of stock held them, have the same rights, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if the held they held the shares from which the stock arose but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

## **GENERAL MEETINGS**

### **ANNUAL GENERAL MEETING AND ANNUAL RETURN**

78. The Company shall in each year hold a General Meeting as its Annual general Meeting in addition to any other meeting in that year. All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings. Subject to any extension of time that may be granted by the Registrar under Section 166 of the Act. The Annual General Meeting shall be held within six months after the expiry of each financial year, and not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday and shall be held at the Registered Office of the Company or at some other place within the city where the Registered Office of the Company is situated, the Board may determine and the notice calling the Meeting shall specify it as of the Annual General Meeting. Every Member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditors. At every Annual Meeting of the Company there shall be laid on the table the Director's Report and Audited statement of Accounts Auditor's Report (if not already incorporated in the Audited Statements of Accounts), the proxy Register with Proxies and the Register of Director's Shareholdings. The Register of Director's Shareholdings shall remain open and accessible during the continuance of the Meeting. The Board shall prepare and file with Registrar the Annual Return, Balance Sheet and Profit and Loss Account in accordance with Section 159 and 220 of the Act.

### **EXTRAORDINARY GENERAL MEETING**

79. The Board of Directors may, whenever they think fit, call an Extra- Ordinary General Meeting and it shall also do so upon a requisition in writing by any member or members holding in the aggregate not less than one-tenth of such of the paid-up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.

### **REQUISITION OF MEMBERS TO STATE OBJECT OF MEETING**

80. Any valid requisition so made by members must state the object or objects of the meeting proposed to be called, and must be signed by the requisitionist and be deposited at the Registered Office of the Company; provided that such requisition may consist of several documents in like form, each signed by one or more requisitionists.

### **ON RECEIPT OF REQUISITION, BOARD TO CALL THE MEETING AND IN DEFAULT REQUISITIONISTS MAY DO SO**

81. Upon the receipt of any such requisition, the Board of Directors shall forthwith call an Extraordinary General Meeting, and do not proceed within twenty-one days from the date of the requisition being deposited at the Office, to cause a meeting to be called on a day not later than forty-five days from the date of deposit of the requisition, the requisitionists, or such of their number as represent either a majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid-up share capital of the Company as is referred to in Section 169(4) of the Act, whichever is less, may themselves call the meeting, but in either case, any meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.

### **RESOLUTION REQUIRING SPECIAL NOTICE**

85. The requirement laid down in Section 190 of the Act shall be complied with in all cases in which special notice is required of any resolution under the provisions of the Act, including the following viz:
- (a) A resolution of the nature mentioned in sub section (1) of Section 225, relating to the appointment as auditor of a person other than a retiring auditor, or to the effect that a retiring auditor shall be re-appointed.
  - (b) A resolution of the nature mentioned in sub section (2) of Section 284, relating to the removal of a Director or the appointment at the meeting at which a Director is removed of some person to fill the vacancy caused by his removal.

### **NOTICE OF BUSINESS TO BE GIVEN**

86. No General Meeting, Annual or Extra-ordinary, shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice upon which it was convened.

### **QUORUM AT GENERAL MEETING**

87. Five Members present in person shall be a quorum for General Meeting. A corporation being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act when more than one of the joint holders of a Share are present, not more than one of them shall be counted for ascertaining the quorum. Several executors or administrators of a deceased person in whose sole name shares stand shall for the purpose of this clause be deemed joint holders thereof.

### **IF QUORUM NOT PRESENT MEETING TO BE DISSOLVED OR ADJOURNED**

88. If, at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum shall not be present, the meeting, if convened by or upon the requisition of members, shall stand dissolved, but in any other case,:
- (a) In case of the Annual general Meeting, the meeting shall stand adjourned to the same day in the next week or, if that day is a public holiday, until the next succeeding day which is not a public holiday, at the same time and place, or to such other day and at such other time and place in the City Where the Registered Office of the company is situated as the Board may determine and
  - (b) In case of General meeting other than the Annual General Meeting the meeting shall stand adjourned to same day in the next week at the time and place or to such other day and at such other time and place as the Board may determine, and if at such adjourned Meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting the Members present shall be a quorum and may transact the business for which the meeting was called.

### **CHAIRMAN OF GENERAL MEETING**

89. The Chairman of the Board of Directors shall be entitled to take the Chair at every general meeting, Whether Annual or Extra ordinary, if at any meeting he shall not be present within fifteen minutes of the time appointed for holding such meeting or if he shall be unable to take the chair then the members present shall choose one amongst themselves to be the Chairman of the Meeting.

### **BUSINESS CONFINED TO ELECTION OF CHAIRMAN WHILE CHAIR VACANT**

90. No business shall be discussed at any General Meeting except the election of a Chairman, while the chair is vacant.

### **CHAIRMAN'S CASTING VOTE**

93. In the case of an equality of votes, the Chairman shall both on a show of hands and at a poll (if any), have a casting vote in addition to the vote or votes to which he may be entitled as a member.

### **POLL TO BE TAKEN, IF DEMANDED**

94. If a poll is demanded as aforesaid the same shall, subject to Article 94, be taken at such time (not later than forty-eighth hours from the time when the demand was made and place in accordance with these Articles and the Act, either by open voting or by ballot, as the Chairman shall direct, and either at once or after an interval or adjournment, or otherwise, and the result of the poll shall be deemed to be resolution of the meeting at which the poll was demanded The demand for a poll may be withdrawn at any time by the persons who made the demand.

### **SCRUTINEES AT POLL**

95. Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinisers to scrutinize the votes given on the poll and to report thereon to him One of the scrutinisers so appointed shall always be a member (not being an officer or employees of the Company present at the meeting; provided such a member is available and willing to be appointed The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of scrutineer arising from such removal or from any other cause.

### **DEMAND FOR POLL NOT TO PREVENT TRANSACTION OF OTHER BUSINESS**

97. Demand for a poll, except on the questions of the election of the Chairman and of an adjournment, shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.



#### **MEMBERS IN ARREARS NOT TO VOTE**

98. No member shall be entitled to vote, either personally or by proxy, at any General Meeting or meeting of a class of shareholders, either upon a show of hands or upon a poll, in respect of any shares registered in his name, on which any calls or other sums presently payable by him have not been paid, or in regard to which the Company has, and has exercised any right of lien.

#### **NUMBER OF VOTES TO WHICH MEMBER ENTITLED**

99. Subject to the provisions of these Articles, every member, not disqualified by the last preceding Article shall be entitled to be present and to speak and vote at such meeting, and on a show of hands, every member present in person or by proxy shall have voting right in proportion to his share of the paid up equity Capital of the Company held by him either alone or jointly with any person or persons, provided however if any preference shareholder be present at any meeting of the Company, such as provided in clause (b) of Sub-Section (2) of Section 87 of the Act, he shall have a right to vote only on resolutions placed before the meeting which directly affect the right attached to his preference shares.

#### **CASTING OF VOTES BY A MEMBER ENTITLED TO MORE THAN ONE VOTE**

100. On a poll taken at a meeting of the Company, a member entitled to more than one vote, or his proxy, or other person entitled to vote for him as the case may be need not, if he use all his votes or cast in the same way all the votes he uses.

#### **HOW MEMBERS NON-COMPOS MENTIS AND MINOR MAY VOTE**

101. A member of unsound mind or in respect of whom an order has been made by any competent court may vote, whether on a show of hands or on a poll, by his committee or other legal guardian; and any such committee of guardian may, on a poll, vote by proxy.

#### **VOTES OF JOINT MEMBERS**

102. Where there are joint holders of any shares any one of each persons may vote at any meeting either personally or by proxy or by agent duly authorised under a Power of Attorney in respect of such share as if he were solely entitled there to, and if more than one of such joint holders be present at any meeting personally or by proxy or by an agent duly authorized under a Power of Attorney, that one of said persons so present whose name stands first or higher as the case may be on the register of members in respect of such share alone shall be entitled to vote in respect thereof but the other or others of the joint holder shall be entitled to be present at the meeting, provided always that a person present at any meeting personally shall be entitled to vote in preference to a person present by proxy although the name of such person present by an agent or by proxy stands first or higher in the register of members in respect of such shares provided further that if all such joint holders are present at any meeting by their respective agents or proxies the agent or proxy of such of the joint holders whose name stands first or higher in the register of members in respect of such share, shall be entitled to vote in preference to the other person or persons.

#### **VOTING IN PERSON OR BY PROXY**

103. Subject to the provisions of the Articles, votes may be given either personally or by proxy, provided that where an shares are held in trust by any person, the voting right and powers in respect of such shares including right to vote by proxy shall be exerciseable in accordance with the provisions of Section 187-B of the Act. A body corporate being a member may vote by proxy or by a representative, duly authorized in accordance with Section 187 of the act and such representatives shall be entitled to exercise the same rights and power (including the right of vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member. The President of India or the Governor of a State if he is a member of the company and a person appointed to as aforesaid shall be entitled to exercise same rights and power including the right to vote by proxy as the President or the Governor, as the right to vote by proxy as the President or the Governor, as the case may be, could exercise as the member of the Company.

#### **VOTES IN RESPECT OF SHARES OF DECEASED, AND INSOLVENT MEMBERS**

104. Any person entitled under Article 62 to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he was the registered holder of such shares, provided that at least forty-eight hours before the time of holding the meeting or adjourned meeting, as the case may be, to which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the

Directors may require or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

#### **APPOINTMENT OF PROXY**

105. Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of such corporation or be signed by an officer or attorney duly authorized by it. The proxy so appointed shall not have any right to speak at the meetings.

#### **PROXY EITHER FOR SPECIFIED MEETING OR FOR A PERIOD**

106. An instrument of proxy may be appointed either for the purpose of a particular meeting as specified in the instrument of proxy and any adjournment thereof; or the proxy may be appointed for the purpose of every meeting to be held before a date specified in the instrument

#### **PROXY CANNOT VOTE ON SHOW OF HANDS**

107. No member present by proxy shall be entitled to vote on a show of hands.

#### **DEPOSIT OF INSTRUMENT OF APPOINTMENT**

108. 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 or authority, shall be deposited at the office not later than forty eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, in default the instrument of proxy shall not be treated as valid.

#### **MINUTES OF GENERAL MEETING AND INSPECTION THERE OF BY MEMBERS**

113. a. The Company shall cause minutes of all proceedings of every General Meeting to kept by making within 30 days of the conclusion of ever such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
- b. Each page of every such book shall be initialed or signed and the last page of the record of proceeding of each meeting in such book shall be dated and signed by the Chairman of the same meeting within aforesaid period of 30 days or in the event of the death or inability of that Chairman within that period, by a Director duly authorized by the Board for the purpose.
- c. In no case the minutes of proceedings of a meeting shall be attached to an such book as aforesaid by pasting or otherwise.
- d. The minutes of proceedings of each meeting shall contain a fair and correct summary of the proceedings thereat.
- e. All appointments of officers made at any meeting aforesaid shall be included in the minutes of the proceedings of the meeting.
- f. Nothing herein contained shall require or be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting (a) is or could reasonably by regarded a defamatory of any person, or (c) is detrimental to the interest of the Company. The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the aforesaid ground.
- g. Any such minutes shall be evidence of the proceedings recorded therein.
- h. The book containing the minutes of proceedings of General Meetings shall kept at the Office of the Company and shall be open during business hours for such period not being less in the aggregate that two hours in each day the Directors determine, to the inspection of any Member without charge.
- i. Any member shall be entitled to be furnished within 7 days after he has made a request to the Company, with a copy of minutes of the proceedings of any General Meeting on payment of 37 paise for every 100 words or fractional part thereof required to be copied.

## **DIRECTORS**

### **NUMBER OF DIRECTORS**

114. Until otherwise determined by the Company in a General Meeting and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and unless and until otherwise determined by a General Meeting shall not be more than twelve including ex-officio Director and nominee Director of the financial corporation but excluding alternate Directors.

The Directors of the Company are:

- (1) Lala Gulshan Rai Jain
- (2) Shri Chandra Kumar Jain
- (3) Shri Pardeep Kumar Jain

### **APPOINTMENT OF ALTERNATE DIRECTORS**

115. The appointment of Directors shall be made in accordance with and subject to the provisions of Section 255 and 256 of the Act and not less than two-third of total number of directors shall be persons whose period of office is liable to retirement by rotation. "Provided, however, that the Company shall subject to the provisions of the Section 255 of the Act, appoint at a General Meeting of the Company not more than one-third of the total number of Directors of the Company, to hold office of a Director whose period of office will not be liable to determination by retirement of Directors by rotation."

### **DIRECTORS MAY FILL UP VACANCIES AND ADD TO THEIR NUMBER**

116. Subject to the provisions of Section 260, 261, 262, 264 and 284 (6) of the Act, the Board shall have power at any time, and from time to time to appoint any person not disqualified to be a Director, either to fill a casual vacancy or as an addition to the Board, but so that the total number of Directors shall not any time exceed the maximum fixed as above.

### **SPECIAL DIRECTOR**

117. Where the Company borrows moneys or receives any financial or technical assistance or collaboration from any Government institution or any other person, such Government, institution or person may be given a right to appoint one or more person as directors on the Board of Director of the Company and to remove such Directors from office and on a vacancy being caused in the Directors so appointed whether by resignation, death, removal or otherwise to fill up such vacancy. Such appointment or removal shall however, be in writing duly signed by the authorized officer of the Government institution or other person. A director appointed under this Article shall known as special Director and he shall not be subject to retirement by rotation.

### **QUALIFICATION SHARE OF DIRECTOR**

118. A Director of the Company shall not be bound to hold any qualification share.

### **COMMISSION TO DIRECTORS**

120. The Directors who are neither whole time Director nor Managing Director may be paid remuneration by way of commission in any financial year up to one percent of the net profit of the company if the Company at the relevant time has Managing Director or whole time Director or Manager and in any other case up to three percent of the net profit of the Company, computed in the manner referred to into the Act and subject to Section 198 of the Act and the said commission shall be divided amongst the Directors entitled to such commission equally, provided, however, that nominee Director shall not be entitled to participate in commission aforesaid.

### **DIRECTORS TO GET TRAVELLING EXPENSES**

121. The Board may allow and pay to any director who is not a bonafide resident of the place at which a Board or committee meeting is held and who shall come to such place for the purpose of attending such meeting such sum as the Board may consider fair compensation for traveling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as specified in Article 120 and if any Director be called upon to go and reside out of the place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed traveling or other expenses incurred in connection with the business of the Company.

### **DIRECTORS MAY ACT NOTWITHSTANDING ANY VACANCY**

122. The continuing, Director may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum under fixed by Article 114 hereof the

continuing Directors may act for the purpose of increasing the number of Directors to that number fixed for the quorum but for no other purpose.

#### **DIRECTOR MAY CONTRACT WITH COMPANY**

126. (a) A director or his relative, a firm in which such Director or relative is a partner, or any other partner, of such firm or a private Company of which the Director is a member or Director, may enter into any contract with the Company for the sale, purchase, or supply of any goods, materials or services or for under writing the subscription of any shares in, or debentures of the Company, provided that the sanction of the Board is obtained before or within three months of the date on which the contract is entered into in accordance with Section 297 or the Act.
- (b) No Sanction however shall be necessary to
- (i) Any purchase of goods and materials from the company or the sale of goods or materials to the Company by any such Director, relative, firm partner or private Company as aforesaid for cash prevailing market prices, or
- (ii) Any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private Company on the other for sale purchase or supply of any goods, materials and services in which either the Company or the Director, relative, firm, partner or private company, as the case may be regularly trades or does business, where the value of the goods and materials of the cost of such services do not exceed Rs. 5,000/- in the aggregate in any year comprised in the period of the contract or contracts, provided that in circumstances of urgent necessity the company may without obtaining the consent of the Board enter into any such contract or contracts with the Director, relative, firm partner or private Company even of the value of such goods or materials or the cost of such services exceeds Rs.5000/- in the aggregate in any year comprised in period of the contract if the consent of the Board is obtained to such contract or contracts at a meeting within three months of the date on which the contract was or contracts were entered into.

#### **DISCLOSURE OF INTEREST**

127. A Director of the Company who is in any way, whether directly or indirectly concerned or interested in a contract or arrangement, or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299(2) of the Act; provided that it shall not be necessary for a Director to disclose his concern or interest in any such contract or arrangement where concern or interest consists only in holding together with his co-directors in the aggregate not more than 2% of the paid-up share capital in other company. A general notice given to the Board by the Director, to the effect that he is a director or a member of a specified body corporate or is a specified firm and is to be regarded as concerned or interested in any contract or arrangement which, may after the date of notice be entered into with that body corporate or firm, shall be deemed to be sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year in which it would have otherwise expired. No such general notice and no renewal thereof shall be of effect, unless either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up to and read at the first meeting of Board after it is given.

#### **INTERESTED DIRECTOR NOT TO PARTICIPATE OR VOTE IN BOARD PROCEEDINGS.**

128. No Director shall, as a director, take any part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the company, if he is in any way, whether directly or indirectly concerned or interested in such contract or arrangement nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote, and if he does vote, his vote will be void, provided however that nothing herein contained shall apply to.
- (A) Any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety by the Company.

- (B) Any contract or arrangement entered into or to be entered into with a public company or a private company which is subsidiary of a company in which the interest of Director consist solely:
- (i) in his being :-
    - (a) a director of such company and
    - (b) the holder of not more than shares of such number or value therein as is requisite to qualify him or appointment as a
  - (ii) in his being a member holding not more than 2% of its paid up Share Capital of the other company.

#### **LOANS/GUARANTEES TO DIRECTORS**

129. The Company shall not, except as provided in Section 295 of the Act make any loan or guarantee a Director of the Company or to a firm of which such Director is a partner or to a private company of which such Director is a director.

#### **HOLDING OFFICE OF PROFIT BY DIRECTORS**

130. No Director of the Company, no partner or relative of such Director, no firm in which such a Director or relative is a partner, no private company of which such a Director is a director or a member and no director or manager of such a Private Company shall hold any office or place of profit in relation to the Company carrying a total monthly remuneration of Rs. 500/- or more, except that of Managing Director, Manager, legal or technical adviser and except as provided in Section 315 of the Act.

#### **REGISTER OF CONTRACTS IN WHICH DIRECTORS ARE INTERESTED**

131. The Company shall keep a register in accordance with Section 301 (1) and shall within the time specified in Section 301(2) enter therein such of the particulars as may be relevant having regard to the application thereto of Section 297 or Section 299 of the Act as the case may be. The register aforesaid shall also specify; in relation to each Director of the Company, the names of the bodies corporate and firms of which notice has been given by him under Section 299. The Register shall be kept at the Registered Office of the Company and shall be open to inspection at such office and extracts may be required by any Member of the Company to the same extent in the same manner at the same hours and on payment of the same fee as in the case of the Register of Members of the Company and the provisions of Section 163 of the Act, shall apply accordingly.

#### **DIRECTORS MAY BE DIRECTORS OF COMPANIES PROMOTED BY THE COMPANY**

132. A Director may be or become a Director of a company promoted by the company, or in which it may be interested as a vendor, shareholder or otherwise, and subject to the provisions of Sections 309(6) and Section 314 of the Act, no such Director shall be accountable for any benefits received as Director or shareholder of such Company.

#### **RETIREMENT OF DIRECTORS BY ROTATION**

133. At every Annual General Meeting of the company, one third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three the number nearest to one third shall retire from office.

#### **ASCERTAINMENT OF DIRECTORS LIABLE TO RETIRE BY ROTATION AND FILLING UP VACANCIES**

134. Subject to Section 256(2) of the Act the Directors to retire by rotation under Article 133 at Annual General Meeting shall be those who have been longest in office since their last appointment but, as between persons who become Directors on the same day, those who are to retire shall, in default of or subject to any agreement among themselves be determined by lot.

#### **ELIGIBILITY FOR RE-APPOINTMENT**

135. A retiring Director shall be eligible for re-appointment.

#### **COMPANY TO APPOINT SUCCESSORS**

136. Subject to the Sections 258 and 261 of the Act, the Company at the General Meeting at which a Director retires in the manner aforesaid may by Ordinary Resolution fill up the vacated office by appointing a person thereto.

#### **PROVISION IN DEFAULT OF APPOINTMENT**

137. (a) If the place of the retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy; the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public

holiday, till the next succeeding day which is not a public holiday, at the same time and place.

- (b) If at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not express resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, Unless:
- (i) at the meeting or at the previous meeting a resolution for the reappointment of such Director has been put to the meeting and lost; or,
  - (ii) the retiring Director has, by a notice in writing addressed to the Company, or its Board, expressed his unwillingness to be so re-appointed or,
  - (iii) he is not qualified or is disqualified for appointment, or,
  - (iv) a resolution, whether special or ordinary, is required for his appointment or reappointment by virtue of any provisions of the Act, or,
  - (v) the provisions to sub-section (2) of Section 263 of the Act is applicable to the case.

#### **COMPANY MAY INCREASE OR REDUCE THE NUMBER OF DIRECTORS**

138. Subject to Section 259 of the Act the Company may, by ordinary Resolution, from time to time, increase or reduce the number of Directors and the Company may (Subject to the provisions of section 284 of the Act) remove any director before the expiration of his period of office and appoint another person not disqualified in his place. The person so appointed shall hold office during such times as the Director in whose place he is appointed would have held the same if he had not been removed.

#### **NOTICE OF CANDIDATURE FOR OFFICE OF DIRECTOR**

139. No person, not being a retiring Director, shall be eligible for appointment to the Office of Director at any General Meeting unless he or some other Member intending to propose him, not less than fourteen clear days before the meeting, left at the Registered Office a notice in writing under his hand signifying his candidature for the office of director or of the intention of such member to propose him as a candidate for the office of a director, and unless he has by himself or by his agent authorized in writing, signed and filed with the Company a consent in writing to act as such director, if appointed.

#### **REGISTER OF DIRECTORS ETC. AND NOTIFICATION OF CHANGE TO THE REGISTRAR**

140. (a) The Company shall keep at its Registered Office a Register containing the particulars of its Directors, Managers, Secretaries and other persons mentioned in Section 303 of the Act and shall otherwise comply with the provisions of the said section in all respects.

#### **REGISTER OF SHARES AND DEBENTURES HELD BY DIRECTORS**

- (b) The company shall in respect of each of its Directors also keep at its Registered Office, a Register, as required by Section 307 of the Act, and shall otherwise comply with the provisions of that Section in all respects.

#### **DISCLOSURE BY DIRECTOR OF APPOINTMENT TO ANY OTHER BODY CORPORATE.**

141. (a) Every Director (including a person deemed to be director by virtue of explanation to sub-section (1) of Section 393 of the Act) Managing Director, Manager or Secretary of the Company shall within twenty days of his appointment to any of the above offices in any other body corporate disclose to the Company the particulars relating to his office in the other body corporate which are required to be specified under sub-section (1) of section 303 of the Act.

#### **DISCLOSURE BY A DIRECTOR OF HIS HOLDINGS OF SHARES & DEBENTURES OF THE COMPANY ETC.**

- (b) Every Director and every person deemed to be a Director of the Company by virtue of sub section (10) of Section 307 of the Act shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the company to comply with the provisions of that Section.

#### **MANAGING AND WHOLE TIME DIRECTOR**

#### **BOARD MAY APPOINT MANAGING DIRECTOR**

142. Subject to the provisions of Sections 267, 269, 198, 309 and any other applicable provisions of the Act and of these Articles, the Board shall have power to appoint from

time to time, Managing Director or Managing Directors of the company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and subject to the acts which are required to be done at meeting of the Board under the Act; the Board may by resolution vest in such Managing Director or Managing Directors such of the powers hereby vested on the Board generally as it thinks fit and such powers may be made exerciseable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of a Managing Director may be by way of monthly payment; fee for each meeting or participation in profits, or by any or all of these modes or any other mode not expressly prohibited by the Act.

#### **WHOLE TIME DIRECTOR**

143. Subject to the provisions of Sections 269, 198, 309 and any other applicable provisions of the Act and of these Articles, the Board shall have power to appoint from time to time a whole time Director or whole time Directors of the Company for a term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and subject to the acts which are required to be done at meeting of the Board under the Provisions of the Act, The Board may by resolution vest in such Whole time Director or Whole time Director such powers as are under the Act not prohibited and as it thinks fit and such powers may be made exerciseable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of a Whole time Director may be by way of monthly payment; fee for each meeting or participation in profits, or by any or all of these modes or any other mode not expressly prohibited by the Act.

#### **CERTAIN PERSONS NOT TO BE APPOINTED MANAGING / WHOLE TIME DIRECTOR**

144. The Company shall not appoint or employ or continue the appointment or employment of a person as its Managing or whole-time Director who:
- (a) is an un-discharged insolvent, or has at an time been adjudged an insolvent; or,
  - (b) suspends, or has at any time suspended payment to his creditors, or makes or has at any time made a composition with them;
  - (c) is, or has at any time been convicted by a Court of an offence involving moral turpitude.

#### **AUTOMATIC CESSATION OF MANAGING / WHOLE TIME DIRECTOR**

145. If the Managing Director/Whole time Director ceases to hold the office of Director he shall ipso facto cease to be a Managing/whole time Director.

### **PROCEEDINGS OF THE BOARD OF DIRECTORS**

#### **MEETING OF DIRECTOR**

146. The Directors may meet together as a Board from time to time, and shall so meet at least once in every three months and at least four such meetings shall be held in every year and the Directors may adjourn or otherwise regulate their meetings, as they think fit.

#### **NOTICE OF MEMBER**

147. Notice of every meeting of the Board shall be given in writing to every Director for the time being in India and at his usual address in India, to every other Director.

#### **QUORUM**

148. Subject to Section 287 of the Act, quorum for a meeting of the Board shall be one-third of its total strength (excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that one-third being rounded off as one), or two Directors whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two-third of the total strength, the number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time.

#### **ADJOURNMENT OF MEETING FOR WANT OF QUORUM**

149. If a meeting of the Board of Directors could not be held for want of quorum, then the meeting shall automatically stand adjourned to such other time and Date as may be fixed by the Chairman or the other Directors present.

#### **WHEN MEETING TO BE CONVENED**

150. A director may at any time and the Secretary or any other officer duly authorized by the Board upon the request of a Director shall convene a meeting of the Board by giving a

notice in writing to every Director for the time being in India and at his usual address in India to every other Directors.

#### **CHAIRMAN**

151. The Directors may from time to time elect from among themselves a Director to be the Chairman of the Board and determine the period for which he is to hold office as such, Chairman, if at any meeting of the Board the Chairman is not present within fifteen minutes after the time appointed for holding the same, the Managing Director, if any, and if there is no Managing Director, any other Directors chosen from amongst the Directors present shall take the Chair.

#### **QUESTIONS AT BOARD MEETING HOW DECIDED**

152. Questions arising at any meeting of the Board shall be decided by a majority of votes unless otherwise provided in the Act, and in the case of any equality of votes, the Chairman shall have a second or casting vote.

#### **POWERS OF BOARD MEETING**

153. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles of the Company are for the time being vested in or exercisable by the Board generally.

#### **DIRECTORS MAY APPOINT COMMITTEES**

154. Subject to the restrictions contained in Section 292 of the Act, the Board may delegate any of their powers to Committee of the Board consisting of such member or members of its body as it may think fit, and it may from time to time revoke and discharge any such Committee of the Board either wholly or in part and either as to purposes; but every committee of the Board so formed shall in the exercise of the powers so delegated shall conform to any regulations that from time to time be imposed on it by the Board All acts done by any such Committee of the Board in conformity with such regulations and in fulfilment of the purpose of appointment but not otherwise, their shall have the like force and effect as if done by the Board.

#### **MEETING OF COMMITTEE, HOW TO BE GOVERNED**

155. The meetings and proceedings of any such Committee of the Board shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable there to and are not superseded by any regulations made by the Directors under the last proceedings Article.

#### **RESOLUTION BY CIRCULAR**

156. Subject to Section 289 of the Act, no resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or to all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee as the case may be), and to all other Directors or members of the Committee, at their usual address in India and has been approved by such of the Directors or members of the Committee as are then in India, or by a majority of such of them, as are entitled to vote on the resolution.

#### **MINUTES OF PROCEEDINGS OF MEETING OF THE BOARD**

157. (a) The Company shall cause minutes of all proceedings of every meeting of the Board or Committee thereof to be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for the purpose with their pages consecutively numbered.
- (b) Each page of every such book shall be initialled or signed and the last page of the record of proceedings on each meeting in such book be dated and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
- (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (e) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (f) The minutes shall also contain :-
- (i) the names of the Directors present at the meeting, and



- (ii) in the case of each resolution the names of the directors if any dissenting from, or not concurring in the resolution.
- (g) Nothing contained in sub-clauses (1) to (6) shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the meetings:
  - (i) is, or could reasonable be regarded as defamatory of any person;
  - (ii) is irrelevant or immaterial to the proceedings; or
  - (iii) is detrimental to the interest of the Company.
  - (iv) The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in this sub-clause.
- (h) Minutes of meetings kept in accordance with the aforesaid provisions shall be evidence of the proceedings recorded therein.

## **POWERS OF DIRECTORS**

158. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act or any other Act, or by the Memorandum or by the Articles of the Company, required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting; but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made; provided that the powers specified in Section 292 of the Act, shall be exercised with the consent of the Company in General Meeting provided further that the powers specified in section 292 of the Act, shall subject to these Articles, be exercised only at meetings of the Board, unless the same be delegated to the extent therein stated.

## **CERTAIN POWERS OF THE BOARD**

159. Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restriction contained in the last preceding Article it is hereby declared that the Directors shall have the following powers, that is to say powers:
- (a) To pay and charge to the Capital account of the account of the Company and commission of interest lawfully payable thereon under the provisions of Section 76 and 209 of the Act.
  - (b) Subject to Section 292 of the Act to purchase or otherwise acquire for the company and property, right of privileges which the company is authorized to acquire at or for such price of consideration and generally on such terms and conditions as they may think fit, and in any such purchase or other acquisition to accept such title and the Director may believe or may advised to be reasonably satisfactory.
  - (c) At their discretion and subject to the provisions of the Act to pay for any property, right or privileges acquired by or services rendered to the Company either wholly or partly, in case or in shares, bonds debentures, mortgages, or other securities of the company or by a mortgage on any of the Company's property and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the company and its uncalled capital or not so charged.
  - (d) To secure the fulfillment of any contracts or engagements entered into by the company by mortgage or charge of all or any of the property of the company and its uncalled capital for the time being or in such manner as they may think fit.
  - (e) Subject to the provisions of the Act, to appoint any person (whether incorporated or not) to accept and hold in trust for the Company any property belonging to the Company, or in which it is interested or for any other purpose and to execute and do all such deeds and things as may be required in relation to any such trust and to provide for the remuneration to such trustees.
  - (f) To institute, conduct defend compound or abandon any action, suit or legal proceedings by or against the Company or Officers or otherwise, concerning the affairs of the Company, and also to compound and allow time for payment or

satisfaction of the debts due, and of any claims or demands by or against the Company and to refer any differences to arbitration and to observe and perform any awards made thereon.

- (g) To act on behalf of the Company in all matters relating to bankrupts and insolvents.
- (h) To make and give receipts, releases and other discharges for moneys payable to or for goods or property belonging to the Company and for the claims and demands of the Company.
- (i) Subject to the provisions of Section 292, 293, 295, 370 and 372 of the Act to make advances and loans with or without security as they may think proper and to take security for already existing debts and to invest and deal with any moneys of the company upon such investment (not being shares of the Company), and in such manner as they may think fit, and from time to time to vary or realize such investment such as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
- (j) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability, whether as principal or surety, for the benefit of the Company, such mortgages charge or security over or affecting the whole or any part of the Company's property (present and future) as they think fit, and any such mortgage or charge may contain a power of sale, and such other powers, covenants, and provisions and agreements as shall be agreed upon.
- (k) To determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend, warrants, releases, contracts and documents and to give necessary authority for such purpose.
- (l) To distribute by way of bonus among the staff of the company such sums as in Law may be required to be distributed or as may be considered expedient by the Board and to give to any officer or other person employed by the Company a commission by on the profits (computed in accordance with Section 349 and 350 of the Act) of any particular business or transaction; and to charge such bonus or commission as part of the working expenses of the Company.
- (m) To open, establish any branch office, sub-office in India or abroad for the purpose of the business of the Company.
- (n) Subject to the provisions of Section 372 of the Act, to incorporate, subscribe and purchase and participate in the share capital of the company, body corporate firm in India or abroad and to nominate any one or other persons either from amongst themselves or otherwise to represent the Company's interest on, the Board and/or Management Committee of such company, body corporate or firm.
- (o) To enter partnership, whether in India or abroad, with any body corporate, firm or other person to carry on any of the business, authorized by the Memorandum.
- (p) To negotiate, sell, purchase technical know-how and to collaborate in any manner whatsoever in India or abroad, so as to do any business authorized by the Memorandum.
- (q) To revalue the Company's assets (movable and immovable) i.e. land, buildings, premises, plant and machinery, patent, rights, goodwill, leases and other assets from time to time as they may consider proper and to utilize appreciation in such manner save and except by way of distribution of dividend till such appreciation is realized on sale of any or all of such assets, as the Directors may think proper in the interest of the Company.
- (r) To insure against fire or other loss or other accident, all or any of the properties of the Company as the Directors may from time to time, think fit but it is hereby declared that the Directors unless specifically enjoined by any resolution of the shareholders which may from time to time be passed so to do, shall not be under obligation to insure any property of the Company.

- (s) From time to time to extend the business and undertaking of the Company by adding to alter in or enlarging all or any of the buildings, property plant and machinery for the time being the property of or in the possession of the Company or by purchasing or otherwise acquiring any other buildings property, plant and machinery or by erecting new or additional buildings and to expend such sums of moneys for the purpose aforesaid or any of them as may be thought necessarily or expedient.
- (t) To undertake on behalf of the Company the payment of all rents and performance of all covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions and otherwise acquire the freehold or free simple of all or any of the lands of the Company for the time being held under lease or for an estate other than a freehold estate.
- (u) To improve, manage, develop, lease, sell, resell and purchase, dispose of, deal with or otherwise turn to account any property, (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.
- (v) To open account with any bank or banks or with any Company, firm or individual for the purpose of the Company's business and to pay moneys in to and draw moneys from any such account from time to time as the Directors may think fit.
- (w) To appoint and nominate any person or persons to act as proxy or proxies for the purpose of attending or voting on behalf of the Company at a meeting of any Company's or association.
- (x) Subject to Section 294 of the Act to appoint purchasing and selling agent for the purchase and sale of company's requirement and products respectively.
- (y) Subject to section 293(1) (e) of the Act to give away in charity money received from any sources whatever or from any assets of the Company for any charitable purposes.
- (z) To provide for the welfare of the employees or ex-employees of the Company and the wives, widows and families or the dependants or connections of such persons by building or contributing to the building of houses, dwellings or chawls, or by grants of money, pension, gratuities allowances, bonus or other payments, or by creating and from time to time subscribing or contributing to provident and other association institution funds or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendances and other assistance as the Board shall think fit, and to subscribe or contribute or other to assist or to guarantee money to charitable benevolent, religion, scientific, national or other institutions or object which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation of public and general utility or otherwise and for the purposes to set aside, as the Directors may think fit, such portion of the profit of the Company before recommending any dividend to form a fund.
- (aa) Before recommending any dividend to set aside, out of the profits of the Company such sums as they may think proper for depreciation or to Depreciation Fund subject to the provisions of Section 205 of the Act, or to Insurance fund or as a Reserve Fund or Sinking Fund or any special Fund to meet contingencies or to repay debentures or debenture stock, or for dividend on preference shares, if any, or special dividend or bonus or for equalizing dividends or for repairing improving, extending, and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause) as the Board may, in their absolute- discretion, think conducive to the interest of the Company, and subject to the Section 292 of the Act, to invest the several sums so set aside or so much thereof required to be invested, upon such investments (other than shares of the company) as they may think fit, and from time to time to deal with on very such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Board in their absolute discretion think conducive to the interest of the Company, notwithstanding that the matter to which the Board apply or upon which they expend the same or

any part thereof, might rightly be applied or expended; and to divide the reserve Fund into such special funds as the Board may think fit, with full power to transfer the whole or any portion of a Reserve Fund or division of a Reserve Fund to another Reserve Fund or division of a Reserve Fund and with full power of employ the assets constituting all or any of the above funds, including the Depreciation Fund in the business of the Company or in the purchase or repayment of debentures or debenture stock, and without being bound to keep the same separate from other assets and without being bound to pay interest on the same with power however to the Board at their discretion to pay or allow to the credit of such funds interest as such rate as the Board may think proper, not exceeding Nine percent per annum.

- (bb) To appoint and at their discretion remove or suspend such managers, secretaries, experts, engineers, accountants, agents, sub-agents, bankers, brokers, mukadams, solicitors, officers, assistants, supervisors, clerks, servants and other employees on permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties and fix their salaries, wages or emoluments or remuneration, and to require security in such instances and for amount as they may think fit and also from time to time provide for management and conduct of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit, and to insure and arrange for guarantee for fidelity of any employee of the Company and to pay such premium on any place of guarantee as may from time to time be payable.
- (cc) From time to time and any time to establish any Local Board for managing of the affairs of the Company in any specified locality in India or elsewhere and appoint any persons to be Members of such Local Board, and to fix their remuneration and subject to Section 292 of the Act from time to time, and at any time to delegate to any person so appointed any of the Board other than their power to make calls, issue debentures and investment in share in other bodies corporate, and to authorise the Members for the time being of any such Local Board, or any of them to fill up any vacancies there and to act notwithstanding vacancies; and may such appointment of delegation may be made on such terms and subject to such conditions as the Board may think fit, and the Board may at any time remove any person so appointed and may annual or vary any such delegation.
- (dd) At any time from time to time by Power of Attorney under the seal of the Company to appoint any person or persons to be the Attorney or Attorney's of the Company, for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls, issue debentures and invest in shares in other bodies, corporates, and excluding also except in their limits authorized by the Board the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit. And any such appointment may (if the Board think fit) be made in favour of the Members or any of the Members of any local Board established as aforesaid or in favour of any company of the shareholders, directors, nominees or managers of any company or firm or otherwise, in favour of any fictitious body of persons whether nominated directly or indirectly by the Board and any such power of Attorney may contain such power for the protection or convenience of persons dealing with such attorneys as the Board may think fit, and contain powers enabling any such delegates or Attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.
- (ee) Subject to Section 294, 297 and 300 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind any vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.
- (ff) From time to time to make, vary and repeal, bye-laws for the regulation of the business of the company, its officers and servants.
- (gg) To re-imburse expenses by way of Preliminary or otherwise incurred in connection with the formation, incorporation and so whether of prior incorporation or after incorporation. The Promoters/Directors or any other person authorized by the Board.

## **PROHIBITION OF SIMULTANEOUS APPOINTMENT OF DIFFERENT CATEGORIES OF MANAGERIAL PERSONNEL**

160. The Company shall not subject to Section 197A of the Act, at the same time appoint more than one of following categories of managerial personnel, namely:
- (a) Managing Director, and
  - (b) Manager.

## **THE SECRETARY**

### **SECRETARY**

161. The director may, from time to time, appoint and at their discretion remove any individual, as Secretary to perform and functions, which by the Act are to be performed by the Secretary, and to execute any other purely ministerial or administrative duties which may from time to time be assigned to the Secretary.

## **THE SEAL**

### **THE SEAL AND ITS CUSTODY**

162. (a) The Board shall provide a Common Seal for the purposes 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 Board shall provide for the safe custody of the seal for the time being and the seal shall never be used except by the authority of the Board or a Committee of a Board previously given.
- (b) The Company shall also be at liberty to have an official seal in accordance with Section 50 of the Act, for use in any territory, district or place outside India.

### **SEAL HOW TO USE**

163. Every Deed or other instrument, to which the seal of the Company is required to be affixed, shall unless the same is executed by a duly constituted Attorney be signed by one Director and countersigned by another Director or the Secretary or some other person appointed by the Board for the purpose. However the share certificate shall be sealed and signed in accordance with Rule 6 of the companies issue of share certificate Rules, 1960.

## **DIVIDEND**

### **DIVISION OF PROFITS**

164. The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the proportion of these Articles, shall be divisible among the members in proper time to the Amount of the capital paid up on the shares held by them respectively.

### **THE COMPANY IN GENERAL MEETING MAY DECLARE DIVIDEND**

165. Subject to the provisions of Section 205 of the Companies Act, 1956, the Company in General Meeting may declare dividends to be paid to Members according to their respective rights but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

### **DIVIDENDS ONLY TO BE PAID OUT OF PROFITS**

166. No dividend shall be declared or paid otherwise than out of profits of the financial year or any other undistributed profit of the Company arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act.

### **INTERIM DIVIDEND**

167. The Board may, from time to time pay the members such interim dividend as in their judgement the position of the company justifies.

### **CAPITAL PAID UP IN ADVANCE AT INTEREST NOT TO EARN DIVIDEND**

168. Where capital is paid in advance of calls the same shall not while carrying interest confer a right to participate in profit.

### **DIVIDENDS IN PROPORTION TO AMOUNT PAID-UP**

169. The Company shall pay dividends in proportion to the amount paid up or credited as paid up on each share, where a larger amount is paid up or credited or paid up on some shares than on others.

#### **RETENTION OF DIVIDENDS UNTIL COMPLETION OF TRANSFER UNDER ARTICLES 65**

170. The Board may retain the dividends payable upon shares in respect of which any person is under Article 65 entitled to become a Member or which any person under the Article is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.

#### **DIVIDENDS ETC. TO JOINT-HOLDER**

171. Any one of several persons who are registered as the joint holders of a share may give effectual receipts for all dividends or bonus & payment on account of dividends or bonus or other moneys payable in respect of such shares.

#### **NO MEMBER TO RECEIVE DIVIDENDS WHILE INDEBTED TO THE COMPANY AND COMPANY RIGHT OF REIMBURSEMENT THERE OF**

172. No member shall be entitled to receive payment of any interest in dividend in respect of his shares while any money may be due of owing from him to the company in respect of such share or shares otherwise howsoever, either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.

#### **TRANSFER MUST BE REGISTERED TO PASS RIGHT TO DIVIDEND**

173. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

#### **DIVIDENDS HOW REMITTED**

174. Unless otherwise directed any dividend may be paid by Cheque or warrant or by pay-slips or receipt having the force of a cheque or warrant sent through the post to the registered address of the Member or person entitled or in case of joint-holders to that one of them first named in the Register in respect of the joint-holding, every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or payslip or receipt lost in transit or for any dividend lost to the Member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any pay-slip or receipt or the fraudulent recovery of the dividend by any other means. If two or more persons are registered as joint holders of any shares, any one of them can give effectual receipt for any moneys payable in respect thereof.

#### **UNCLAIM DIVIDEND**

175. No unclaimed or unpaid dividend shall be forfeited by the Board and the provisions of section 205A and 205B of the Companies Act, 1956 shall apply for dividends unpaid or unclaimed.

#### **NO INTEREST ON DIVIDEND**

176. No unpaid dividend shall bear interest as against the Company.

#### **DIVIDEND AND CALL TOGETHER**

177. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividends; and the dividend may, if so arranged between the Company and the members, be set off against the calls.

#### **CAPITALISATION**

178. (a) The Company in General Meeting may upon the recommendations of the Board, resolve that any moneys, investments or other assets forming part of the undivided profits of the company standing to the credit of the Reserve Fund or any Capital Redemption Reserve Fund, or in the hand of the Company and available for dividend for representing premium received on the issue of Shares, Debentures or Debenture stock and standing to the credit of the Share or Debenture Premium Account be capitalized and distributed amongst such of the Shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such shareholders paying up in full either at part or at such Premium as the resolution may provide, and on issued shares of the Company which shall be distributed accordingly or into towards payment of the uncalled liability on any issued shares and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in

the said capitalized sum provided that a Share or Debenture Premium Account and a Capital Redemption Reserve Fund may, for the purpose of this Article, only be appointed In the paying up of un issued shares to be issued to Members of the Company as fully paid bonus shares.

- (b) A General Meeting may, upon the recommendation of the Board resolve that any surplus money arising from the realisation of any capital assets of the company, or any investment representing the same, or any other undistributed profits of the Company not subjected to charge for income-tax, be distributed among the Members on the footing that they received the same as capital.
- (c) For the purpose of giving effect to any resolution under the different paragraphs of this Article the Board may settle any difficulty which may arise in regards to the distribution as they think expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and generally may make such arrangement for the acceptance, allotment and sale of such share or fractional certificate or otherwise as they may thinks fit and may make cash payment so any holder of shares on the footing of the value so fixed in order to adjust rights and may vest any shares, cash or specific assets trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Board.

## **ACCOUNTS**

### **DIRECTORS TO KEEP TRUE ACCOUNTS**

179. The Company shall keep at the office or at such other place in India as the Board thinks fit proper books of account in accordance with Section 209 of the Act with respect to:

- (a) All sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place,
- (b) All sales and purchase of goods by the Company.
- (c) The assets and liabilities of the Company.
- (d) Such particulars as are required by section 209 (d) of the Act where the Board decides to keep all or any of the books of account at any place other than office of the Company, the Company shall within seven days of the decision, file with the Registrar a notice in writing giving the full address of that other places.

The Company shall preserve in good order the books of account together with the voucher relevant to any entry in such books of account relating to a period of not less than eight years proceeding the current year.

When the Company has a branch office, whether in or outside India the Company shall be deemed to in have complied with this Article if proper books of account relating to the transactions effected at the branch office are kept at the branch office and proper summarized returns made up-to-date at intervals of not more than three months are sent by the branch office to the Company at the Registered office or other place in India, at which the Company's Books of Account are kept as aforesaid. The Books of Account shall give a true and fair view of the state of the affairs of the Company or branch office, as the case may be, and explain its transactions and shall be open to inspection by any Director during business hours.

### **STATEMENT OF ACCOUNTS TO BE FURNISHED TO GENERAL MEETING**

180. The Directors shall, from time to time, in accordance with Sections 210, 211, 212, 215, 216 and 217 of the Act, cause to be prepared and to be laid before the Company in General Meeting such Balance Sheet, Profit and Loss Account and Reports as are required by these Sections.

### **MEMBERS ETC. ENTITLED TO RECEIVE BALANCE SHEET**

181. A copy of every such Profit and Loss Account, Balance Sheet (including Auditor's Report and every other document required by law to be annexed or attached to the Balance Sheet), shall at least twenty-one days before the Meeting at which the same are to be laid before the Members, be sent to the Members of the Company and all persons entitled to receive notice of General Meeting of the Company.

182. The Books of account and other books and papers of every company shall be open to inspection during business hours:
- (i) by the Registrar or
  - (ii) by such officer of government as may be authorised by the central government in behalf.

Provided that such inspection may be made without giving any previous notice to the company or any office thereof.

## **AUDIT**

### **ACCOUNTS TO BE AUDITED**

183. Auditors shall be appointed and their rights and duties regulated in accordance with Section 224 to 231 of the Act.

### **REGISTERS, BOOKS, AND DOCUMENTS**

184. I. The Company shall maintain Registers, Books and Documents as required by the Act or these Articles including the following namely:
- (a) Register of investment held in Company's name according to Section 49 of the act.
  - (b) Register of Mortgages, Debentures and Charges according to Section 143 of the Act.
  - (c) Register of Members and an Index of Members according to Section 150 and 151 of the Act.
  - (d) Register and Index of Debenture-holders according to Section 152 of the Act.
  - (e) Register of Contracts, Companies and Firms in which Directors are interested according to Section 301 of the Act and shall enter therein the relevant particulars contained in Section 297 and 299 of the Act.
  - (f) Register of Directors and Managing Director according to Section 303 of the Act.
  - (g) Register of Share-holding and Debenture-holding of Directors according to Section 307 of the Act.
  - (h) Register of investment in shares or Debentures of the corporate bodies according to Section 372 of the Act.
  - (i) Copies of instruments creating any charge requiring registration according to Section 136 of the Act.
  - (j) Copies of Annual Returns reported under Section 159 of the act, together with the copies of certificate required under section 161 of the Act.
  - (k) Register of Renewed and Duplicate Certificates according to Rule 7(2) of the Companies (Issue of Share Certificates) Rules 1960.
- II. The said Registers, Books and Debentures shall be maintained in conformity with the applicable provisions of the Act and shall be kept open for inspection by such persons as may be entitled thereto respectively, under such Act on such days and during such business-hours as may, in that behalf be determined in accordance with the provisions entitled thereto in accordance with the provision of the Act of these Articles.

### **SERVICE OF DOCUMENTS & NOTICE ON MEMBERS BY COMPANY**

- III. The Company may keep a Foreign Register of Members in accordance with Section 157 and 158 of the Act subject to the provisions of Sections 157 and 158 the Directors may from time to time make such provisions as they may think fit in respect of the keeping of such Branch Registers of Members and/or Debenture-holders.

### **DOCUMENTS AND NOTICES**

185. a) A document or notice may be served or given by the Company on any member either personally or by sending it by post to his registered address or (if he has no registered address in India) to the address, if any, in India supplied by him to the Company for serving documents or notices on him.
- b) Where a document or notice is sent by post, service of the document or notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document or notice provided that where a member has intimated to the Company in advance that documents or notices should be sent to him under a certificate of posting or by registered post, with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document or notice shall not be deemed to be effected



unless it is sent in the manner intimated by the member; and unless the contrary is proved, such services shall be deemed to have been effected in the case of a notice of meeting, at the expiration of forty-eight hours after the letter containing the document or notice is posted and in any other case, at the time at which the letter would be delivered in the ordinary course of post.

#### **BY ADVERTISEMENT**

186. A document or notice advertised in a newspaper circulating in the neighbourhood of the Registered Office shall be deemed to be fully served or sent on the day on which the advertisement appears on or to every member who has no registered address in India and has not supplied to the Company an address within India for the serving of documents of the sending of notices to him.
187. A document of notice may be served or given by the Company on or to the joint-holders of a share by serving the document or notice on or to the joint-holder named first in the Register of Members in respect of the share.

#### **ON PERSONAL REPRESENTATIVES ETC.**

188. A document or notice may be served or given by the Company on or to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name or by the title of representative of the deceased, or assignee of the insolvent or by any like description, at the address (if any) in India supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been supplied) by serving the document or notice in any manner in which the same might have been given, if the death or insolvency had not occurred.

#### **TO WHOM DOCUMENT OR NOTICE MUST BE SERVED OR GIVEN**

189. Documents or notices of every General Meeting shall be served or given in the same manner as herein before authorized on or to;
- every member
  - every person entitled to a share in consequence of the death or insolvency of a Member, and
  - the auditor or auditors for the time being of the Company.

#### **MEMBERS BOUND BY DOCUMENTS OR NOTICES SERVED ON OR GIVEN TO PREVIOUS HOLDERS**

190. Every person who, by operation of law, transfer or other means whatsoever, shall become entitled to any share, shall be bound by every document or notice in respect of such share, which previously to his name and address being entered on the Register of Members, shall have been duly served on or given to the persons from whom he derives his title to such share.

#### **DOCUMENT OR NOTICE BY COMPANY AND SIGNATURE THERETO**

191. Any document or notice to be served or given by the Company may be signed by a Director, secretary or such person duly authorized by the Board of Directors for such purpose and the signature thereto may be written, printed or lithographed.

#### **SERVICE OF DOCUMENT OR NOTICE BY MEMBER**

192. All documents or notice to be served or given to the members on or to the Company or any Officer thereof shall be served or given by sending into the Company or Officer at the Registered Office of the Company by post under a Certificate of posting or by registered post, or by leaving it at the Registered Office.

#### **AUTHENTICATION OF DOCUMENTS AND PROCEEDINGS**

193. Such as otherwise expressly provided in the Act or these Articles, a document or proceeding requiring authentication by the Company may be signed by a Director, the Managing Director or an authorized officer of the Company and need not be under its seal.

### **WINDING UP**

#### **PREFERENCE SHARE TO RANK IN PRIORITY**

194. On winding up, Preference Shares will rank as regard capital in priority to equity shares, to the extent of the paid up value of the said shares, but to no other rights of participation in its assets.

## **HOW SURPLUS ASSETS ARE TO BE DISTRIBUTED**

195. (a) If the surplus assets shall not be sufficient to repay the whole of the paid up Capital such surplus assets shall be distributed subject to special preferential rights of the preference shareholders, if any, so that the losses shall be borne by the members as nearly may be in proportion to the capital paid up or which ought to have been paid up on the shares held by them respectively at the commencement of the winding up. But this clause is to be without prejudice to the rights of the holders of shares issued on special conditions.
- (b) If upon the winding up of the company, the surplus shall be more than sufficient to repay the whole of the paid up capital the excess shall be distributed among the members subject to special preferential right of the preference share holders in respect of capital as well as cumulative dividend, but to no other right of participation in the assets; in proportion to the capital paid or which ought to have been paid on the share held by them respectively at the commencement of the winding up other than amounts paid in advance of calls.

## **DISTRIBUTION OF ASSETS IN SPECIE**

196. The liquidator on any winding up (either voluntary under supervision, or compulsory) may, with the sanction of special resolution, divide among the contributories in specie any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributions as the liquidators with the like sanction shall think fit in accordance with the provisions of the statute.

## **POWER OF LIQUIDATOR**

197. Any such liquidator may irrespective of powers conferred upon him by the Act, and as an additional power with the authority of a special resolution, sell the undertaking of the company or the whole or any part of its assets for, shares fully or partly paid up or the obligations of or the other interest in any other Company and may by the Contract of sale, agree for the allotment to the members direct of the proceeds of sale in their respective interest in the Company and in case of shares of this Company shall be in different classes, may arrange for the allotment in respect of Preference Shares, of the Company, or obligations of the purchasing company or of shares of the purchasing company with preference or priority over or with a large amount paid up than the shares allotted in respect of Equity Shares of the Company and may further by the contract, limited a time at the expiration of which shares, obligations or other interest not accepted or required to be sold, shall be deemed to have been refused and be at the disposal of the liquidator.

## **INDEMNITY**

198. Subject to the provisions of the Act every Director, Auditor, Manager, Secretary and other officer shall be indemnified by the Company from all losses and expenses incurred by them respectively in or about the discharge of their respective duties, except such as may happen from their own respective willful acts and defaults. Every Director, Manager or officer of the Company or any person (whether an officer of the Company or not) employed by the Company as an Auditor, shall be indemnified out of the funds of the Company against all liabilities incurred by him as such Director, Manager or Officer or Auditor in defending any proceedings whether Civil or Criminal in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 633 of the Act in which relief is granted to him by the Court.

## **INDIVIDUAL RESPONSIBILITIES OF DIRECTORS**

199. Subject to the provisions of Section 201 of the companies Act, no Director, Auditor or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer, or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors, for or on behalf of the Company or for the insufficiency or deficiency or of any security in or upon which any of the money of the Company shall be invested or for any loss & damage arising from the bankruptcy, insolvency or tortuous act of any person with whom any money securities or effects shall be deposited or for any loss occasioned by every error or judgement, omission, default or oversight on his part or for any other loss, damage or misfortune, whatever, which shall happen in relation to the execution of the duties of his officer or in relation thereto unless the same shall happen through his own dishonesty.

**SECRECY CLAUSE**

200. No member shall be entitled to visit or inspect any work of the Company without permission of the Directors or to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret mystery of trade of secret process or which may relate to the conduct of the business of the Company and which in the opinion of the Director, will be inexpedient in the interest of the member of the Company to communicate to the public.

**SECRECY**

201. Every Director, Manager, Auditor, treasurer, trustee, member of a Committee, Officer, servant, agent accountant or other person employed in the business of the Company, shall, if so required by the Directors before entering upon the duties sign a declaration pledging himself to observe a strict secrecy respecting all transactions and affairs of the Company with customers, and the state of the accounts with individuals and in matters thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties, except when required to do so by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these present contained.

## **SECTION X**

### **OTHER INFORMATION**

#### **i. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following Contracts (not being contracts entered into in the ordinary course of business carried on by Gulshan Sugars and Chemicals Ltd. or entered into more than two years before the date of this Prospectus) which are or may be deemed material contracts have been entered into or to be entered into by the Company. These Contracts, copies of which have been attached to the copy of this Prospectus, shall be delivered to the Registrar of Companies, Uttar Pradesh & Uttaranchal, Kanpur, for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of Gulshan Sugars and Chemicals Ltd. at G-81, Preet Vihar, Delhi – 110 092 between 11.00 a.m. to 5.00 p.m. on any working day from the date of the Prospectus till the Closing Date of the Issue.

#### **Material Contracts**

- i. Memorandum of Understanding dated May 24, 2006 entered into by the Issuer Company with SREI Capital Markets Ltd., to act as Lead Manager to the Issue.
- ii. Letter of Appointment GSCL/DEL/06 dated January 23, 2006 from the Issuer Company appointing SREI Capital Markets Limited as Lead Manager to the Issue.
- iii. Memorandum of Understanding dated May 25, 2006 entered into by the Issuer Company with Bigshare Services Pvt. Limited, to act as Registrar to the Issue.
- iv. Letter of Appointment dated May 25, 2006 from the Issuer Company appointing Bigshare Services Pvt. Limited as Registrar to the Issue.
- v. Engagement Letter dated April 15, 2006 to M/s Little & Company (now Fox Mandal Little w.e.f 1.5.2006), appointing them as Legal Advisor to the Issue.
- vi. Tripartite Agreement dated December 13, 2000 between the Company, NSDL and Alankit Assignments Limited, the Registrar to the Company.
- vii. Tripartite Agreement dated October 12, 2000 between the Company, CDSL and Alankit Assignments Limited, the Registrar to the Company.
- viii. Contract/Order confirmation No. 40622 dated November 10, 2005 between IVA Industrieberatung GmbH, Germany and Gulshan Sugars & Chemicals Limited for supply of technology, equipments, design and drawings, project management and consultancy by IBG.
- ix. Contract/Order confirmation No. 40622A dated December 27, 2005.
- x. Contract/Order confirmation No. 10615 dated November 10, 2005 between IVA Industrieberatung GmbH, Germany and Gulshan Sugars & Chemicals Limited for project management work.
- xi. Agreement dated February 18, 2005 between Gulshan Sugars & Chemicals Ltd. and Alankit Assignments Ltd., to act as Registrar and Share Transfer Agent to the Company.
- xii. Underwriting agreement dated November 3<sup>rd</sup>, 2006 between the Company and SREI Capital Markets Limited
- xiii. Underwriting agreement dated November 3<sup>rd</sup>, 2006 between the Company and Inter Corporate Financiers & Consultants Ltd.
- xiv. Underwriting agreement dated November 3<sup>rd</sup>, 2006 between the Company and Religare Securities Limited

#### **Documents for Inspection**

- i. Memorandum and Articles of Association of Gulshan Sugars and Chemicals Ltd., as amended from time to time.
- ii. Certificate of Incorporation dated May 23, 1980.
- iii. Fresh Certificate of Incorporation dated March 18, 1986 consequent upon change of name from Gulshan Sugars and Chemicals Private Limited to Gulshan Sugars and Chemicals Limited.
- iv. Resolution Passed by the Board of Directors at their meeting held on January 20, 2006 for the proposed Public Issue.

- v. Special Resolution passed by the shareholders of the Company at the EGM held on March 6, 2006, pursuant to Section 81 (1A) of the Companies Act, 1956.
- vi. In-principle listing applications dated June 5, 2006 submitted on June 9, 2006 filed with BSE and NSE, the letter of withdrawal from NSE, dated August 14, 2006.
- vii. Copies of Audited Financial Results of Gulshan Sugars and Chemicals Ltd. for the years ended 31st March 2002, 2003, 2004, 2005, 2006, and for the quarter ended 30<sup>th</sup> June, 2006.
- viii. Auditor's Report on the Restated financial statements of the Company dated October 3, 2006 and included in the Prospectus.
- ix. Sanction letters received.
- x. Consents of the Directors, Company Secretary & Compliance Officer, Auditors, Lead Manager, Registrar to the Issue, Bankers to the Issue, Bankers to the Company, and Legal Advisor to the Issue, as referred to, to act in their respective capacities.
- xi. Tax Benefit Certificate dated October 27, 2006 from M/s Shahid & Associates, Statutory Auditors of the Company.
- xii. Copy of the Auditors Certificate dated October 3, 2006 from M/s Shahid & Associates, Chartered Accountants regarding the Sources and Deployment of Funds as on September 28, 2006.
- xiii. Copies of the Resolutions passed at the Annual General Meeting of the shareholders held on September 27, 2005 confirming the appointment of Mr. Ashwani Kumar Vats as Executive Director, and of September 29, 2004 confirming the appointment of Dr. Chandra Kumar Jain as Managing Director and Mr. A.K. Maheshwari as Whole Time Director, and copies of the Resolutions passed at the Board of Directors meeting held on July 31, 2006 revising the remuneration of Mr. A.K. Maheshwari and Mr. Ashwani Kumar Vats.
- xiv. Copies of listing applications made to BSE and NSE for permission to list the Equity Shares offered through this Prospectus and for an official quotation of the Equity Shares of the Company.
- xv. Term Loan sanction letter no. 1530/PFD dated 23.3.2005 from the Industrial Development Bank of India granting approval of financial assistance of Rs. 5 crores.
- xvi. Term Loan sanction letter no. 4565/PFD dated 30.7.2002 from the Industrial Development Bank of India granting approval of financial assistance of Rs. 6 crores.
- xvii. Term Loan sanction letter no. IDBI/NBO/CFD-II/GSCL/479 dated 31.1.2006 from the Industrial Development Bank of India granting in-principle approval of financial assistance of Rs. 8 crores.
- xviii. Copies of Quotations obtained for purchase of Plant & Machineries.
- xix. In-principle listing approvals from BSE vide its letter no. DCS/SG/SM/2006 dated July 26, 2006.
- xx. General Power of Attorney dated May 13, 2006 executed by Mr. Ishwar Chand Agarwal, Dr. Chandra Kumar Jain, Mrs. Mridula Jain, Mr. Ashwani Kumar Vats, Directors; and June 5, 2006 executed by Mr. Mukul Maheshwari, Director, in favour of Mr. A.K. Maheshwari for signing and making necessary changes in the Prospectus.
- xxi. Legal Advisor's Certificate dated June 5, 2006 related to the Draft Prospectus, and the Final Certificate dated October 27, 2006 on the Prospectus.
- xxii. Due Diligence Certificate dated June 5, 2006 and November 6, 2006 to SEBI from SREI Capital Markets Ltd.
- xxiii. SEBI Observation Letter no. CFD/DIL/ISSUES/PB/SR/76399/2006 dated September 11, 2006.
- xxiv. Reply to SEBI's observations vide letter dated November 1, 2006.
- xxv. Resolution of the Members of the Company passed at the AGM held on September 27, 2005 appointing M/s Shahid & Associates, Chartered Accountants, Muzaffarnagar, as statutory auditors.
- xxvi. Copies of form along with relevant resolutions regarding increase in the Authorised Share Capital.
- xxvii. Copy of the Board Resolution approving this Prospectus.
- xxviii. Extracts of industry information used in this Prospectus.

- xxix. Legal Opinion of Mr. V. Lakshmi Kumaran, Advocate, Lakshmi Kumaran and Sridharan, New Delhi dated March 22, 2006.
- xxx. Merchant Appraisal Report of Industrial Development Bank of India Limited (IDBI) dated March 2, 2006; and consent letter of IDBI to use their name in the Prospectus as an Appraising Entity and also to use the extracts of their Appraisal Report.
- xxxi. Letter no. N.B.O/C.F.D.II/78 dated October 13, 2006 from Industrial Development Bank of India Limited (IDBI) according its approval for change in scope of the project and consequent revision in cost of project and means of finance, also a no-objection for the company raising additional funds for its long term working requirement.
- xxxii. Stock Exchange Quotations of BSE.
- xxxiii. Copies of letters and e-mail dated 12.6.2006, 21.6.2006, and 28.6.2006 from Mr. Anil Jindal; and all replies thereto dated 13.6.2006, 17.6.2006, 27.6.2006, and 8.7.2006 of the Company (through their legal advisors) to Mr. Anil Jindal; and the letter dated 17.8.2006 of the Lead Manager addressed to SEBI.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## **ii. 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 Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures made in this Prospectus are true and correct.

### **SIGNED BY ALL THE DIRECTORS**

Mr. Ishwar Chand Agarwal, *Chairman* \*

Dr. Chandra Kumar Jain, *Managing Director* \*

Mrs. Mridula Jain, *Director* \*

Mr. A.K. Maheshwari, *Director (Finance) & Company Secretary*

Mr. Ashwani Kumar Vats, *Executive Director* \*

Mr. Mukul Maheswari, *Director* \*

\* Signed through duly constituted Power of Attorney holder Mr. A.K. Maheshwari

Signed by Mr. A.K. Maheshwari, Director (Finance) & Company Secretary

Place: New Delhi

Date: November 06, 2006