

RED HERRING PROSPECTUS

Please read Section 60B of the Companies Act, 1956

Dated November 02, 2005

100% Book Building Issue**AIA ENGINEERING LIMITED**

(Incorporated on March 11, 1991 as Magotteaux India Pvt Ltd at Ahmedabad, Gujarat under the Companies Act, 1956. For details of incorporation, change in name and status, please refer to the chapter on History and Other Corporate Matters)

Registered Office: 115, G.V.M.M Estate, Odhav Road, Ahmedabad- 382410, Gujarat, India

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Public Issue of 47,00,000 equity shares of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. [●] (hereinafter referred to as the "Issue"). The Issue would constitute 26.44 % of the fully diluted post issue paid-up capital of the Company.

The face value of the equity shares is Rs. 10 each and the issue price is 27.5 times of the face value at the lower end of the price band and 31.5 times of the face value at the higher end of the price band.

Employee Reservation 1,88,000 equity shares. Net offer to the public shall be 45,12,000 equity shares

PRICE BAND: RS. 275 TO RS. 315 PER EQUITY SHARE OF RS. 10 EACH.

The Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net offer to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs") (including 5% of the QIB portion that would be specifically reserved for Mutual Funds. Further, not less than 15% of the Net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net offer to the public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first Issue of the Equity Shares of AIA Engineering Limited (the "Company"), there has been no formal market for the Equity Shares of the Company. The face value of the shares is Rs.10 and the issue price is [●] times of the face value. The Issue Price (as determined by the Company in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares issued in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the statements in Risk Factors beginning on page no.II of this Red Herring Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares issued through this Red Herring Prospectus are proposed to be listed on The Bombay Stock Exchange Limited and National Stock Exchange of India Limited. We have received in-principle approval from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated October 20, 2005 and October 17, 2005 respectively. The National Stock Exchange is proposed to be the Designated Stock Exchange.

**BOOK RUNNING LEAD MANAGER****SBI CAPITAL MARKETS LIMITED**

202, Maker Tower 'E' Cuffe Parade,

Mumbai - 400 005

Tel: +91 - 22 - 2218 9166

Fax: +91 - 22 - 2218 8332

Email: aia.ipo@sbicaps.com

**REGISTRAR TO THE ISSUE****INTIME SPECTRUM REGISTRY LIMITED**

C-13, Pannalal Silk Mills Compound,

Kantilal Maganlal Industrial Estate

L.B.S. Marg, Bhandup (West), Mumbai - 400 078

Tel: 91-22- 25923837, Fax. 91-22-25672693

Email: isrl@vsnl.com

ISSUE PROGRAMME

BID / ISSUE OPENS ON	November 17,	2005
BID / ISSUE CLOSSES ON	November 22,	2005

TABLE OF CONTENTS

DEFINITIONS AND ABBREVIATIONS	a
GENERAL TERMS	a
CERTAIN CONVENTIONS; USE OF MARKET DATA	g
FORWARD-LOOKING STATEMENTS	h
RISK FACTORS	i
SUMMARY	xiv
THE OFFER	xviii
SELECTED CONSOLIDATED FINANCIAL DATA (AS PER INDIAN GAAP)	1
GENERAL INFORMATION	3
CAPITAL STRUCTURE OF OUR COMPANY	10
OBJECTS OF ISSUE	20
TERMS OF THE ISSUE	26
BASIS OF ISSUE PRICE	28
STATEMENT OF TAX BENEFITS	30
INDUSTRY OVERVIEW	36
BUSINESS OVERVIEW	41
HISTORY AND CORPORATE STRUCTURE	54
MANAGEMENT	61
KEY MANAGERIAL PERSONNEL	67
PROMOTER	69
DIVIDEND POLICY	70
AUDITOR'S REPORT	71
FINANCIALS OF GROUP COMPANIES	105
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (AS PER INDIAN GAAP)	111
LEGAL & OTHER INFORMATION	130
REGULATORY APPROVALS	157
OTHER REGULATORY & STATUTORY DISCLOSURES	161
OFFERING INFORMATION	168
ISSUE PROCEDURE	170
MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION	189
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS	208
DECLARATION	209

DEFINITIONS AND ABBREVIATIONS

GENERAL TERMS

Term	Description
“AIA” or “the Company” or “our Company” or AIA Engineering “ or “AIA Engineering Limited” or “we” or “us” or “our” or “Company”	Unless the context otherwise requires, refers to, AIA Engineering Limited, a public limited company incorporated under the provisions of the Companies Act, 1956 with its registered office at 115, G.V.M.M Estate, Odhav Road, Ahmedabad- 382410, Gujarat, India
Board of Directors	The Board of Directors of the Company or a committee thereof
Articles / Articles of Association / AoA	Articles of Association of the Company
Companies Act	The Companies Act, 1956, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
Financial Year/Fiscal/FY	Period of twelve months ended March 31of that particular year
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
Group	Includes AIA Engineering Ltd & its subsidiary companies namely Welcast Steels Ltd (WSL), Reclamation Welding. Ltd, Paramount Centrispun Castings Pvt. Ltd., Vega Industries (Middle East) F.Z.E., Vega Industries Ltd, U.K., Vega Industries Inc, USA, Vega Industries (Canada) Inc.
I.T. Act	The Income-Tax Act, 1961, as amended from time to time
Non Resident	A person who is not a NRI, FII or a person resident in India
NRI / Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time

Issue Related Terms

Term	Description
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Amounts that may already have been paid by such Bidder. Allotment Issue or transfer, as the context requires, of the Equity Shares pursuant to the Offer to the successful Bidders.
Allotment	Unless the context otherwise requires, issue of equity shares pursuant to this Issue
Allottee	The successful Bidder to whom the Equity Shares are being / or have been issued or transferred
Auditors	The statutory auditors of the Company: M/s Talati & Talati, Chartered Accountants
Banker(s) to the Issue	State Bank of India, HDFC Bank Ltd, ICICI Bank Ltd & Standard Chartered Bank Ltd



Term	Description
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date / Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for allotment of the Equity Shares in terms of this Red Herring Prospectus
Bid Opening Date / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLMs	Book Running Lead Managers to the Issue, in this case being SBICAPS and ENAM
BSE	The Bombay Stock Exchange Ltd
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Compliance Officer	In this case being Mr S.N. Jetheliya, our Company Secretary
Cut-off price	Cut-off refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful bidders
Designated Stock Exchange	Designated Stock Exchange shall mean NSE
Director(s)	Director(s) of the Company unless otherwise specified
Draft Red Herring Prospectus	Means the Draft Red Herring Prospectus filed with SEBI on September 19, 2005
EGM	Extraordinary General Meeting of the Company
Equity Shares	Equity shares of the Company of face value of Rs.10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheque or draft in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The Banks at which the Escrow Account of the Company will be opened. In this case being State Bank of India, HDFC Bank Ltd, ICICI Bank Ltd & Standard Chartered Bank Ltd
Face Value	Face Value of equity shares of our Company being Rs. 10 each
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form

Term	Description
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
Indian GAAP	Generally accepted accounting principles in India
Issue/Offer	The fresh issue of 47,00,000 new Equity Shares of Rs.10/- each at the Issue Price by the Company under this Red Herring Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLMs on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Memorandum / Memorandum of Association / MoA	The Memorandum of Association of the Company
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders and who have bid for Equity Shares for an amount more than Rs.100,000.
Non Institutional Portion	The portion of the Issue being a minimum of 6,76,800 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders ¹
NSE	National Stock Exchange of India Ltd.
Net Offer/ Net Issue	Shared offered through this issue less allocation to employee.
Pay-in Date	The last date specified in the CAN sent to Bidders.
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date
Permanent Employees	Permanent Employees of our Company and our Indian subsidiaries viz. Reclamation Welding Limited and Paramount Centrispumn Castings Limited, as on September 15, 2005
Price Band	Being the price band of a minimum price (Floor Price) of Rs. 275 and the maximum price (Cap Price) of Rs. 315 and includes revisions thereof.
Promoter	Mr. Bhadresh K Shah
Pricing Date	The date on which the Company in consultation with the BRLMs finalizes the Issue Price
Prospectus	The Prospectus, filed with the RoC containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with IRDA, provident funds and pension funds with a minimum corpus of Rs 250 mn.
QIB Portion	The portion of the Net Issue to public upto 22,56,000 Equity Shares of Rs.10 each available for allocation to QIB's of which 1,12,800 Equity Shares shall be available for allocation to Mutual Funds.



Term	Description
Red Herring Prospectus / RHP	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Offer. The Red Herring Prospectus will be filed with the RoC at least three days before the opening of the Offer and will become a Prospectus after filing with RoC after the pricing and allocation.
Registered Office of the Company	Registered Office of our Company situated at 115, G.V.M.M Estate, Odhav Road, Ahmedabad- 382410, Gujarat, India
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Ltd having its registered office as indicated on the cover page of this Red Herring Prospectus
Retail Bidders/ Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than or equal to Rs. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being minimum of 15,79,200 Equity Shares of Rs.10 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RoC	Registrar of Companies, Gujarat, Dadra & Nagar Haveli located at Ahmedabad.
Stock Exchanges	BSE and NSE
Syndicate/ Members of the syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into between the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs. In this case being ENAM Securities Pvt Ltd
TRS or Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and Syndicate Members
Underwriting Agreement	The Agreement among the Underwriters and the Company to be entered into on or after the Pricing Date

Abbreviations

Abbreviation	Full Form
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AGM	Annual General Meeting
CAGR	Compounded Annual Growth Rate
CE Mills	Combustion Engineering Vertical Mills (also known as Raymond Mills)
CDSL	Central Depository Services (India) Limited
DEPB	Duty Entitlement Pass Book
D/E Ratio	Debt Equity Ratio
DP	Depository Participant
ENAM	Enam Financial Consultants Private Limited
EBDITA	Earnings Before Depreciation, Interest, Tax and Amortization
ESOP	Employee Stock Option Plan
ESPS	Employee Stock Purchase Scheme
EPS	Earnings Per Equity Share
FCNR Account	Foreign Currency Non Resident Account
FI	Financial Institutions
FY / Fiscal	Financial year ending March 31
GIR Number	General Index Registry Number

Gol	Government of India
HUF	Hindu Undivided Family
INR/ Rs.	Indian National Rupee
IPO	Initial Public Offering
IT	Information Technology
IIT	Indian Institute of Technology
Kgs.	Kilogram
KVA	Kilo Volt Ampere
MI	Maggoteaux Industries S.A, Belgium.
Mtrs, mts	Meter
MT	Metric Tonne
Mn	Rs in Millions
Mm	Millimeter
MoU	Memorandum of Understanding
MPSP	Mill Plant Super Performance
MW	Mega Watt
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depositories Limited
NAV	Net Asset Value
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
RoC	Registrar of Companies, Gujarat , Dadra and Nagar Haveli , at Ahmedabad
RoNW	Return on Net Worth
RWL	Reclamation Welding Pvt. Ltd.
SBICAPS	SBI Capital Markets Limited
SEB	State Electricity Board
TPA	Tonnes per Annum
USD/\$/US\$	United States Dollar
VCF	Venture Capital Funds
VSMS	Vertical Spindle Mill Spares

Glossary of Certain Industry, Technical and Financial terms

Term	Description
Airport ring assembly	Fabricated assembly mounted at the periphery of tables of vertical mills which allows hot air to be introduced in the vertical mill in controlled fashion
Ball Mill / Tube Mill	A tubular mill rotating around its axis in horizontal direction and using high chromium iron balls for crushing the charge
Benefication	Crushing & Separating the ore by several techniques
Blow bars	Castings of rectangular shape used in special type of crushers like Hazemag crushers
Bullring segments	Wear resistant high chromium iron castings used as table liners in CE mills
Centrifugal castings-bi metallic rolls	Grinding rolls used in Raymond mills, manufactured using centrifugal casting process
Castings	General nomenclature of cast articles
Chrome Castings	High chromium iron parts used for wear resistance applications



Classifying liners	Liners employed in the second compartment of a tube mill used for cement grinding
Complete Solutions	Includes study of the application, design of parts, selection of metallurgy, supervision of installation, fine tuning of grinding mill and ball charge management.
Crusher Parts	Spare parts for crushers used in mineral crushing
Dipping tubes	Consumable parts produced with heat resistant cast steel material fitted in preheaters
E Mill	Special type of vertical mills having top and bottom race and having spherical hollow balls as grinding elements
Grinding Media	Spherical balls normally in the size range of 15 to 100 mm used for grinding minerals in tube mills
Hardness	Property of metallic material. Higher hardness signifies improved wear resistance.
Hammers	Wearing parts in a special type of crusher
Fettling and cleaning	Finishing of castings using grinding operations
Grates & Back Plates	Wear resistant parts lining the structure which separates different compartments of a tube mill
Grinding Elements	Wearing parts of vertical and tube mills
Hallow Ball	Grinding element of an E-mill
Head / Inlet Shell Liners	Special type of liners used for lining normally dished ends of tube mills
High Performance Classifier	Specially designed fabricated structure mounted on the top of vertical mills, which separates coarse and fine material. Coarse particles are returned back to the mill and fine are sent for further process
Intermediate diaphragm	Fabricated structure lined with grates and back plates separating different compartment of a tube mill
Liners	Wear resistant replaceable parts used for lining tube mills and tables/rolls of vertical mills
Lower cyclones	Parts of preheater
Martenstic steels for blow bars	When martensitic steels are employed to produce these parts, such blow bars have been proved to give better performance than conventional materials.
Magotteaux, Belgium	Magotteaux International S.A., Belgium (erstwhile equity shareholder of AIA)
Mill Audit	
Monometal Rolls / Inserted Rolls	Wearing part in a vertical mill
NOX & SOX	Nitrogen and Sulphur gas emissions from the power plant chimney
OEMs	Original Equipment Manufacturer
Pre-heater Parts	Spare parts for limestone pre-heater in cement plants
Raymond mills	Special type of vertical mill used mainly in thermal power stations in India
Resin bonded sand system	Moulding operations in a foundry are carried out using sand. In order that sand retains a particular shape binders have to be used. Resins are one of the binder systems used in foundries
Retrofitting	Improvements carried out in tube mills and vertical mills by modifying designs and metallurgy of mill internals
Sintercast-11 solutions	Specially designed composite castings for vertical mill parts
Tables and rollers	Wearing parts of a vertical mill
Vertical Mill	A mill having two or more rolls rotating around vertical axis on a table lined with wear resistant parts e.g. Atox, Polysius, Loesche, MPS, Rymond Mills, E-Mills etc are special types of vertical mills
Wear rate	Normally refers to grinding media and is reported as consumption of grinding media in grams per ton

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in the Auditors Report under the Red Herring Prospectus. Unless stated otherwise, references to financial information is to the financial information under Indian GAAP. Our fiscal year commences on April 1 and ends on March 31. In this Red Herring 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 Red Herring Prospectus are to the Republic of India, all references to the "US" or the "U.S." or the "USA", or the "United States" are to the United States of America, and all references to "UK" are to the United Kingdom.

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. For additional definitions, please see "Definitions and Abbreviations" on page 'a'.

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



FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus which contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements".

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

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



RISK FACTORS

The risk factors are as envisaged by the management of the Company along with the proposals to address the risk, if any. Wherever possible, the financial impact of the risk factors has been quantified.

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

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Red Herring Prospectus, including financial statements included in this Draft Red Herring Prospectus beginning on page 71. Unless stated otherwise, the financial data in this section is as per our financial statements prepared in accordance with Indian GAAP.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Materiality

The risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

- a) Some events may not be material individually but may be found material collectively.
- b) Some events may have material impact qualitatively instead of quantitatively.
- c) Some events may not be material at present but may be having material impacts in future.

Internal Risk Factors

Our inability to manage growth may lead to loss of opportunities and may hamper our future growth plans.

Our revenue grew at a rate of 34.92% in FY 2005 over FY 2004, which is substantially more than the growth we have experienced in the preceding years. While we have been able to successfully execute our business strategy in the past, the same may not hold true in future. We may be subject to growth-related risks including capacity constraints and pressure on internal systems and controls. Our inability to deal with this growth could have a material adverse impact on our business, operations and prospects. In order to manage our current operations and any future growth effectively, we will need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain our employees. There can be no assurance that we will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that we will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth. Any failure on our part to scale up our infrastructure and management to meet the challenges of rapid growth could cause disruptions to our business and could be detrimental to our long-term business prospects .

We are present in several countries through our various subsidiaries. In case of adverse international business environment in those countries our business may suffer adversely.

We have presence in several countries, including United States, Canada, U.K., UAE and Australia, through our subsidiaries located in these countries on which we depend entirely for our exports . Our future revenue growth depends upon the successful continued expansion of our sales, marketing, support and service teams in various countries around the world where our current or potential customers are located. Due to the global nature of our operations, we are affected by various factors inherent in international business activities like political stability, economic stability, our understanding of the local business policies & practices, restrictions on repatriation of earnings, tariffs and restrictions on trade, multiple or overlapping tax structures etc. One or more risks could have a material adverse effect on our business, financial condition and results of operations.

An increase in the prices of raw materials will raise our manufacturing costs and could adversely affect our profitability.

Our basic raw materials are mild steel, scrap and ferro chrome, which constitute almost 40% of our overall cost. Prices of steel scrap are subject to volatility for various reasons including international supply shortages. Any abrupt or large-scale escalation in the prices of the raw materials can adversely affect our profits, in case we are unable to pass on to them to our customers. Besides, continued shortage of domestic/imported raw materials may adversely affect our growth prospects.

In the event of changes in Government regulations on pollution related matters, we may incur additional cost in complying with the same, which may in turn affect our profitability.

We produce value-added impact, abrasion and corrosion resistant high chrome castings, which cause some amount of air pollution and solid waste discharge. Most of our production facilities are situated on the city outskirts in G.V.M.M. Estate, Odhav, Ahmedabad. With rapid urbanization and spread of human habitation nearer to our production facilities, pollution control norms / regulatory stipulations not applicable to us at present may be required to be adhered to in future. This may result in increased cost of compliance with the said norms / stipulations and adversely affect our profitability.

We are dependent upon the expertise of our promoters, key management and technical personnel for the future performance of the Company. We may be adversely affected if the Company for any reason is unable to avail of their expertise.

We are dependent on the experience and the continued efforts of our promoter who has been associated with our company since inception. Our future performance may be affected in the absence of the services of our promoter who is involved in our day-to-day activities in his capacity as the Managing Director. Besides, our key managerial and technical personnel comprises of experienced people from varied back-grounds like engineering, metallurgical, design competence, process know-how, marketing, etc., who are well qualified in their respective fields and are crucial to the successful functioning of our business. Our ability to grow depends largely on our ability to attract, retain, train, motivate and retain such highly skilled personnel. In the event of one or more members of our team being unable or unwilling to continue in their present positions, we may find it difficult to find suitable replacements and as a result our business could be adversely affected.

In terms of the settlement reached on the techno-commercial joint venture with M/s Magotteaux International S.A., Belgium, there are certain restrictions on the use of technology sourced from them earlier. In the event such conditions are breached, we may not be able to use the same technology or may incur additional cost for its use.

We had entered into a techno-commercial joint venture with M/s Magotteaux International S.A., Belgium, in 1991, which agreement ended with effect from 16th March 2000 with the signing of a Settlement Deed. This Deed places certain restrictions on the use of Magotteaux's technology by us. As per this Deed, as long as Mr. B.K.Shah owns effective majority control of the Companies, such companies including AIAE, shall have the right to use in India (including exports) the know-how acquired by the Companies without any payments of any fees or royalty, but without claiming any proprietary rights in the industrial property comprised in the same. The restrictions placed may have an adverse impact on the company in the event of succession in terms of royalty payment. It may also restrict our ability to enter into strategic partnerships where the Promoter is required to cede the control over management and thereby hamper our growth prospects.

Our operations could be seriously affected in case of industrial unrest at any of our plants.

We have production facilities located at 5 locations employing 483 workers. In case of industrial unrest and / or disruption in the day-to-day functioning of our units we may face disruption in our production and consequent financial losses. Further, our facilities have high to very high requirement of day/contract labour We source our labour requirement locally as well as from other areas in the state. An increase in labour costs may adversely affect our profitability.



The cost estimates for the proposed expansion plan are based on the management's own estimates and no project appraisal has been carried out by an independent external agency. Besides, we are yet to place orders for machineries or enter into any definitive agreements for planned investments to utilize the proceeds of the proposed issue.

A substantial part of the amount raised from the proposed issue, inter-alia, is proposed to be utilized for setting up a greenfield facility for manufacture of high chrome mill internals at Changodar, Village Moriya, District Ahmedabad. The cost estimates for the new manufacturing plant has not been appraised by any independent external agency, instead the same has been arrived at by us internally based upon our past experience in running such plants. Similarly, while we have finalized the list of plant and machinery, including the machineries to be imported, we are yet to place orders for them. To that extent we are open to the risk of escalation in the cost of the project. Besides, the estimates for the enhanced working capital requirements are also based on our own assessment and have not been separately appraised by any Bank, which may undergo changes later.

A part of the issue proceeds is for General Corporate Purposes which would be decided in due course. Deployment / investment plan in respect of the funds raised in excess of the project requirement till they are deployed for corporate purposes is yet to be decided.

We are yet to receive approval from the Gujarat Pollution Control Board for the proposed project at Changodar and are yet to make applications in connection with required statutory and/or regulatory approvals. We may face delay in implementation of the project in case the same is delayed or not granted.

We have already been accorded permission by Gujarat Pollution Control Board to start our fabrication and machine shop at Changodar. For the casting facility, the environmental impact study has been completed by our consultant and further steps for obtaining No Objection Certificate from the appropriate authorities for pollution control and other clearances have been initiated by us. In case of delay in receipt of the same, the project implementation may be delayed. Further, we have not yet applied for approvals from other relevant statutory and regulatory authorities. Failure or delay in obtaining the same may adversely affect the implementation of the project.

Our product designs / brand name / logo are not protected by Intellectual Property Rights. Any misuse of the same may result in loss of business for us.

Our design blue prints / brand name / logo are not protected by intellectual property rights. We have applied for patents for five different products. Four applications were made in 2002 and one in 2005. Till such time these patent applications are approved and registered in our favour, we will have only restricted legal recourse against any unauthorized use of the same. Further, we have not applied for registration of any of its trademarks, which may lead to unauthorized use of our trademarks, by persons including our competitors. Any misuse on account of these may result in dilution of brand value and loss of business for us. Further, other than as mentioned above we have not applied for any form of Intellectual Property protection.

We may suffer losses on account of replacement of supplied products in case they fail to perform for the minimum duration guaranteed by us or performance financial guarantees given by us are invoked by our customers.

We guarantee the performance of our products; in terms of number of hours or in terms of wear rate in grams per tonne of product ground; to some of our domestic/overseas clients. We may have to incur pecuniary liability in case the actual guaranteed performance of the products is not commensurate to the guaranteed performance.

Our products may face severe competition both in the domestic as well as in the overseas market, which may limit our growth prospects. Besides, any radical change in crushing / grinding media technology or process in the user industries could result into loss of market for our products.

We operate in a competitive environment. Some of the factors affecting our competitive environment are the reliability and quality of our products, technology, scope and quality of services etc. We may face competition in the major industry segments which we cater to, viz. cement, utilities and thermal power, from new and existing players. Our competitors may be able to understand the application requirements better than us and / or react faster to customer requirements in the future. We may also face competition arising from newer technology / automation leading to newer and more efficient products. This may lead to the erosion of our market share and will directly affect our

AIA ENGINEERING LIMITED

performance. Further any radical technology change in the crushing/grinding process in cement/utility/mining industry may affect the demand for our products.

We are heavily dependent upon the growth prospects of the industries, which consume our products. Any slowdown in the rate of growth of these industries would seriously impact our own growth prospects and decline in profits.

The products manufactured by us find application in industries such as: cement, mining and power utilities. The growth rate in these industries is crucial for our growth. The major demand for our products arises primarily due to maintenance requirement of these user industries. While recently all these user industries are witnessing robust growth, any downward trend in any of these industries can affect our turnover and profitability.

We have seven group companies controlled by our promoter, Mr Bhadresh K Shah. As some of them are engaged in the similar line of activity there could be conflict of interest between our company with these group companies.

The details of our group companies are as follows :

Name	Business Activity
Centricast Enterprises Pvt Ltd	The business and manufacturing facilities have been taken over by AIA Engineering with effect from January 1, 2005.
Keyur Financial Services Pvt Ltd	The company is in the business of financial services.
Vrindavan Alloys Pvt. Ltd	The company earns rent out of the properties owned in Mumbai and Ahmedabad. Investments in equity shares of Welcast Steels Ltd have been transferred in favour of AIA Engineering Ltd
Paramkrupa Trading Pvt. Ltd	The main business of the company is Trading in Alloys Steels Castings. Investments in equity shares of Welcast Steels Ltd have been transferred in favour of AIA Engineering Ltd
Shivashish Trading Pvt. Ltd	The main business of the company is Trading in Alloys Steels Castings. Investments in equity shares of Welcast Steels Ltd have been transferred in favour of AIA Engineering Ltd
Raghvendra Trading Pvt. Ltd	The main business of the company is Trading in Alloys Steels Castings. Investments in equity shares of Welcast Steels Ltd have been transferred in favour of AIA Engineering Ltd
Lovekush Trading Pvt. Ltd	The main business of the company is Trading in Alloys Steels Castings. Investments in equity shares of Welcast Steels Ltd have been transferred in favour of AIA Engineering Ltd
Kishankrupa Trading Pvt. Ltd	The main business of the company is Trading in Alloys Steels Castings. Investments in equity shares of Welcast Steels Ltd have been transferred in favour of AIA Engineering Ltd

The total income of the above companies (excluding Centricast Enterprises Pvt Ltd and Vrindavan Alloys Pvt Ltd.) for the year ending March 2005 is less than Rs 0.40 million.

In case of delay in remittance of sale proceeds by our overseas subsidiaries to us, we may face liquidity problems.

While we extend credit of 150 to 180 days to our overseas subsidiaries; the payments are received on an average of 90 to 100 days. However, in the event that the payments are delayed due to unforeseen circumstances we may face liquidity problems, which may result into additional cost for us.



M/s Welcast Steels Ltd has recently become our subsidiary, and our profitability based on consolidated financials will show a decline

We recently converted M/s Welcast Steels Ltd, a listed company wherein our promoters holds a controlling stake, into one of our subsidiaries. During FY 2005, the consolidated sales and net profit of AIA Engineering Ltd were Rs 3022.57 mn and Rs 268.94 mn respectively, and that of Welcast Steels Ltd were Rs 882.15 mn and Rs 18.57 mn respectively. Post conversion of Welcast Steels as the subsidiary, the consolidated financial statement would show a decline in overall profitability to that extent.

Cases filed by, and against the Company, its subsidiaries, Promoter and group companies

Litigation against the Promoter Director

There is a criminal contempt of court case pending against the Promoter in his capacity as a Director of the Company for disobeying a court order to reinstate a casual worker.

Litigation against the Company

a) Criminal Proceedings

There is a criminal contempt of court case filed by the government against the Company and its Director for disobeying a court order to reinstate a casual worker.

b) Tax Proceedings

The Company has sought a refund of Rs. 3,462 from the income tax department.

c) Service Tax

The Company has received three show cause notices in relation to the payment of service tax aggregating Rs. 42,20,326.

d) Excise Proceedings

- 1) The Company has received 22 show cause notices for the payment of excise duty aggregating Rs.14,00,229.46 with interest and penalty as applicable.
- 2) The Company has three excise appeals filed against it pending before the CESTAT with claims aggregating Rs. 36,12,702 with interest and penalty as applicable.

e) Civil Proceedings

(i) Labour related

The Company has 12 labour related cases pending against it, before the Labour Court for reinstatement of workers, and for claims aggregating Rs. 13,01,825.

(ii) Suit for damages

There is claim against the company for the payment of Rs. Rs. 2, 63, 00, 000 as damages for the loss of goodwill as a result of a previous case filed against the plaintiff by the Company.

(iii) Motor Accidents Compensation

There is a petition filed against the Company for the payment of. Rs.1,50,000 as compensation for an accident involving a vehicle belonging to the Company.

Litigation by the Company

a) Sales Tax

The Company has preferred three sales tax appeals before the Gujarat Sales Tax Tribunal in respect of claims aggregating Rs. 3,97,191 and applicable interest.

AIA ENGINEERING LIMITED

b) Excise Proceedings

The Company has five excise appeals pending before the CESTAT and the Commissioner (Appeals), Central Excise in relation to the claims aggregating Rs. 39,17,786, with applicable interest and penalty amounts.

c) Civil Proceedings

(i) Intellectual Property

The Company has initiated proceedings against M/s Balaji Industrial Products, Jaipur in the Gujarat High Court for copying its industrial designs.

(ii) Other

The Company has filed a suit in the civil court challenging the notice issued by the Ahmedabad Municipal Corporation to the Company for the demolition of its sheds in various plots.

Summary of Litigations with respect to AIA Engineering Ltd

(Amount in Rs)

Nature of the case	Against the company	By the Company
Service Tax	NIL	
Excise	41,88,712	39,17,786
Sales Tax	NIL	3,97,191
Civil Proceedings	40,81,925	NIL

The Company has received show causes notices for the demand of sums aggregating Rs. 56,20,555.46. The Company has sought a refund of Rs.3,462 from the Income Tax Department.

Litigation Involving the Subsidiaries

Reclamation Welding Ltd. (“RWL”)

a) Excise Proceedings

- 1) RWL has received a show cause notice in relation to the reversal of modvat credit of Rs. 59,021 with interest as applicable.
- 2) RWL has preferred an appeal to the Customs Excise and Service Tax Appellate Tribunal (“CESTAT”) in relation payment of excise duty of Rs. 28,91,240 with interest as applicable.

b) Civil Proceedings

Labour Proceedings

- 1) There is a case filed against RWL pending before the Labour Court involving a claim of Rs.62,790.
- 2) The ESI Corporation has filed a case against RWL in relation to payment of Rs.1,16,103 as production incentive to employees.

Paramount Centrispun Castings Ltd. (“PCCL”)

a) Excise Proceedings

- 1) PCCL has received a show cause notice in relation to payment of duty amounting to Rs.1,16,016.
- 2) PCCL has preferred an appeal to the CESTAT in relation to a claim of Rs. 50,000 with interest as applicable.



b) Civil Proceedings

Consumer Disputes

A complaint has been filed against PCCL in the District Consumer Dispute Redressal Forum, Chattisgarh claiming payment of Rs. 1,92,000 as refund by PCCL.

Litigation Involving Promoter Group Companies

Welcast Steels Ltd. (“WSL”)

a) Criminal Proceedings

There are two criminal cases against WSL pending before the Additional Chief Metropolitan Magistrate, Bangalore in relation to an industrial accident.

b) Income Tax Proceedings

- 1) The income tax department has filed an appeal against WSL in the High Court of Judicature at Bangalore in relation to a claim of Rs. 1,23,761.
- 2) WSL has preferred an appeal to the Income Tax Appellate Tribunal, Bangalore against the income tax department in relation to a demand of Rs.15,55,936.

c) Excise Proceedings

WSL has received a show cause notice for the reversal of excess credit of Rs.40,583 availed by it.

(Amount in Rs)

S.No	Nature of the case	Against the Subsidiaries	By the Subsidiaries
1	Income Tax	1,23,761	15,55,936
2	Service Tax	Nil	Nil
3	Excise	Nil	29,41,240
4	Sales Tax	Nil	Nil
5	Civil Proceedings	3,70,893	Nil

The subsidiaries of the Company have received show cause notices in respect of demands aggregating a sum of Rs. 2,15,620

Litigation Involving Promoter Group Companies

Keyur Financial Services Limited (“KFSL”)

Income Tax Demands

The Income Tax Officer has demanded interest of Rs.73,251 from KFSL on the non-payment of a demand of Rs. 5,80,164. There is a demand of income tax of Rs. Rs. 7,80,569 issued to the Company by the Tax Recovery Officer, Ahmedabad.

Greycast Foundry Works (“GCFW”)

a) Criminal Proceedings

The Government Factory Inspector has initiated proceedings against GCFW on the grounds of non-issue of identity cards and leave cards etc. to contract labourers.

b) Excise Proceedings

- 1) GCFW has received a show cause notice in relation to the reversal of modvat credit of Rs.6,31,091 availed by GCFW.

AIA ENGINEERING LIMITED

2) There is one appeal against GCFW pending before the CESTAT in relation to a claim of Rs. Rs.5,03,230.

c) Labour related

There are eight complaints involving GCFW pending in the Labour Court for reinstatement of workers and for claims aggregating Rs. 9,73,713.

Centricast Enterprises Private Limited (“CEPL”)

a) Excise Proceedings

CEPL has received a show cause notice in relation to the reversal of modvat credit of Rs.2,94,392 availed by CEPL.

b) Labour related

There are six complaints involving CEPL pending in the Labour Court for reinstatement of workers and for claims aggregating Rs. 22,61,073.

We had outstanding contingent liabilities amounting to Rs.183.88 mn as on 31st March 2005. Our profitability will be adversely affected in case we are called upon to make payment for the same.

We have certain contingent liabilities in respect of claims of statutory dues of Income Tax / Excise Duty and Service Tax aggregating to Rs 9.49 mn which have not been provided for. These represent disputes related to, excise duty pending with the Excise Duty Appellate Tribunal and Excise Duty Commissioner amounting to Rs 1,27,72,356 mn , Letter of Credit Amounting to 17,156,661 and Bank Guarantee amounting to 15,39,51,030. In case the decisions are granted against us we may be required to make payment for the same.

(Amount in Rs)

S.No	Nature of the case	Against the group companies	By the group companies
1	Criminal	10,000	Nil
2	Income Tax	Nil	Nil
3	Service Tax	Nil	Nil
4	Excise	7,97,622	
5	Sales Tax	Nil	Nil
6	Civil Proceedings	32,34,786	Nil

The group companies of our Company have received show cause notices in relation to the demand of sums aggregating Rs.14,84,911.

Our profitability could be adversely affected in case of lowering or withdrawal of export incentives by the Government.

We receive export benefits under the DEPB scheme of the Government of India. The incentives offered under this scheme have shown a declining trend over the last two years. We derived benefits amounting to Rs 56.89 mn in 2004, which subsequently declined to Rs 31.80 mn in 2005. The DEPB rates have declined from 10% to the current 3% over the last two years. This benefit may decline further or may not be available to us at all in the future. This may adversely affect our profitability.

We are subject to the restrictive loan covenants of Flís and consortium of Bankís in respect of the short and long term borrowings made from them. Some of the loan covenants may affect some or all of the rights of the shareholders.

We are subject to usual and customary restrictive covenants in agreements that we have entered into with our banks for short-term loans and long-term borrowings. Our loan agreements with IDBI and the consortium of banks led by SBI contain covenants that require us to seek the prior permission of the banks for various activities, including, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger /



amalgamation / restructuring, change in management etc. These restrictive covenants may affect some or all of the rights of our shareholders, including those mentioned on Page 104 of this Red Herring Prospectus. For the proposed public issue we have obtained No Objection Certificates from our bankers i.e. ABN Amro, IDBI and SBI vide their letter(s) dated 13.09.2005, 13.09.2005 and 12.09.2005 respectively.

Our future funds requirements, in the form of fresh issue of capital or securities and or loans taken by us, may be prejudicial to the interest of the shareholders depending upon the terms on which they are eventually raised.

We may require additional capital from time to time depending on our business needs. Any fresh issue of shares or convertible securities would dilute the shareholding of the existing shareholders and such issuance may be done on terms and conditions, which may not be favourable to the then existing shareholders

One of our overseas subsidiary company has incurred losses during the last two years.

One of our overseas subsidiaries M/s Vega Canada was incorporated during July 7, 2003 for the purpose of starting a manufacturing plant in Canada. This subsidiary has been incurring losses for the last two years. The losses were on account of consultation charges paid during the period without there being any commercial activity. The company intends to wind up this subsidiary since we no longer plan to set up a plant in Canada. For further details please refer to chapter History & Corporate Structure of the RHP.

Issue of Equity Shares in the last 12 months

We have issued Equity Shares in the last one-year to our promoters, promoter group and others. On 15th March, 2005, the Company issued bonus shares in the ratio of 4:1 to all the existing shareholders. For details please refer to the notes to the Capital Structure on Page 19 of the Red Herring Prospectus.

Our operations may be adversely affected in case of industrial accidents at any of our production facilities.

Usage of heavy machinery, lifting of materials by cranes, heating processes of the furnace etc. may result in accidents, which could cause injury to our employees / workers , other persons on the site and could also damage our properties thereby affecting our operations. Though our plants and machinery and personnel are covered under insurance, occurrence of accidents could hamper our production and consequently affect our profitability.

Any fresh issue of shares / convertible securities in future may not always be in the interest of the existing shareholders at the material time.

We are rapidly growing and may require further equity issuance to satisfy our capital needs. Any future equity offerings by us may lead to dilution of our shareholding or may affect the market price of our equity shares. The entire capital requirement of the proposed expansion plan is being raised through the Issue. However, the actual amount and timing of future capital requirements may differ from our estimates due to a variety of reasons including unforeseen delays or cost overruns, unanticipated expenses, regulatory changes, engineering design changes, technological changes, market developments or new opportunities in the industry. Our growth is dependent on having a strong balance sheet to support our activities. We may need to raise additional capital from time to time, depending on business conditions. Any fresh issue of shares / convertible securities would dilute the stake of existing holders, and such issuance may not be done on terms and conditions, which are favourable to the then existing investors or us. If we decide to raise additional funds through the incurrence of debt, the interest obligations would increase, and may be subject to additional covenants, which could limit our ability to access cash flows from the operations.

Our entire manufacturing and administrative operations are being conducted on premises which have been taken on lease. Our inability to seek renewal/extension of such lease terms may cause disruption on our operations.

All the offices/branches and manufacturing units on which we operate our business are taken on lease through leases/leave and license agreements with various third parties. We may in future also enter into such transactions with third parties. Any adverse impact on the title /ownership rights/ development rights of the landlords from whose premises we operate the offices / units breach of the contractual terms of such leave and license agreements or any inability to renew the said leases / leave and license agreements may impede our Company's effective operations.

We may face potential liabilities from lawsuits or claims by customers in the future

We may face the risk of legal proceedings and claims being brought against us by our customers for any defects in the products sold to them for which the performance guarantees are issued by us. This may result in liabilities and/or financial claims against our company as well as loss of business and reputation.

Our Promoters/ Directors may derive benefits out of their direct or indirect interest in the Company and be able to influence the outcome of actions requiring shareholder approval.

The Promoters may be deemed to be interested to the extent of shares held by the Promoter, the Promoter's friends or relatives, and benefits arising from their holding/directorship our company . Our Promoters is interested in such transactions entered into between our company and the ventures where the Promoters is interested either as a Promoter, Director, partner, proprietor or otherwise. For details please refer page 65 of the RHP. Further, after the Issue is completed, the aforementioned persons will have the ability to influence the outcome of actions requiring the approval of shareholders. The interests of our Promoter may conflict with the interest of the other investors, and investors may not agree with the way in which the Promoters his voting rights and powers. This could delay, defer or prevent a change in control of our Company, impede a merger, consolidation, take-over or other business combination involving our Company, discourage a potential acquirer from making a tender offer or otherwise attempting to obtain controlling interest.

Our future funds requirements, in the form of fresh issue of capital or securities and or loans taken by us, may be prejudicial to the interest of the shareholders depending upon the terms on which they are eventually raised.

We may require additional capital from time to time depending on our business needs. Any fresh issue of shares or convertible securities would dilute the shareholding of the existing shareholders and such issuance may be done on terms and conditions, which may not be favourable to the then existing shareholders of the Company.

Risk related to exports

In the year 2004-05, our export turnover constituted more than 42.9% of our consolidated turnover. Further, we expect enhanced growth in revenues from overseas market, and therefore any loss in the overseas market share may adversely affect our performance.

Exchange rate fluctuations may have an impact on our financial performance.

With imports, exports and foreign investments forming an integral part of our overall operations, we are exposed to exchange rate risks. Adverse movements in foreign exchange rates may impact our business, our future financial performance, and the price of our Equity Shares.

Risk in relation to the Related Party Transactions:

- a) We receive loans @10% from the our Promoter /promoter group.
- b) The details of trading transactions and job work done through the group companies and subsidiaries is detailed on page 97 of the Auditor's Report.
- c) All our exports are done through Vega industries, our overseas subsidiaries. The inability of overseas subsidiaries to market / sell our products may affect our performance. Further, any delay in the receipt of payment from Vega Industries may affect our liquidity.

Risk relating to pending pollution control approval for our subsidiary company RWL

RWL has initiated necessary steps for approval for the increase in capacity as required by the concerned pollution control authorities. However, the company is yet to receive the approval from the said authorities. Failure to get the required approval may impact the performance of the said unit and directly affect our operations..



External Risk Factors

Any changes in taxation policies by the Government may cause our business to suffer.

Statutory taxes and other levies may affect the margins in the event of Company's inability to pass on such expense to its customers. Any increase in any of these taxes or levies, or the imposition of new taxes and levies in the future, may have a material adverse impact on our business, results of operations and financial condition.

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

The Indian economy has shown sustained growth over the last few years, On June 30, 2005, estimate of GDP released by the Central Statistical Organisation (CSO) has placed the GDP growth at 6.9 per cent during 2004-05; GDP grew by 8.5% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. Industrial growth is estimated to be 8.3 per cent in 2004-05; it was 6.6% in fiscal 2004 compared with 6.2% in fiscal 2003 and 3.5% in fiscal 2002. Any slowdown in the Indian economy could adversely affect the spending capacity of our customers and could adversely affect our financial performance.

A significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and cause the price of our Equity Shares to decline.

Our assets and customers are predominantly located in India. The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. The present government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our financial performance and the price of our Equity Shares.

Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 has also adversely affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

Terrorist attack, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.

Terrorist attacks, such as the ones that occurred in London on July 7, 2005, New York and Washington, D.C. on September 11, 2001, New Delhi on December 13, 2001, Gandhinagar in Gujarat on September 24, 2002, Bali on October 12, 2002 and Mumbai on August 25, 2003 and other acts of violence or war may negatively affect the Indian markets and also adversely affect worldwide financial markets. These acts may also result in a loss of business confidence and opportunities, and ultimately adversely affect our business.

After the December 13, 2001 attack in New Delhi and a terrorist attack on May 14, 2002 in Jammu, India, diplomatic relations between India and Pakistan became strained and there was a risk of intensified tensions between the two countries accelerating. The Governments of India and Pakistan have recently been engaged in conciliatory efforts. However, any deterioration in relations between Indian and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of the Equity Shares.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Regional or international hostilities, war, terrorist attacks or other acts of violence could have a significant adverse impact on international or Indian financial markets or economic conditions or government policy. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures, and the price of our Equity Shares.

An investor may face volatility in prices or may be plagued by an inactive market for the Equity Shares.

There has been no public market for our Equity Shares and the prices of our shares may fluctuate with high volatility. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue or that the prices at which the Equity Shares are sold through this issue will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

The volatility may be on account of any of the undernoted reasons:

- Volatility in the Indian and Global securities market;
- The results of operations and performance;
- Perceptions about our Company's future performance or the performance of our end user industries including cement, power and utilities;
- Performance of our Company's competitors in the Indian forged /cast grinding media and market perception of investments in the this sector;
- Adverse media reports on our Company or on the Indian forged /cast grinding media;
- Change in the estimates of our Company's performance or recommendations by financial analysts;
- Significant development in India's economic liberalization and deregulation policies; and
- Significant development in India's fiscal and environmental regulations.

Notes To Risk Factors

1. Public issue of 47,00,000 Equity Shares of Rs. 10 each comprising employee reservation of 1,88,000 equity shares and net offer to the public of 45,12,000 Equity Shares of face value of Rs. 10 each at a price of Rs. [-] for cash aggregating Rs. [-] million (herein after referred to as "the Issue or Offer").
2. The average cost of acquisition of Equity Shares by our Promoter (Mr Bhadresh K Shah) is

No of shares acquired for cash	460,419
Total Consideration paid	1,377,5676.8
Total No of Shares held	8,527,415
Cost per share (Rs)	1.62

Mr Bhadresh K Shah (HUF)

No of shares acquired for cash	743,081
Total Consideration paid	9,599,795.2
Total No of Shares held	37,00,405
Cost per share	2.59



Bhadresh K Shah & Gita B Shah

No of shares acquired for cash	166
Total Consideration paid	1,660
Total No of Shares held	1,674
Cost per share	0.99

3. The net asset value per Equity Share as of March 31, 2005 was Rs. 54.43 per share respectively based on financial statements. The Net worth of our Company (as restated), as on March 31, 2005 and was Rs 711.72 mn.
4. Public issue of 47,00,000 Equity Shares of Rs.10 each at a price of Rs. [●] for cash aggregating Rs. [●] lakhs.
5. The Offer is being made through a 100% Book Building Process wherein not more than 50% of the Net Offer will be allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs"). Further, not less than 15% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.
6. For Related Party Transactions, please refer to the section entitled "Related party Transaction" on page 100 of this Red Herring Prospectus.
7. Investors may contact the BRLMs and the Syndicate members for any information / clarification pertaining to the Issue who will be obliged to provide the same to the investors.
8. Investors may contact the BRLMs and Syndicate Members for any complaints pertaining to the Issue.
9. Investors are advised to refer to the para titled "Basis of Issue Price" on page 28 of the Red Herring Prospectus.
10. Investors may note that in case of over subscription in the Issue, allocation shall be on proportionate basis to our Permanent Employees, Retail Bidders and Non institutional Bidders. Please refer to paragraph titled "Basis of Allotment/Allocation" on page 186 of this Red Herring Prospectus
11. The Company has issued bonus shares in the ratio of 4:1, on March 15, 2005. The number of bonus shares issued is 1,04,61,104, thereby expanding the paid-up-share capital to 1,30,76,380 shares.
12. For interest of Directors please refer page no 65.
13. For details in the change of name of the Company, please refer to the chapter History & Corporate Structure.

SUMMARY

You should read the following summary with the Risk Factors included from page numbers i to xiii and the more detailed information about us and our financial statements included in the Auditors Report of this Red Herring Prospectus.

Overview

Our company is promoted by a first generation entrepreneur Mr. Bhadresh K Shah. We are a niche player in the value added, impact, abrasion and corrosion resistant high chrome metallurgy segment. These components include products like grinding media, liners, diaphragms, vertical mill parts, etc. all manufactured in high chrome metallurgy. (Collectively referred to as "mill internals").

Our products find application in the 'crushing and grinding' operations in mills in industries like cement, utility, Mining, Quarry and other industries.

The high chrome metallurgy offers a lower wear rate, compared to conventionally used parts of manganese steel, nihard iron, hyper steel and forgings. We offer complete solutions in grinding to optimize the productivity of the grinding mills. This includes advice on the operational parameters of the mills. For example, in case of tube mills for cement plants, we advise on composition of grinding media (total tonnage, size distribution, metallurgy) and design other mill internals depending on the feed material to be ground and the desired fineness of the finished product. Additionally, we also offer services such as installation supervision and mill process optimization for maximum efficiency. Further, we offer similar services with respect to other product segments as well. This can translate into substantial savings in terms of higher output, reduced power consumption and lower maintenance costs.

We have several years of experience in supplying our products to a cross-section of industries nationally and internationally. This has been achieved through continuous research & development and product/process development activity coupled with acquiring and adapting global technologies through collaborations. Further our promoter has more than 27 years of experience in this line of business and continues to guide us in his capacity as the Managing Director of our company. We had a technical-cum-financial collaboration from 1991 to 2000 with M/s. Magotteaux, Belgium, a multinational manufacturer of high-chrome metallurgy based wear and impact resistant cast components. We have a strong in-house research and development department which we believe has helped us develop new products and applications and a distinct identity for our products. Presently, we have a technical collaboration with Southwestern Corporation UK for process improvements relating to Vertical mills.

Our products are in the nature of impact, abrasion and corrosion resistant critical components of Ball-Mills (Tube Mills) and Vertical Mills, which are integral equipments forming part of cement plants, mining plants and thermal power plants. These components include products like Grinding Media, liners, diaphragms, Vertical Mill parts, etc. all manufactured in high chrome metallurgy. (collectively referred to as "Mill Internals").

There are two types of mills used for the grinding operation: tube mills (which are horizontal) and vertical mills. The essential purpose of a mill is to grind (eg. clinker in cement mills, coal in thermal power plants or mineral ore in mines). Mill internals (grinding media, liners, etc in case of tube mills and rollers, table liners, etc in case of Vertical Mills) are used to carry out the grinding operation.

As the wear increases, the grinding operation becomes less efficient and the output reduces. Hence, controlling the "wear" rate of mill internals is very essential. High chrome mill internals manufactured by us offer reduced wear rate and a greater control on the grinding process compared to conventional alternatives like manganese steel, forged steel and nihard iron internals. In case of failure of a mill internal, the grinding process comes to a halt and eventually the production of that plant comes to a standstill. We believe that our products are critical in nature and hence perceived to be very important from the customers point-of-view.

We also manufacture wear parts related to the crushing operations.

Our products are sold to major cement players in India including ACC Limited, Gujarat Ambuja Cement Ltd., Ultra-tech Ltd., Grasim Industries Ltd., etc. In the mining segment our customers include ferrous and non-ferrous mineral beneficiation plants like Kudremukh Iron Ore Company Ltd., Hy-grade Pellets, Hindustan Zinc, Bharat Aluminium Company). In the utility segment we supply to major thermal power plants and OEMs.



We market and sell our products internationally through our subsidiaries located in U.K., U.S.A and Middle East. Our products are sold to cement manufacturers in major countries located in North and South America, Europe, Middle East, Far East and Africa. We have supply contracts, with global cement manufacturers like Holcim of Switzerland, Lafarge of France, Cemex of Mexico and commercial relationships with OEMs like FL Smidth of Denmark, etc.

Group Structure

We have three domestic subsidiary companies - viz. M/s. Reclamation Welding Private Limited (RWL) , Paramount Centrispun Private Limited (PCCL) and Welcast Steels Limited (WSL); and four wholly owned overseas subsidiaries viz. M/s. Vega Industries, (Middle East) FZE, Vega Industries, U.K., Vega Industries, Inc. USA and Vega Industries (Canada) Inc.

Our group manufacturing companies include M/s. Gray Cast Foundry Works (GCFW) and M/s. Centricast Enterprises Pvt. Ltd. (CEPL).

In terms of manufacturing facilities, our manufacturing plants and the manufacturing plants of RWL, GCFW and CEPL are located at Ahmedabad. PCCL's plant is located at Nagpur and WSL's plant is located at Bangalore.

As a measure of consolidation / re-organization of our operations, effective from January 1, 2005 we have taken over on a going concern basis the manufacturing facilities and the business of M/s. GCFW and CEPL, so as to make them our divisions. Further, effective from September 28, 2005 virtue of the acquisition of the shares held by the trading companies Kishankripa Trading Pvt. Ltd, Lovekush Trading Pvt. Ltd, Paramkripa Trading Pvt. Ltd, Shivashish Trading Pvt. Ltd and Raghavendra Trading Pvt. Ltd we have taken over WSL as our subsidiary.

OUR PERFORMANCE

Our consolidated total income and profit after tax for the six month ended September 30, 2005 was Rs. 1703.05 mn and Rs. 210.94 mn respectively as compared to a total income and profit after tax of Rs. 2936.77 mn and Rs. 268.94 mn respectively for the year ended March 31, 2005. For details on our financial statements, refer to the section Financial Information on page 71 of this prospectus.

Our consolidated income from exports (Sales achieved outside India) was Rs. 568.65 mn, Rs 694.91 mn, Rs. 1261.90 mn and Rs 751.88 mn respectively for the year ended March 31, 2003, March 31, 2004, March 31, 2005 and six month ended September 30, 2005 respectively.

As on March 31, 2005, the composition of sales outside India was as stated below. The percentage figures are the sale in a particular area as a percentage to the total sales.

Country	Sales (Rs.million)	Percentage
North America	282.73	22.44%
Europe, South America	541.23	42.88%
Middle East	128.87	10.20%
Asia Pacific	281.53	22.30%
Rest of the world (other than India)	27.54	2.18%
Total:	1261.90	100%

Competitive Strengths

We believe that we are well positioned to enhance our position as a supplier of value added, impact, abrasion and corrosion resistant high chrome mill internals, on account of our competitive strengths that include the following:

- 1. Focus on Metallurgy, research and development:** We have several years of experience in developing metallurgy based solutions for our clients. Further the promoter has more than 27 years of experience in this line of business and continues to guide us in his capacity as our Managing Director. Our R&D capabilities, experience and presence of experienced technicians enable us to test and implement new kinds of metallurgy based on the changing needs of our clients in the three major industries namely, cement, utilities and mining.

2. Comprehensive solutions based approach: Generally, high chrome metallurgy offers a lower wear rate, compared to conventionally used metallurgy. We possess the combination of the knowledge of metallurgy, grinding application and process technology. By virtue of this we have the capability to offer total solutions to the customer, which can translate into substantial savings in terms of higher output, reduced power consumption and lower maintenance costs for the customer

3. Technology,

We have developed customized designs for our products. It is our constant endeavor to strengthen and improve our own products even if it requires induction of foreign technologies. Thus, earlier we had entered into technical collaboration with M/s. Slegten S.A. of Belgium and Magotteaux, Belgium. We also had collaboration with Southwestern corporation, USA for process improvement in Vertical Mills (used for crushing raw material) from 1999 to 2002, and currently have collaboration with Southwestern Corporation, UK for process improvements in high performance classifiers, used in Vertical Mills, which expires in November 2007. Through a strong in-house research and developmental activity, we have created our own intellectual property by developing many more products / applications /solutions which are unique to us.

4. Overseas Marketing subsidiaries:

We reach out to our clients globally through our subsidiaries. We cover markets in North & South America, Europe, Middle East, Far East, Australia and Africa. Our emphasis has been to recruit local talent, wherever felt necessary to minimize the cultural differences and make sure that the acceptance is easier. Besides, the top sales managers have experience in the high chrome mill internal industry. Our sales network is established in all these markets and has built contacts, networks and goodwill across the markets and industries, which is an asset for us.

5. Services Offered:

Our objective to manufacture quality goods is matched by our commitment to provide excellent service to our customers before an order is received, after the components are supplied and during the working life of the components. Engineers of our technical services department "adopt" customers falling within their area of operation and develop a long lasting relationship. If required, they study the operational parameters of the mill, take mill measurements (if the relevant drawings are not available with the customers), suggest improvement in design, alloys etc., and offer guarantees for the mill output, power consumption and life of the components.

After the components are supplied, our installation engineers visit the sites for installing the components, start and fine-tune the mill to achieve the guaranteed production rate. The technical services engineers also visit the customers periodically to discuss with the shop floor staff and the management operational problems, if any, suggest improvements, collect feed back on the working of the components supplied by us and appraise them of any new product being developed by us.

6. Low Cost of Production:

The casting manufacturing process involves several stages. Each of the stage requires skilled resources and is labour intensive. We have the advantage of lower labour costs and availability of technically qualified manpower in India and hence is able to manufacture castings at a lower costs.

7. Quality:

The quality management systems of AIA Engineering Ltd are certified under ISO 9001:2000. We believe that we have the combination of knowledge about metallurgy, application and process, which is essential for manufacturing quality products, at a reasonable cost. We are consciously dedicating resources for quality assurance to ensure that quality norms are continually met.

8. Commercial Alliance with select OEMs and customers.

We have a commercial alliance with one of the major OEM supplier to thermal power plants across the country, whereby majority of projects commissioned are equipped with our mill internals and the future 'repetitive' spares requirement of the customer are also sourced through us.



We have supply contracts with important Cement groups like Holcim of Switzerland, Lafarge of France, Cemex of Mexico, through our overseas subsidiaries.

9. Management Depth

We are a closely held company promoted by Mr. Bhadresh Shah, a metallurgical engineer from IIT, Kanpur. He has been associated with the high chrome mill internal Industry for the last 27 years and has experience in the field of commercial issues, production and Marketing.

A team of technocrats, professionals and consultants experienced in the high chrome mill internal industry help managed our strategic intent. Biographies of the key personnel responsible for global market development (being employees of our subsidiaries) are included under Key Managerial Personnel on page 67 of this RHP.

Our Strategy

We believe that we are appropriately placed to increase our presence and market share in the global market for high chrome mill internals and wear parts, by taking advantage of in-house knowledge of high chrome metallurgy, design, process of grinding and proven capability to offer total solutions to our customers. We propose to augment our manufacturing base in India to cater to more clients globally. We have also identified substantial potential in the global cement, mining, utility and quarry industries. With augmented capacity, we aspire to be the lead player in these segments.

Our strategy is therefore:

- To tap the opportunities available in the global mining and utility segments with specific focus on the markets of North America, South America and South East Asia.
- To further consolidate our position in the cement segment in the global market.
- To maintain and further strengthen our capabilities of offering total solutions by increasing our focus on development activity.
- To focus more on strategic relationship / commercial partnerships with international groups - to gain access to newer markets.

We understand that for achieving our objectives as per the above strategy, we shall have to augment our production capacities considerably and also strengthen our global organization. As a first step, we are planning to augment our mill internal capacity in India. The details of our expansion plan are given at page 20 of the Red Herring Prospectus.

THE OFFER

Equity Shares offered:

Total Equity Shares 47,00,000 Equity Shares

Of which:

Reservation for our

Permanent employees 1,88,000 Equity Shares
(Allocation on a proportionate basis)

Therefore,

Net Offer to the Public

Equity Shares

Qualified Institutional Buyers portion Upto 22,56,000 Equity Shares
(Allocation on a proportionate basis)

Of which :

Reservation for Mutual Funds Upto 1,12,800 Equity Shares
(Allocation on a proportionate basis)

Balance for all QIBs including
Mutual Funds Upto 21,43,200 Equity Shares
(Allocation on a proportionate basis)

Non-Institutional portion At least 6,76,800 Equity Shares
(Allocation on a proportionate basis)

Retail portion At least 15,79,200 Equity Shares
(Allocation on a proportionate basis)

Under subscription if any in the reservation category shall be added back to the net offer to the public portion. Under-subscription, if any, in the Non- institutional portion, Retail Portion shall be allowed to be met with spillover from any other categories, at the sole discretion of the Company and BRLM.

Equity Shares outstanding prior to the Issue 1,30,76,380 Equity Shares

Equity Shares outstanding after the Issue 1,77,76,380 Equity Shares

Use of proceeds We intend to use the net proceeds of the issue after meeting issue related expenses.

Shortfall if any will be met out of our internal accruals. Excess if any will be utilized towards business purposes including acquisitions. Please see the section entitled "Objects of the Issue" on page 20 of this Red Herring Prospectus for additional information.

Corporate Information Our Company was incorporated on March 11, 1991 as Magotteaux (India) Pvt Ltd. The name of our company was changed to AIA Magotteaux Pvt Ltd with effect from May 11, 1992. Thereafter we became a deemed public company (under section 43A of The Companies Act 1956). Subsequently the name of our company was changed to AIA Engineering Ltd on May 2, 2000. Our company was converted to a private company and the name Private was added to our name with effect from March 1, 2001. For details on change in status of the Company please refer to History and Corporate Structure on page 54 of this Red Herring Prospectus. Our Registered Office is located at: 115, G.V.M.M Estate, Odhav Road, Ahmedabad- 382410 Tel: +91-79-22901078; Fax; +91-79-22901077; Email: ipo@aiaengineering.com; Website: www.aiaengineering.com.

SELECTED CONSOLIDATED FINANCIAL DATA (AS PER INDIAN GAAP)

Summary Of Assets And Liabilities As Restated

(Rs. in Mn)

Particulars	As on Sept 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003
Sources of Funds :				
Share Holders Funds				
Share Capital	130.76	130.76	406.90	407.16
Reserves & Surplus	1036.16	744.77	438.60	279.09
Loan Funds				
Secured Loans	642.49	427.93	192.89	151.77
Unsecured Loans	113.25	127.27	109.02	19.83
Deffered Tax Liability	28.68	24.01	20.35	19.10
TOTAL	1951.33	1454.74	1167.76	876.95
Application of Funds :				
Fixed Assets				
Goodwill	0.00	0.22	0.22	0.22
Gross Block	817.20	523.32	439.99	370.56
Less:- Depreciation	397.10	252.47	234.67	205.84
Net Block	420.10	271.07	205.54	164.94
Capital Work in progress	24.09	19.57	26.82	9.99
Investment	148.09	22.10	32.41	11.07
Deffered Tax Assets	4.52	3.08	2.31	1.81
Current Assets,Loans & Advances				
Inventories	530.64	419.55	407.52	158.64
Sundry Debtors	980.35	940.86	678.53	630.92
Cash & Bank Balances	119.39	123.39	126.65	102.98
Loans, Advances & Other Current Assets	209.06	87.54	92.20	64.41
Total Current Assets	1839.44	1571.34	1304.90	956.95
Current Liabilities & Provisions				
Liabilities	347.67	330.38	254.93	147.17
Provision	84.85	70.47	125.65	94.94
Total Current Liabilities	432.52	400.85	380.58	242.11
Net Current Assets	1406.92	1170.49	924.32	714.84
Minority Interest	-58.00	-31.82	-23.81	-25.70
Miscellaneous Expenses (To the Extent Not written off)	5.61	0.25	0.17	0.00
TOTAL	1951.33	1454.74	1167.76	876.95



Statement of Consolidated Profit & Loss as Restated

For the year ended March 31,

(Rs. in Mn)

Particulars	Period ended 30-09-2005	2004-05	2003-04	2002-03
Income:				
Sales				
In India-Manufactured goods	951.17	1674.87	1448.55	1088.5
Outside India-Manufactured goods	397.48	842.78	576.36	338.32
Outside India-Traded goods	354.40	419.12	118.55	230.33
Net Sales	1703.05	2936.77	2143.46	1657.15
Other Income	45.00	79.78	69.78	26.41
Increase (Decrease) in Stock	61.27	6.02	98.39	19.85
Total Income	1809.32	3022.57	2311.63	1703.41
Expenditure				
Manufacturing Expenses	1223.00	2062.33	1510.91	1079.01
Employees Emoluments	85.32	157.47	147.33	76.27
Administrative & Other Expenses	70.65	143.54	106.47	68.8
Financial Charges	19.63	27.86	20.82	22.5
Selling and Distribution Expenses	87.44	190.52	151.23	177.02
Depreciation	18.77	33.4	28.51	27.52
Total Expenses	1504.81	2615.12	1965.27	1451.12
Profit before Tax & other Adjustments	304.51	407.45	346.36	252.29
Provision for Tax	92.48	136.55	114.14	77.93
Fringe Benefit Tax	1.25	0.00	0.00	0.00
Deferred Tax Liability	0.14	1.96	0.81	-1.47
Profit after Tax	210.64	268.94	231.41	175.83
Adjustments for amalgamation	0.00	0	0	-370.85
Adjustments	0.00	0	-0.78	0.41
LESS: MINORITY INTEREST	2.10	2.55	2.1	2.1
MAJORITY INTEREST	208.54	266.44	228.52	174.14
Excess Provision for Depreciation written back	0.00	-0.06	0	0
Short/ (Excess) provision for taxation	0.04	-2.88	0	0
	210.60	271.93	230.62	176.25
Surplus Brought Forward from Previous Year	432.73	416.76	286.13	563.9
MINORITY INTEREST (IN PREVIOUS YR. PROFIT)	14.36	12.66	10.57	16.28
MAJORITY INTEREST (IN PREVIOUS YR. PROFIT)	418.37	404.1	275.56	547.62
Balance carried to Balance Sheet---Minority	16.46	15.21	12.67	18.39
Balance carried to Balance Sheet---Majority	626.87	673.48	504.08	721.76
Appropriations:				
Dividend on Preference Shares	–	44.5	49.75	49.75
Dividend on Equity Shares	–	2.97	24.49	24.49
Tax on Dividend on Preference Shares	–	6.24	6.37	9.51
Tax on Dividend on Equity Shares	–	0.42	3.14	0
Transferred to General Reserve	–	191.34	20.6	16.98
Balance carried to Balance Sheet	–	443.23	412.4	268.57

GENERAL INFORMATION

Registered Office of our Company

115, G.V.M.M Estate
Odhav Road
Ahmedabad- 382410
Gujarat, India
Tel: +91-79-22901078
Fax: +91-79-22901077
E-mail: ipo@aiaengineering.com
Website: www.aiaengineering .com

Registraion Number: 04-15182

Our company is registered at the Registrar of Companies, Gujarat, Dadra and Nagar Haveli, situated at R.O.C Bhavan, Rupal Park, Near Ankur Bus Stand, Ahmedabad.

Board of Directors:

The following persons constitute our Board of Directors:

1. Mr Vinod Narain
2. Mr. Bhadresh K. Shah
3. Mr. Jules J Spede
4. Mr Rajendra S. Shah
5. Dr Samakulam Ramakrishnan Ganesh

Biographies of Directors

1. Mr. Vinod Narain, Chairman

An eminent industrialist based in Bangalore and promoter of Welcast Steels Ltd. He is the Chairman of our Company and of Welcast Steels Ltd.

2. Mr. Bhadresh Shah, Managing Director

Mr Bhadresh Shah, a metallurgical engineer (B.Tech from IIT Kanpur), is the force behind the Companies. He started our Company as an alloy-casting manufacturer. His vision of manufacturing niche castings drove the group towards special steels. He envisaged the strategy to get into collaborations to take the Company to the next level.

3. Mr. Jules Spede, Director

Mr. Spede is a veteran of the high chrome industry. He was on the Board of a global wear part manufacturer at which time he left the company to join AIAE group. He is based in France and was earlier heading the Group's international sales. He subsequently took on the responsibility as a Director of AIAE and is today involved in strategy of the Group. He heads all discussions for potential collaborations (with customers, suppliers and OEMs).

Mr. Spede brings an immense understanding of the market and its dynamics to the AIAE team.

4. Dr. S R Ganesh, Director

Dr. Ganesh is an eminent management consultant. He pursued his B.Tech (Mechanical Engineering) from IIT Bombay, S.M (Management) from Sloan School of Management, MIT, USA and Ph.D (Business Studies) from London Business School, UK.

He was a former Senate Member of IIT Bombay; Professor of IIM Ahmedabad; visiting Professor at various Management institutes like Andersen Graduate School of Management UCLA, USA, University of Virginia and S.P.Jain Institute of Management Research, Bombay. Presently he is a visiting Senior Professor at Narsee Monjee Institute of Management, Mumbai.

He was a Consulting Advisor to Tata Consultancy Services, Mumbai and an Advisor for Corporate Development at Essar Group, Mumbai.



5. Mr. Rajendra Shah, Director

He is very eminent industrialist in Ahmedabad and the Managing Director of Harsha Engineers Ltd, which is an Rs.150 Crores, company manufacturing bearing cages. He is a hands on manager and has built his company from scratch to the present level.

For further details of our Managing Director and other directors, see section titled “Our Management” on Page 61 of this Red Herring Prospectus

Compliance Officer and Company Secretary

Mr S.N. Jetheliya

Company Secretary
115, G.V.M.M. Estate,
Odhav Road, Ahmedabad – 382410,
Gujarat, India.
Tel: +91-79-22901078
Fax: +91-79-22901077
E-mail: snj@aiaengineering.com

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

Legal Advisor to the issue

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

Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel,
Mumbai 400 013
Tel: +91-22-2496 4455
Fax: +91-22-24963666
Email: ipo.mumbai@amarchand.com

Bankers to the Company

State Bank of India

GVMSAV Ltd Branch
Odhav Road
Ahmedabad – 382 410
Tel: +91-79-22901823

ABN Amro Bank N.V.

7, Alkapuri, R.C. Dutt Road
Vadodara – 390 007
Tel: +91-265-2357002

ISSUE MANAGEMENT TEAM

Book Running Lead Managers

SBI CAPITAL MARKETS LIMITED

202, Maker Tower ‘E’
Cuffe Parade
Mumbai – 400 005
Tel: +91 – 22 – 2218 9166
Fax: +91 – 22 – 2218 8332
Email: aia.ipo@sbicaps.com
Contact Person: Mr. Vikas Chandra
Website: www.sbicaps.com

ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED

801, Dalamal Tower,
Nariman Point
Mumbai - 400 021
Tel: +91 – 22 – 5638 1800
Fax: +91 – 22 – 2284 6824
Email: aiaipo@enam.com
Contact Person: Mr Priyesh Chhajer
Website: www.enam.com

Syndicate Members

Enam Securities Private Limited

801/802, Dalamal Towers,
Nariman Point, Mumbai 400 021.
Tel: +91 – 22 – 5638 1800
Fax: +91 – 22 – 2284 6824
Email: aiaipo@enam.com
Attn: Mr. M. Natarajan

Registrar to the Issue

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound
Kantilal Maganlal Industrial Estate
L.B.S. Marg, Bhandup (West)
Mumbai - 400 078
Tel: (022) 25923837
Fax: (022) 25672693
Email: isrl@vsnl.com

Banker to the Issue and Escrow Collection Bankers

State Bank of India

New Issues & Securities Services Division
Mumbai Main Branch
Mumbai Samachar Marg, P. B. No. 13, Fort,
Mumbai - 400 023
Tel: 91 22 2266 2133
Fax: 91 22 2267 0745
E-mail: agmnissd@vsnl.net
Contact Person: Mrs. Anuradha Kurma/
Website: www.sbi.co.in

HDFC Bank Limited

26 A, Narain Properties
Chandivali Farm Road
Saki Naka, Andheri (East)
Mumbai - 400 072
Tel: 91 22 2856 9202
Fax: 91 22 2856 9272
E-mail: viral.kothari@hdfcbank.com
Contact Person: Mr. Viral Kothari
Website: www.hdfcbank.com



ICICI Bank Limited

Capital Markets Division
 30, Mumbai Samachar Marg, Fort,
 Mumbai - 400 001
 Tel: 91 22 2265 5285
 Fax: 91 22 2261 1138
 E-mail: sidhartha.routray@icicibank.com
 Contact Person: Mr. Sidhartha Sankar Routray
 Website: www.icicibank.com

Standard Chartered Bank

90, Mahatma Gandhi Road, Fort,
 Mumbai - 400 001
 Tel: 91 22 2265 0700
 Fax: 91 22 2209 6067
 E-mail: banhid.bhattacharya@in.standardchartered.com
 Contact Person: Mr. Banhid Bhattacharya
 Website: www.standardchartered.co.in

Auditors

Talati & Talati

Chartered Accountants
 3rd Floor, Ambica Chambers
 Near High Court
 Income Tax Four Roads
 Navrangpura
 Ahemdabad 380 009
 Tel: +91-79-27544572

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST BRLMs

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the BRLMs as under:

S. NO.	ACTIVITIES	RESPONSIBILITY	CO-ORDINATOR
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	SBI CAPS, Enam	SBI CAPS
2.	Due diligence of the company's operations / management / business plans/legal etc.	SBI CAPS	SBI CAPS
3.	Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	SBI CAPS	SBI CAPS
4.	Drafting and approval of Issue and statutory publicity material, etc.	SBI CAPS	SBI CAPS
5.	Drafting and approval of all corporate advertisement, brochure and other publicity material	SBI CAPS, Enam	Enam
6.	Appointment of Registrar, Bankers and Ad agency	SBI CAPS, Enam	SBI CAPS
7.	Appointment of Printer	SBI CAPS, Enam	Enam
8.	Marketing of the Offer, which will cover inter-alia, <ul style="list-style-type: none"> ▪ Formulating marketing strategies, preparation of publicity budget ▪ Finalize Media & PR strategy ▪ Finalizing centers for holding conferences for brokers, etc. ▪ Finalize collection centers 		

S. NO.	ACTIVITIES	RESPONSIBILITY	CO-ORDINATOR
	<ul style="list-style-type: none"> ▪ Follow-up on distribution of publicity and Offer material including form, prospectus and deciding on the quantum of the Offer material 	SBI CAPS, Enam	Enam
9.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	SBI CAPS, Enam	Enam
10.	Finalizing of Pricing & Allocation	SBI CAPS, Enam	Enam
11.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	SBI CAPS	SBI CAPS
12.	The post Offer activities of the Offer will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Offer, Bankers to the Offer and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	SBI CAPS	SBI CAPS

Credit Rating

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

Trustees

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

Monitoring Agency:

State Bank of India, GVMSAV Ltd, Odhav Branch, Ahmedabad has been appointed as the monitoring agency as per BSE Listing requirement.

Book Building Process

Book Building refers to the process of collection of bids from investors, which is based on the Price Band. The Issue Price is fixed after the Issue/ Bid Closing Date. The principal parties involved in the Book Building Process are:

1. The Company
2. Book Running Lead Managers, in this case being SBICAPS, and ENAM
3. Syndicate Members who are intermediaries registered with SEBI and eligible to act as underwriters and Syndicate Members are appointed by the BRLMs.
4. The Registrar to the Issue being Intime Spectrum Registry Limited.

SEBI through its guidelines has permitted an offer of securities to the public through 100% Book Building Process, wherein: (i) not more than 50% of the net offer to the public shall be allocated on a proportionate basis to QIBs. Of the QIB portion 5% would be available for allocation to mutual funds registered with SEBI (ii) not less than 35% of the net offer to the public shall be available for allocation on a proportionate basis to the Retail Individual bidders i.e. Individual Bidders whose maximum Bid amount is not more than Rs. 100,000/- and (iii) not less than 15% of the net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders, subject to valid Bids being received at or above the Issue Price. The Issue Price will be ascertained after the Bid Closing Date.

Pursuant to the amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid/Issue closing date and for further details see the section titled "Terms of the issue " on page 26 of this Red Herring Prospectus.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed SBICAPS & ENAM as the Book Running Lead Managers to the Issue to procure subscription to the Issue.

Illustration of Book Building and Price Discovery Process

(Investors should note that the following is solely for the purpose of illustration and is not specific to the Issue)



Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.40 to Rs.48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of our Company at various prices and is collated on the basis of bids from various investors.

Number of equity shares	Bid Price (Rs.)	Cumulative equity Share Bid	Subscription
500	48	500	8.33%
700	47	1200	20.00%
1000	46	2200	36.67%
400	45	2600	43.33%
500	44	3100	51.67%
200	43	3300	55.00%
2800	42	6100	101.67%
800	41	6900	115.00%
1200	40	8100	135.00%

The price discovery is a function of demand at various prices. The highest price at which we are able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. We, in consultation with the BRLMs will finalise the issue price at or below such cut off price i.e. at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Our Company shall comply with guidelines issued by SEBI for this Issue.

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

Steps to be taken for bidding:

1. Check eligibility for bidding (please refer to the section "Issue Procedure- Who Can Bid" on page 170 of this Red Herring Prospectus);
2. Ensure that the bidder has a demat account; and
3. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid-cum-Application Form.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity shares but prior to filing of the Prospectus with RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
SBI Capital Markets Limited 202, Maker Tower 'E' Cuffe Parade, Mumbai – 400 005	[●]	[●]
Enam Financial Consultants Private Ltd. 801, Dalamal Tower, Nariman Point, Mumbai - 400 021	[●]	[●]
Enam Securities Private Limited 801/802, Dalamal Tower, Nariman Point, Mumbai - 400 021	[●]	[●]

The above mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above underwriting agreement is dated [.]

In the opinion of the Board of Directors of our Company (based on a certificate given to them by BRLMs and the Syndicate Members), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). The above Underwriting Agreement has been accepted by the Board of Directors of our Company at their meeting held on [:], 2005 and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate members shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount. Allocation to QIBs is proportionate as per the terms of the Red Herring Prospectus

Further, out of the QIB Portion, 5% would be available for allocation to Mutual Funds. In case of inadequate demand from the Mutual Funds, the Equity Shares would be made available to QIBs other than mutual funds. Valid bids from Mutual Funds would be eligible for allotment from the 5% of the QIB Portion as well as from the balance QIB Portion. The subscription for proportionate allotment to QIBs shall be identified after reducing 5% of the total allocation to QIBs or any lesser amount allotted to Mutual Funds.



CAPITAL STRUCTURE OF OUR COMPANY

Share Capital

(In Rs.)

		Face Value	Total Value Including Premium
A. Authorized Capital			
	2,60,00,000 Equity Shares	26,00,00,000	
	20,00,00,000 Redeemable Cumulative preference Shares of Rs 100 each (carrying such right as to dividend as may be decided by the Directors)	20,00,00,000	
B. Issued Subscribed and Paid-Up Capital before the Issue			
	1,30,76,380 Equity Shares of Rs. 10 each fully paid-up	13,07,63,800	21,58,21,400
C. Terms of Present Issue of 47,00,000 equity shares			
(I) Reserved for our permanent employees			
	1,88,000 Equity Shares of Rs. 10 each		[●]
(II) Net Offer to the Public			
	45,12,000 Equity Shares of Rs. 10 each		[●]
D. Equity Capital after the issue			
	1,77,76,380 Equity Shares of Rs. 10 each fully paid-up	17,77,63,800	[●]
E. Share Premium Account			
	Before the Issue	8,50,57,600	
	After the Issue		[●]

Changes in Authorised Share Capital

Date	Kind of Shares	Increased from		Increased to	
		Shares	(Rs)	Shares	(Rs)
February 3, 1992	Equity	10,000	100,000	20,00,000	2,00,00,000
	Unclassified Shares	2,40,000	24,00,000	7,50,000	75,00,000
	11% Redeemable Cumulative Preference Shares	-	-	1,25,000	1,25,00,000
December 11, 1993	Equity*	20,00,000	2,00,00,000	67,50,000	6,75,00,000
	Unclassified Shares *	7,50,000	75,00,000	Nil	Nil
	11% Redeemable Cumulative Preference Shares	1,25,000	1,25,00,000	1,25,000	1,25,00,000
January 21, 2002	Equity*	67,50,000	6,75,00,000	67,50,000	6,75,00,000
	11% Redeemable Cumulative Preference Shares	1,25,000	1,25,00,000	-	-
	13% Redeemable Cumulative Preference Shares**	-	-	39,25,000	39,25,00,000
March 04, 2005	Equity	67,50,000	6,75,00,000	2,60,00,000	26,00,00,000
	13% Redeemable Cumulative Preference Shares	39,25,000	39,25,00,000	20,00,000	20,00,00,000

* 7,50,000 unclassified shares were classified as equity shares of our company

** Includes 1,25,00,000, 11% Redeemable Cumulative Preference Shares being reclassified as, 13% Redeemable Cumulative Preference Shares

4% of the issue size i.e. 188,000 equity shares of the face value of Rs. 10 each have been reserved on a competitive basis for the employees of our Company. Permanent employees as defined under the SEBI Guidelines, on the payroll of our Company or the subsidiary companies as on September 15, 2005 are eligible to apply in this category.

Notes To The Capital Structure:

1. Share Capital History of our Company

Equity Share Capital

Date on which equity shares were allotted and made fully paid-up	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment of consideration	Reasons for Allotment (Bonus, Swap Etc.)	Cumulative Share Premium (Rs)
March 11, 1991	2	10	10	Cash	Initial Subscription	Nil
June 27, 1992*	11,58,300	10	–	Non-Cash	Amalgamation	Nil
July 10, 1992	4,198	10	10	Cash	Further issue of shares	Nil
July 22, 1992	12,10,000	10	10	Cash	Further issue of shares	Nil
February 10, 1994**	11,93,400	10	–	Non-Cash	Conversion of Preference Shares	Nil
March 05, 1994	12,44,100	10	10	Cash	Further issue of shares	Nil
March 31, 2004***	23,61,100	10	10	Non-Cash	Cancellation	Nil
January 18, 2005	1,66,376	10	1150	Non-Cash	Conversion of Preference Shares	18,96,68,640
March 15, 2005	1,04,61,104	10	–	Bonus	Bonus shares in the ratio of 4 equity shares for every 1 equity share	Nil
Total	1,30,76,380					18,96,68,640 ****

* Our Company was incorporated on March 11, 1991. On November 4, 1978, Ahmedabad Induction Alloys Pvt Ltd, promoted by Mr Bhadresh K Shah was incorporated. This company was merged with our company on April 1, 1991 vide High Court order dated April 30, 1992. The assets and liabilities of the transferor company were acquired and consideration was paid in the form of 11,58,300 equity shares of face value Rs 10 each of our company.

** Conversion of Preference Shares of face value of Rs 100 to Equity shares of face value of Rs 10

*** Cancellation of shares issued to AIA Exports Pvt Ltd after its merger with AIA Engineering Pvt Ltd

**** Pursuant to the bonus issue of 10461104 Equity shares on March 15, 2005 out of the share premium, the share premium is now Rs.8, 50,57,600.



Preference Share Capital

Date on which Preference shares were allotted and made fully paid-up	Number of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment of consideration	Reasons for Allotment (Bonus, Swap Etc.)	Cumulative Share Premium (Rs)
June 27, 1992	1,19,340	100	100	Non-Cash	Amalgamation	Nil
February 10, 1994	1,19,340	100	100	Non-Cash	Conversion of Preference Shares to Equity Shares	Nil
February 27, 2002	38,26,600	100	100	Cash	Issue of Preference Shares	Nil
November 12, 2003*	100	100	100	Non-Cash	Amalgamation	Nil
January 18, 2005	19,13,324	100	100	Non-Cash	Conversion of Preference Shares to Equity Shares	Nil
March 28, 2005	19,13,376	100	100	Cash	Redemption of Preference Shares	Nil
Total	Nil					

* Allotment to erstwhile shareholders of AIA Exports Ltd on the amalgamation of AIA Exports Pvt Ltd with the company.

2. Promoters Contribution And Lock-In:

a) Mr Bhadresh K Shah

Date on which shares were allotted and made fully paid-up	Nature of payment of consideration	Number of Equity Shares	Face value (Rs.)	Issue Price Rs.	Percentage of paid up capital (%)		Lock in Period (in yrs)
					Pre-Issue	Post Issue	
March 11, 1991	Cash Initial Subscription	1	10	10	0.00		—
June 27, 1992	Non-cash Allotment to erstwhile shareholders of Ahmedabad Induction Alloys Pvt Ltd in terms of the amalgamation scheme vide Gujarat High Court order dated April 30, 1992	8,26,485 <i>3,93,535#</i>	10	—	3.01	2.22	3
July 10, 1992	Cash	<i>4,198</i>	10	10	0.03	0.02	3
February 10, 1994	Non- Cash Conversion of Preference Shares of Rs 100 each to Equity Shares of Rs 10 each	<i>8,51,530</i>	10	—	6.51	4.79	3
March 05, 1994	Cash	<i>1000</i>	10	10	0.01	0.01	3
September 4, 1996*	Cash	(4,32,950)	10	11.85			
September 4, 1996**	Cash	(1)	10	12.00			
January 28, 1998***	Cash	<i>4,22,100</i>	10	19.72	3.23	2.37	3
April 12, 2001****	Cash	<i>33,120</i>	10	163.04	0.25	0.19	3
March 15, 2005	Bonus	<i>18,53,001</i>	10	14.17	10.42	3	
	Bonus	49,68,931	10	—	38.00	27.95	1
Total		85,27,415			65.21	47.97	

* Shares held by Mr Bhadresh K Shah were transferred in favour of M/s Magotteaux Exports Pvt Ltd

** Shares held by Mr Bhadresh K Shah were transferred in favour of Bhadresh K Shah (HUF)

*** Shares transferred in favour of Mr Bhadresh K Shah /s by Magotteaux Exports Pvt Ltd

**** Shares transferred in favour of Mr Bhadresh K Shah /s by Magotteaux International SA

Being the balance of the shares left after the transfer of shares to M/s Magotteaux Exports Pvt

Bhadresh K Shah (HUF)

Date on which shares were allotted and made fully paid-up	Nature of payment of consideration	Number of Equity Shares	Face value (Rs.)	Issue Price Rs.	Percentage of paid up capital (%)		Lock in Period (in yrs)
					Pre-Issue	Post Issue	
June 27, 1992	Non-cash Allotment to erstwhile shareholders of Ahmedabad Induction Alloys Pvt Ltd in terms of the amalgamation scheme vide Gujarat High Court order dated April 30, 1992	42,900	10	–	0.33		1
February 10, 1994	Non- Cash Conversion of Preference Shares of Rs 100 each to Equity Shares of Rs 10 each	44,200	10		0.34		1
September 4, 1996*	Cash	(87100)	10	11.85			1
September 4, 1996	Cash	1	10	12.00	0.00	0.00	1
January 28, 1998	Cash	6,84,200	10	19.72	5.23	3.85	1
April 12, 2001	Cash	58,880	10	163.04	0.45	0.33	1
March 15, 2005	Bonus	29,57,324	10	–	22.62	16.64	1
October 25, 2005**	Gift	(15,000)	10	–			
Total		37,00,405			28.41	20.90	1

*87100 Equity Shares has been transferred to Magotteaux Exports Pvt. Ltd. (AIA Exports Pvt. Ltd.) on September 4, 1996.

**Gift of Shares to various persons



Bhadresh K Shah & Gita B Shah

Date on which shares were allotted and made fully paid	Nature of payment of consideration	Number of Equity Shares	Face value (Rs.)	Issue Price Rs.	Percentage of paid up capital (%)		Lock in Period (in yrs)
					Pre-Issue	Post Issue	
July 22, 1992	Cash (Transfer of Shares)	165	10	10	0.00	0.00	1
February 10, 1994	*Non- Cash Conversion of Preference Shares of Rs 100 each to Equity Shares of Rs 10 each	170	10	–	0.00	0.	1
July 03, 1996	Cash	1	10	10	0.00	1	
March 15, 2005	Bonus	1,344 1,338#	10	–	0.01	0.01	1
March 15, 2005*	Gift	(6)	10	–	1		
Total		1,674			0.01	0.01	

*Gift of Shares to various persons

Balance of shares after the gift of shares

Relatives of the promoter

Date on which shares were allotted and made fully paid	Nature of payment of consideration	Number of Equity Shares	Face value (Rs.)	Issue Price Rs.	Percentage of paid up capital (%)		Lock in Period (in yrs)
					Pre-Issue	Post Issue	
Ms Gita B Shah	Gift	1	10	–	0.00	0.00	1
Ms Bhumika B Shah	Gift	2,001	10	–	0.02	0.01	1
Ms Khushali B Shah	Gift	2,001	10	–	0.02	0.01	1
Mrs.Gita B. Shah & Mr.Abhishek Shodhan	Gift	4,000	10	–	0.03	0.02	1
Mrs.Gita B. Shah & Mr.Abhilash Shodhan	Gift	1,000	10	–	0.01	0.00	1
Mrs. Gita B. Shah & Bhadresh K. Shah	Gift	2,000	10	–	0.01	0.01	1
Mr.Kantilal M. Shah & Mrs.Giraben K. Shah	Gift	1,000	10	–	0.01	0.01	1
Mr.Kantilal M. Shah & Mrs.Dinaben K. Shah	Gift	1,000	10	–	0.01	0.01	1
Mrs.Leena Dutt & Dr. Gautam Dutt	Gift	1,000	10	–	0.01	0.01	1
Mrs.Minaben Jitubhai Shah	Gift	500	10	–	0.00	0.00	1
Mrs.Giraben Arunbhai Munshaw	Gift	500	10	–	0.00	0.00	1
Total		15,003	10	–	0.12	0.08	1

In accordance with the SEBI Guidelines 3558484 equity shares of Rs.10 each of the Promoter representing 20% of the post - issue share capital of the Company, (being the minimum promoter's contribution as under the SEBI Guidelines will be locked in for a period of 3 years commencing from the date of allotment of Equity shares issued through this Issue. The entire pre issue share capital other than that locked in as minimum promoters contribution shall be locked in for a period of one year from the date of allotment of this Issue. Lockin of shares has been finalised on LIFO basis.

The Promoters may pledge his Equity Shares as collateral security for loans whenever availed from banks or financial institutions where such pledge is a pre-condition for the sanction of the loan.

The Promoter, has given his approval for lock-in of his shareholding as specified above, vide letter dated September 13, 2005

Shares held by person other than the Promoter, prior to Initial Public Offering, which are subject to lock in as per extant SEBI Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

Shares held by Promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Equity Shareholding pattern of the Company before and after the Issue:

Category	Pre-Issue		Post-Issue	
	Number of Equity Shares	%	Number of Equity Shares	%
Promoters/ Promoter Group				
Promoters				
Mr Bhadresh K Shah	85,27,415	65.21	85,27,415	47.97
Promoter Group				
Bhadresh K Shah (HUF)	37,00,405	28.30	37,00,405	20.82
Bhadresh K Shah & Gita B Shah	1674	0.01	1674	0.01
Mrs Gita B. Shah	1	0.00	1	0
Ms. Bhumika B. Shah	2001	0.02	2001	0.01
Ms Khusali B. Shah	2001	0.02	1	0.01
Mrs.Gita B. Shah & Mr.Abhishek Shodhan	4,000	0.03	4,000	0.02
Mrs.Gita B. Shah & Mr.Abhilash Shodhan	1,000	0.01	1,000	0.00
Mrs.Gita B. Shah & Mr.Bhadresh K. Shah	2,000	0.02	2,000	0.01
Mrs.Leena Dutt & Dr.Gautam Dutt	1,000	0.01	1,000	0.01
Mr.Kantilal M. Shah & Mrs.Giraben K. Shah	1,000	0.01	1,000	0.01
Mr.Kantilal M. Shah & Mrs.Dinaben K. Shah	1,000	0.01	1,000	0.01
Mrs.Minaben Jitubhai Shah	500	0.00	500	0.00
Mrs.Giraben Arunbhai Munshaw	500	0.00	500	0.00
Others	8,31,883	6.36	55,31,880	31.12
Total	1,30,76,380	100	1,77,76,380	100.00



**Particulars of top ten shareholders as on the date of and ten days prior to filing the Red Herring Prospectus with ROC
As On The Date Of Filing The Red Herring Prospectus With ROC**

Sr. No.	Name of the Shareholders	No. of Equity Shares (Rs. 10/- paid up)
1	Mr. Bhadresh K Shah	85,27,415
2	Bhadresh K Shah (HUF)	37,00,405
3	Bhadresh K Shah & Gita B Shah	1674
4.	SNM Investment Ltd	8,31,880
5.	Mrs. Gita B. Shah	1
6.	Ms. Bhumika B. Shah	2,001
7.	Ms. Khusali B. Shah	2,001
8.	Mrs. Gita B. Shah & Mr.Abhishek Shodhan	4,000
9.	Mrs. Gita B. Shah & Mr.Abhilash Shodhan	1,000
10.	Mrs. Gita B. Shah & Mr.Bhadresh K. Shah	2,000
11.	Mrs. Leena Dutt & Dr.Gautam Dutt	1,000
12.	Mr. Kantilal M. Shah & Mrs.Giraben K. Shah	1,000
13.	Mr.Kantilal M. Shah & Mrs.Dinaben K. Shah	1,000
14.	Mrs.Minaben Jitubhai Shah	500
15.	Mrs.Giraben Arunbhai Munshaw	500
16.	Mr Rajendra S. Shah	1
17.	Mr S.N. Jetheliya	1
18.	Mr Kunal D. Shah	1
	Total	1,30,76,380

Ten Days Prior To Filing The Red Herring Prospectus With ROC :

Sr. No.	Name of the Shareholders	No. of Equity Shares (Rs. 10/- paid up)
1	Mr. Bhadresh K Shah	85,27,415
2	Bhadresh K Shah (HUF)	37,15,405
3	Bhadresh K Shah & Gita B Shah	1674
4.	SNM Investment Ltd	8,31,880
5.	Mrs. Gita B. Shah	1
6.	Ms. Bhumika B. Shah	1
7.	Ms. Khusali B. Shah	1
8.	Mr. Rajendra S. Shah	1
9.	Mr. S.N. Jetheliya	1
10.	Mr. Kunal D. Shah	1

Particulars of top ten shareholders 2 years prior to the date of filing of the Red Herring Prospectus with ROC

Sr. No.	Name of the Shareholders	No. of Equity Shares (Rs. 10/- paid up)
1	Mr. Bhadresh K Shah	17,05,483
2	Bhadresh K Shah (HUF)	7,43,081
3	Bhadresh K Shah & Gita B Shah	336

- The total number of members of the Company as on date of filing this RHP with the ROC is 18.
- Our Company has not availed any bridge loan against the proceeds of this Issue.
- The Promoter, Directors and BRLMs to the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Red Herring Prospectus. The Directors, Promoters and Promoter Group of the Company have not entered into any purchase or sale transactions of in the market the Company's shares in the last six months.

In this Issue, in case of over-subscription in all categories, not more than 50% of the Net Offer to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers (Including reservation of 5% of the QIB portion for Mutual Funds). Further, not less than 15% of the Net Offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net offer to the public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category would be allowed to be met with spill over from any other category at the sole discretion of our Company in consultation with the BRLMs.

A total of 4% of the issue size, i.e 1,88,000 Equity Shares, has been reserved for allocation to our Permanent Employees on a proportionate basis, subject to valid bids being received at or above the issue price. Only Permanent Employees of the Company as defined in the SEBI Guidelines, as on the cut-off date i. e. September 15, 2005 would be eligible to apply in this issue under reservation for our Employees. Employees may bid in the Net Offer portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Employee reservation portion would be treated as part of the Net Offer. Under subscription in any category will be met through over subscription in any other category including reservation.

There are no outstanding warrants, options or right to convert debentures, loans or other instruments into our Equity shares. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with ROC until the Equity Shares offered through this Red Herring Prospectus have been listed or application monies refunded on account of non-listing or under subscription etc.

- We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise, except that we may issue options to our employees pursuant to an ESOP or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use equity shares as currency for acquisition or participation in such joint ventures.
- We have not issued any Equity Shares out of revaluation reserves.



Details of the issue of shares for consideration other than cash

Equity Share Capital:

Name of Allottee	Date of allotment	Number of Equity shares	Face Value (Rs.)	Issue Price (Rs.)	Reason for allotment	Benefits
Mr. Bhadresh K. Shah	June 27, 1992*	8,26,485	10	—	Amalgamation	—
H.C.Financial Pvt. Ltd.	June 27, 1992*	1,23,750	10	—	Amalgamation	—
Bhadresh K. Shah (HUF)	June 27, 1992*	42,900	10	—	Amalgamation	—
Centricast Enterprises Pvt. Ltd.	June 27, 1992*	1,65,000	10	—	Amalgamation	—
Reclamation Welding Pvt. Ltd.	June 27, 1992*	165	10	—	Amalgamation	—
TOTAL		11,58,300				
Mr. Bhadresh K. Shah	February 10, 1994**	8,51,530	10	—	Conversion of Preference Shares	—
H.C.Financial Pvt. Ltd.	February 10, 1994**	1,27,500	10	—	Conversion of Preference Shares	—
Bhadresh K. Shah (HUF)	February 10, 1994**	44,200	10	—	Conversion of Preference Shares	—
Centricast Enterprises Pvt. Ltd.	February 10, 1994**	1,70,000	10	—	Conversion of Preference Shares	—
Mr. Bhadresh K. Shah & Mrs. Gita B. Shah	February 10, 1994**	170	10	—	Conversion of Preference Shares	—
TOTAL		11,93,400				
SNM Investments Ltd.	January 18, 2005	1,66,376	10	1150	Conversion of Preference Shares	Liability of Fixed charge capital extinguished and Company received Share premium on conversion
TOTAL		1,66,376				
Mr. Bhadresh K. Shah	March 15, 2005	68,21,932	10	—	Bonus shares in the ratio of 4 equity shares for every 1 equity share	To broad-base capital structure
Bhadresh K. Shah (HUF)	March 15, 2005	29,72,324	10	—	Bonus shares in the ratio of 4 equity shares for every 1 equity share	—
Mr. Bhadresh K. Shah & Mrs. Gita B. Shah	March 15, 2005	1344	10	—	Bonus shares in the ratio of 4 equity shares for every 1 equity share	—
SNM Investments Ltd.	March 15, 2005	6,65,504	10	—	Bonus shares in the ratio of 4 equity shares for every 1 equity share	—
TOTAL		1,04,61,104				

* Our Company was incorporated on March 11, 1991. On November 4, 1978, Ahmedabad Induction Alloys Pvt Ltd, promoted by Mr Bhadresh K Shah was incorporated. This company was merged with our company on April 1, 1991 vide High Court order

dated April 30, 1992. The assets and liabilities of the transferor company were acquired and consideration was paid in the form of 11,58,300 equity shares of face value Rs 10 each of our company.

** Conversion of Preference Shares of face value of Rs 100 to Equity shares of face value of Rs 10

Preference Share Capital:

Name of Allottee	Date of allotment Paid-up	Number of Equity shares	Face Vaule (Rs.)	Issue Price (Rs.)	Reason for allotment	Benefits
Mr.Bhadresh K. Shah	June 27, 1992	85,153	100	–	Amalgamation	–
H.C.Financial Pvt. Ltd.	June 27, 1992	12,750	100	–	Amalgamation	–
Bhadresh K. Shah (HUF)	June 27, 1992	4,420	100	–	Amalgamation	–
Centricast Enterprises Pvt. Ltd.	June 27, 1992	17,000	100	–	Amalgamation	–
Reclamation Welding Pvt. Ltd.	June 27, 1992	17	100	–	Amalgamation	–
TOTAL		1,19,340				
Mrs.Gita B. Shah	November 12, 2003*	90	100	–	Amalgamation	–
Mrs.Bhumika S. Shodhan	November 12, 2003*	10	100	–	Amalgamation	–
TOTAL		100				

* Allotment to erstwhile shareholders of AIA Exports Ltd on the amalgamation of AIA Exports Pvt Ltd with our company.

No shares have been allotted through a public issue in the last two years nor has our Company bought back its equity shares in the last six months.

The Promoter/ Directors, their relatives and their associates have not either directly or indirectly financed any transactions in the securities of our Company during the preceding six months.

The Promoters/ promoter group and others have been allotted the following shares during the period of one year preceding the date on which the Red Herring Prospectus is filed with SEBI.

Name	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Amount (Rs.)
Promoters				
Mr Bhadresh K Shah	68,21,931	10/-	—	6,82,19,310
Promoter Group				
Bhadresh K Shah (HUF)	29,72,324	10/	—	29,72,324
Bhadresh K Shah & Gita B Shah	1,344	10/	—	13,440
Others				
SNM Investments Ltd*	1,66,376	10/-	1150	19,13,32,400
(Bonus)	6,65,504	10/-	—	

* Includes 1,66,736 equity shares allotted on account of conversion of preference shares.

A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, i.e 47,00,000 Equity Shares, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of our Company and our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

In 2004, we have enhanced our banking facility to Rs. 630 mn. (Fund based as well as non-fund based, which earlier was Rs 345 mn) from a consortium of banks where the Lead Bank is the State Bank of India financing the working capital requirements of our Company.

State Bank of India, the lead bank of the consortium has given us a no objection certificate dated September12, 2005. ABN Amro NV another member of the consortium has given us a no objection certificate dated September13, 2005 and IDBI Ltd (from which we have a working capital loan facility), has given us a no objection certificate dated September13, 2005 for the public issue of 4.7 million shares subject to a maximum of Rs. [●] millions.



OBJECTS OF ISSUE

We intend to expand our capacity by setting up a greenfield manufacturing facility at Changodar, Village Moriya, District Ahmedabad and augment our working capital requirement. We plan to finance the funds requirement through the initial public offer of our shares. In case of surplus funds raised, if any, the same shall be utilised towards general corporate purposes.

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

The Main Objects of the Issue are:

1. To finance the setting up of a manufacturing facility for high chrome mill internals at Changodar, Village Moriya, District Ahmedabad,
2. To fund incremental working capital requirements of the company.
3. To meet the public Issue related expenses.
4. The surplus funds raised, if any, would be utilized for general corporate purposes

The other object of the issue is to get the shares listed on the stock exchanges, to provide liquidity to our investors.

The details of the proceeds of the Fresh Issue are summarized in the table below:

Funds Requirement	(Rs in Mn)
Manufacturing Facility at Changodar	739.55
Incremental Working Capital Margin	147.25
General Corporate Purposes	[•]
Issue Expenses	[•]
Total	[•]

Manufacturing Facility at Changodar

The company proposes to set up a facility at a Village Changodar Taluka: Ahmedabad, located at the distance of about 25 kms from Ahmedabad. The Changodar Project is being set up to augment our production capacity.

Currently, we are servicing three industrial segments namely Cement, Mining and Utilities in India. Outside India, owing to the non-availability of adequate capacities, in the foreign markets we have been able to cater mainly to cement segment only. With the additional capacity at the new plant, we will be able to further consolidate our market share in the Cement market and also cater to the Mining and Utility segments outside India.

The Changodar plant will be based on modern, automation oriented technology, which will enhance the production volumes, increase plant efficiencies and reduce the labour requirements, thereby also saving on operating cost

This facility for High Chrome Mill Internals would have an installed capacity of 46,000 TPA.

Appraisal

The cost of expansion for the Changodar project is based on our internal estimates. The requirement of funds has been computed on the basis of cost of construction of various facilities required by us and on the basis of market value of various machineries and other equipments required. The break-up of the cost of expansion of the project can be summarized as under:

(Rs.in mn.)

Sr. No.	Proposed Expenditure programme	Total
1.	Site Development	15.00
2.	Civil Works	121.41
3.	Plant & Machinery	382.14
4.	Preliminary & Pre-operative	15.50
5.	Utilities	140.50
6.	Contingencies	65.00
	Total	739.55

Details of Individual Expenses:**Land**

The company has acquired about 37350.46 sq. mtrs of non-agricultural land at Changodar at cost of Rs.3.5 mn, however the same has not been considered for the purpose of the objects of the issue since it has been incurred earlier.

Site Development

Site development at the Changodar facility would include construction of roads, land filling, bore wells and constructing compound walls. The total estimated cost of site development is Rs.19.91 Million.

We have incurred an expenditure of Rs 4.91 mn on site development as on August 31, 2005.

(Rs.in Million)

Key site development activities	Amount of expenditure incurred (not included in objects of issue)	Balance amount	Proposed expenditure amount
Constructing roads	–	4.00	4.00
Land filling	2.196	5.00	7.19
Bore wells	–	1.50	1.5
Compound wall	2.72	3.0	5.72
Land Scaping, gates etc	–	1.5	1.50
Total	4.91	15.0	19.91

We have not considered the expenditure of Rs. 4.91 million incurred so far on the site development activity for the purpose of the objects of the issue since it has been incurred earlier.

Civil works:

The company proposes to construct a building measuring 20178 sq.mtrs for the Mill Internals plant at an estimated total capital outlay of Rs 121.4 Million.

We have appointed M/s SMPS Consultants as the Consulting Engineers for the civil works. M/s SMPS Consultants who have 25 years experience in this line would be the architects and engineers responsible for the entire civil construction activity.

The break-up of the cost of the civil work is as follows:

Sr. No.	Description	Total cost Rs in Mn
1	Scrap Yard	3.89
2	Foundry / Factory Shed Shed	61.20
3	Lean to Shed (Civil Work)	5.40
4	Fabrication Shop	12.08
5	Machining Shop	16.84
6	Melting Unit Civil Cost and Soft Water Tank	0.82
7	Moulding Line; U/G Tunnel & Foundry Cost	2.50
8	Knock Off Machinery	0.70
9	Civil work - U/G Belt Conveyor	1.00
10	Breaking Line; Foundation Cost	0.70
11	Heat Treatment Furnace	0.50
12	Civil work for Weigh Bridge	0.45
13	HT/LT Sub Station	1.00
14	Civil Work, DG Power Plant, 5000 KVA	7.56
16	Civil Work for Offices / Roads	4.94
17	Test Mill; Underground Cellar	0.20
18	Contingency	1.63
	Total	121.41



PLANT AND MACHINERY:

The major expenditure on plant and machinery will *inter alia* be incurred on melting furnace, moulding equipments, sand plant, heat treatment furnace knock off equipments, machine shop, fabrication shop, scrap yard storage facility, Quality Control & Assurance equipments, etc. We propose to procure the equipment locally as well as from overseas suppliers. We are yet to place orders for the plant and machinery of the project.

The break-up of the cost of the major plant and machinery is as under:

Sr. No.	Description	Total cost Rs in Mn
1.	Scrap Yard- D/G EOT Crane, Electromagnet with its Panel, Weighing Scale, Scrap charger & Trolley	3.30
2.	Melting Unit: Induction Furnace with Crucible, Transformer for Ind. Furnace, Vacuum Circuit Breaker, Bus Trunking, Cooling Tower, Water Pumps, Water Softening Plant, Fume extraction system etc	31.69
3.	Moulding and Pouring Unit: moulding line; Tooling, Technical service, Mold Handling Service, Moldboxes, Pouring couple etc	84.2
4.	Sand Plant & Knock Off Machinery; Rotary Shake out, Rotary Shake out with Accessories, De dusting plant	101.3
5.	Breaking Line; Impact crusher & linking system	2.5
6.	Shotblasting & Fettling	20.0
7.	Heat Treatment: Oil Fired H.T.Furnace, Oil Quenching System, Polymer Quenching System, Tempering /pearlinitisation furnace etc	58.0
8.	Machining Shop; VTL Machines, EOT Cranes	65.5
9.	Fabrication Shop; EOT Crane, Welding Machines, Radial Drill Machine, Bench / Angle Grinders, Swing Grinders, Hydraulic press	4.94
10.	Safety Equipments; Fire Fighting Equipments	1.0
11.	Maintenance Equipments	0.40
12.	Quality Control Equipments; Emcotest hardness tester, RA measurement equipment, Metallurgical microscope, etc	8.59
13.	Test Mill; Fabricated shell, Liner casting,	0.725
	Total	382.14

UTILITIES

(a) Power:

The total power requirement for the Changodar project is estimated at 15,000 KVA. We propose to take a connection of 10000 KVA from the Gujarat Electricity Board and will also be installing a DG set of 5000 KVA as a captive source of power.

(b) Other utility equipment

Other utility equipment includes Air Compressors, EOT Cranes, Material Handling Equipments and other miscellaneous equipments and facilities. The total cost for these utility equipments is estimated to be Rs 140.5 mn

The break-up of expenditure to be incurred on total utilities is as below:

	Equipment	Item/Part	Total cost INR
1	Utility	EOT Cranes - 18 M Span	115
		Air Compressors	20
		Air Receiver	2
		Bore Well	7
		Piping compressed air & water	3
		Sewage and Drainage	3
		Weigh bridge	4
		Air Compressor	
		Air Receiver	
		Bore Well	
			154
2	Storage Facility	Bins for Runner Risers	
		Bins for GM awaiting for HT	21
		Bins for GM duly Heat treated	
		Bins for GM awaiting Fettling	
			21
3	Electric Power	66 KV, 10000 KVA Sub Stn.	335
		GEB Security Deposit	440
		Development Cost	70
		Aux. Transformer	40
		5 MW Generating Set & its Auxilliries	300
		Main VCB	8
		HT Cables & Joining Kit	5
		Main LT Panel Board	10
		Earthing Cost	2
			1210
4	Electrification	Shed Lighting	8
		Street Lighting	3
		Lean to Shed Lighting	1
		Office Lighting	0.5
		Equipment Electrification	7.5
			20
		TOTAL	1405

RAW MATERIALS:

The main raw materials required for manufacture of high chrome castings are

- (a) M.S. Scrap / Sponge Iron
- (b) Ferro chrome and other ferro alloys

M.S. scrap, ferro chrome and other ferro alloys are available locally as well as from overseas suppliers. Sponge Iron is also in used in combination with the MS scrap for production of liquid metal. It is available locally.



MAN POWER REQUIREMENT

The total manpower requirement for the project at Changodar after commencement of production is estimated at 338 personnel which can be categorised as: -

Sr.No.	Category	No.of people
1	Managerial	3
2	Skilled	96
3.	Semi Skilled	203
4.	Others (supervisor)	36

Manpower requirements for the project would be sourced from Changodar and Ahmedabad.

IMPLEMENTATION SCHEDULE:

The implementation schedule of the Changodar project will be as under:

S. No.	Activity	Commencement	Completion
1. (a)	Acquisition of land	—	Already acquired
(b)	Site Development	May, 2005	Dec, 2005
2.	Civil works	September, 2005	May, 2006
3.	Plant & Machinery: -		
	Placement of Orders	October 2005	Dec., 2005
	Delivery at site	Jan, 2006	May, 2006
	Erection & Commissioning	February, 2006	June, 2006
4.	Utilities	Sep., 2005	June, 2006
	Trial runs	July, 2006	August, 2006
	Commercial Production	September, 2006	—

Requirement of Funds for General Corporate Purposes

We propose to undertake expansion at our existing facilities either in the form of expanding our existing facilities or acquisitions of existing facilities at an appropriate location in India / outside India. We propose to utilize this amount partly in the fiscal year 2005-06 and partly in the fiscal year 2006-07.

Details of calculation of working capital margins

The existing working capital limits enjoyed by us are Rs.480 million (fund based limit) and Rs.250 million (Non-fund based limit). The working capital requirement after the implementation of project at Changodar has been estimated by the company at limits at the level of fund based Rs.980 million, and Non fund based Rs.495 Million

The requirement of working capital is as follows:

(Rs in mn)

Particulars	Existing limit	Increase in limit	New Limit	Margin required	Required margin on the increase
Fund based limit	480	500	980	25%	125
Non Fund Based limit					
Bank Guarantee	195	200	395	10 %	20
Letter of Credit	55	45	100	5%	2.25
TOTAL	730	745	1475	147.25	

Break-up of Working Capital Finance limits from various banks is as under

Particulars	State Bank of India	ABN Amro NV	IDBI Ltd	Total
Fund Based	250	130	100	480
Bank Guarantee	195	195		
Letter of Credit	55	55		
Total	445	185	100	730

Appointment of Monitoring Agency

As per the stipulation of the BSE, Listing Committee, we have entered into an agreement dated October 24, 2005, appointing the State Bank Of India,G.V.M.S.A.V Ltd, Odhav Branch as the monitoring agency to monitor the use of the issue proceeds.

MEANS OF FINANCE

The net proceeds of the Issue after meeting issue expenses would be utilized to meet fund requirements described above. In case of shortfall if any, the same would be met through our internal accruals. In the event that the funds raised in the issue are higher than the budgeted requirements, we intend to use the excess for business purposes including acquisitions. The objects for which the funds are being raised have not been appraised by external agencies and as such all the fund requirements are based on management estimates. A committee has been appointed by a Board Resolution dated September 13, 2005 to oversee the end use funds.

Interim use of Proceeds

Pending use of the proceeds for the above-mentioned project we intend to invest the proceeds from the Fresh Issue in high quality, interest bearing liquid instruments including deposits with banks for the necessary duration. These investments would be authorized by our Board or a duly authorized committee thereof.



TERMS OF THE ISSUE

The present issue consists of 47,00,000 Equity Shares, of Rs.10 each, for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million. This Issue is being made through a 100% book building process.

	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of equity shares*	Upto 1,88,000 Equity Shares	Not more than 22,56,000 Equity Shares or Net Offer less allocation to Non Institutional Bidders and Retail Individual Bidders	Minimum of 6,76,800 Equity Shares or Net Offer less allocation to QIBs and Retail Individual Bidders	Minimum of 15,79,200 Equity Shares or Net Offer less allocation to QIBs and Non Institutional Bidders
Percentage of Issue Size available for allocation	Upto 4% of the Issue**	Up to 50% of Net Offer or Net Offer less allocation to Non Institutional Bidders and Retail Individual Bidders.	Minimum 15% of Net Offer or Net Offer less allocation to QIBs and Retail Individual Bidders	Minimum 35% of Net Offer or Net Offer less allocation to QIBs and Non Institutional Bidders
Basis of Allocation or Allotment	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	20 Equity Shares and in multiples of 20 Equity Shares thereafter	Minimum Bid Amount of Rs. 100,001 and thereafter in multiples of 20 Equity Shares	Minimum Bid Amount of Rs. 100,001 and thereafter in multiples of 20 Equity Shares	20 Equity Shares and thereafter in multiples of 20 Equity Shares
Maximum Bid	Not exceeding the Issue Size	Not exceeding the Issue Size	Not exceeding the Issue Size	Not exceeding Rs. 100,000
Mode of Allotment	Compulsory in Dematerialized form	Compulsory in Dematerialized form	Compulsory in Dematerialized form	Compulsory in Dematerialized form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Size of allocation	Minimum 20 and in multiples of one share thereafter	Minimum 20 and in multiples of one share thereafter	Minimum 20 and in multiples of one share thereafter	Minimum 20 and in multiples of one share thereafter
Who can Apply	Permanent employees of AIA Engineering Ltd and its Indian subsidiaries Ltd as on September 15, 2005.	Public financial institutions, as specified in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, venture capital funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, and Industrial Development Corporations, Multilateral and Bilateral development Financial institutions, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 mn and pension funds with minimum corpus of Rs. 250 mn.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals including NRIs and HUFs (in the name of the karta) applying for such number of Equity Shares such that the Bid Amount does not exceed Rs 100,000

	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
Terms of Payment	Margin Amount applicable to the Employees at the time of submission of Bid cum Application form to the members of the Syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin Money	100%	10% of the Bid Amount	100%	100%

* Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in any category, would be allowed to be met with spillover from any other categories, including reservations at the discretion of the Company in consultation with the BRLMs.

** Any undersubscription in Equity Shares, if any, reserved for Employees of the Company would be included in the Net Offer and allocated in accordance with the description in Basis of Allocation as described in page 186 of this Red Herring Prospectus.



BASIS OF ISSUE PRICE

The Issue Price will be determined by the Company in consultation with BRLMs on the basis of assessment of market demand for the equity shares by way of Book Building.

Qualitative Factors

For detailed discussion on the qualitative factors, see the section titled "Our Business - Strengths" on page 49 of this Red Herring Prospectus.

Quantitative Factors

Information presented in this section is derived from our restated financial statements (Equity Shares of Face Value of Rs. 10/- each):

Adjusted Earning per Share (EPS)

Financial Year	EPS (Rs.)	Weight used
2002-03	46.42	1
2003-04	61.13	2
2004-05	11.84	3
Weighted Average	34.03	

Price Earnings Ratio (P/E Ratio)

Based on year ended March 31, 2005 EPS of Rs. 11.84 [●]

Based on Weighted Average Adjusted EPS of Rs. 34.03 [●]

Note:

The Earnings per Share 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.

Industry P/E

Comparison with Peer Group

Other than Welcast Steels Ltd, (our group company), there is no other listed company, engaged in similar line of business. The equity shares Welcast Steels Ltd are thinly traded and the average volume per day is less than 500 shares.

Financial Ratios for Welcast Steels Ltd.

	Return Networth (%)	EPS (Rs.)	Book value on pershare (Rs.)	P/E
Welcast Steels Ltd	17.70	29.06	164.26	12.04

Average Return on Network

Financial Year	RoNW (%)	Weight used
2002-03	62.32	1
2003-04	55.74	2
2004-05	28.26	3
Weighted Average	43.10	

RONW has been calculated as per the following formula: (Net Profit after tax)/(Net Worth excluding revaluation reserve at the end of the year)

Minimum required return on post issue Net worth to maintain pre issue EPS of 11.84 is [●]

Net Asset Value (NAV) per share

Particulars

As at March 31, 2005	54.99
After the issue	[●]

NAV has been calculated as per the following formula:

(Net worth excluding revaluation reserve and preference share capital at the end of the year)/(Total number of Equity Shares outstanding at the end of the year)

The BRLM believes that the issue price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and the financials of the Company including important profitability and return ratios, as set out in the Auditors Report in the Red Herring Prospectus to have a more informed view about the investment proposition.



STATEMENT OF TAX BENEFITS

To

The Board of Directors
AIA ENGINEERING LIMITED
115 G.V.M.M.,
Odhav Road,
Ahmedabad-382410

Dear Sirs,

Reg: STATEMENT OF TAX BENEFITS

We hereby certify that the enclosed annexure states the tax benefits available to AIA ENGINEERING LIMITED (the "Company") and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 and other direct tax laws presently in force.

The contents of this annexure is based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

A shareholder 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 a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

For TALATI & TALATI.
Chartered Accountants

(UMESH H.TALATI)
Partner
Membership No. 34834

Place: AHMEDABAD
Date: September 12, 2005

ANNEXURE TO THE CERTIFICATE DATED SEPTEMBER 12, 2005

TAX BENEFITS

(A) BENEFITS TO THE COMPANY UNDER INCOME TAX ACT, 1961:

1. Subject to Compliance of certain conditions laid down in Section 32 of the Income Tax Act, 1961 (hereinafter referred to as "the Act") the Company will be entitled to a deduction for depreciation: -
 - a) In respect of tangible assets at the rate prescribed under Income-Tax Act;
 - b) In respect of intangible assets being in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998 at the rates prescribed under Income Tax Rules, 1962; which is 25% at present.
 - c) On plant and machinery at the rate of 15% and those on furniture and fittings 10% and motorcars 15%. Moreover in respect of new machinery or plant which has been acquired and installed after the 31st March, 2005, a further sum of 20% of the actual cost of such machinery or plant will be allowed as a deduction for depreciation;
 - d) The corporate tax rate shall be 30% and surcharge on tax shall be 10%. In additional to income tax, a fringe benefit tax at the rate of 30% (plus surcharge and education cess) would be payable in respect of fringe benefits provided/ deemed to be provided to the employees.
 - e) Under Section 115JAA (IA) credit shall be allowed of any MAT paid under Section 115JB of the Act for any A.Y. commencing on or after April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income tax Act. Such MAT credit shall be available for set-off upto 5 years succeeding the year in which the MAT credit initially arose.

(B) TO THE SHAREHOLDERS OF THE COMPANY - UNDER THE INCOME TAX ACT, 1961

Resident Shareholders

2. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from the tax.
3. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
 - The transaction of sale of such equity share is entered into on or after 1st October 2004.
 - Transaction is chargeable to such securities transaction tax as explained below.
4. In terms of Securities Transaction Tax as enacted by Chapter VII of the 'Finance (No. 2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is presently liable to securities transaction tax @ 0.1% of the value payable by both buyer and seller. The non-delivery based sale transactions are presently liable to tax @ 0.02% of the value payable by the seller.
5. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
6. In terms of section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.
7. Under section 48 of the Act, if the company's shares are sold after being held for not less than twelve months, the gains [in cases not covered under section 10(38) of the Act], if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.



8. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by;
 - a) National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
 - b) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
 - d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
 - e) Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;
9. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] on the transfer of listed securities i.e. shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue of capital, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible issue of capital means issue of equity shares which satisfies the following conditions, namely –
 - a) The issue is made by a public company formed and registered in India;
 - b) The shares forming part of the issue are offered for subscription to the public;
10. Under section 54F of the Act, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, and proviso to section 54F if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
11. Under section 112 of the Act and other relevant provisions of the Act, Long term capital gains, (i.e., if shares are held for a period exceeding 12 months) [in cases not covered under section 10(38) of the Act], arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and additional surcharge by way of education cess) after indexation as provided in the second proviso to section 48. The amount of such tax in case of listed securities including equity shares of the company as and when listed should however be limited to 10% (plus applicable surcharge) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
12. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of equity shares in the Company on a recognised stock exchange transferred after 1st October, 2004 shall be taxed at a rate of 10% (plus applicable surcharge and additional surcharge by way of education cess) on fulfillment of conditions stated in 3(a) and 3(b) above

Non-Resident Indians/ Non Residents Shareholders [Other than FIIs and Foreign venture capital investors]

13. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received by a non-resident Indian shareholder (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') on the shares of the company is exempted from the tax.
14. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
 - a) The transaction of sale of such equity share is entered into on or after 1st October 2004.
 - b) The transaction is chargeable to such securities transaction tax.

15. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
16. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No. 2) Act, 2004, transactions for purchase and sale of the securities in the recognised stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognised stock exchange is presently liable to securities transaction tax @ 0.10% of the value payable by both buyer and seller. The non-delivery based sale transactions are presently liable to tax @ 0.02% of the value payable by the seller.
17. Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of listed securities i.e. shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by
 - a) National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
 - b) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
 - d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
 - e) Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;
18. Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] on the transfer of listed securities i.e. shares of the company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of an eligible public issue of capital within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –
 - a) The issue is made by a public company formed and registered in India;
 - b) The shares forming part of the issue are offered for subscription to the public;
19. Under Section 54F of the Act, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions and proviso to sec.54F if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
20. Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (i.e. if shares are held for a period exceeding 12 months) [in cases not covered under section 10(38) of the Act], arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and additional surcharge by way of educational cess) without indexation as provided in the second proviso to section 48. The amount of such tax in case of listed securities including equity shares of the company as and when listed should however, be limited to 10% (plus applicable surcharge and additional surcharge by way of educational cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
21. Under section 115-I of the Act, the non-resident Indian shareholder as defined therein has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating To Certain Incomes of Non-Residents" which are as follows: -
 - a) Under section 115E of the Act, where shares in the company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months on a recognised stock exchange, shall (in cases not covered under section 10(38) of the Act) be concessionaly taxed at the flat rate of 10% (plus applicable surcharge and additional surcharge by way of educational cess) without indexation benefit.



- b) Under provisions of section 115F of the Act, long term capital gains (in cases not covered under section section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets or specified saving certificate within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
 - c) Under provisions of section 115G of the Act, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his income chargeable under the Act, consists of only investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
22. Under the first proviso to section 48 of the Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the Act), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares.

Foreign Institutional Investors (FIIs)

23. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from the tax.
24. In terms of section 10(38) of the Act, any long term capital gains arising to an investor from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the investor if the following conditions are satisfied:
- a) The transaction of sale of such equity share is entered into on or after 1st October , 2004.
 - b) The transaction is chargeable to such securities transaction tax.
25. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No. 2) Act, 2004, transactions for purchase and sale of the securities in the recognised stock exchange by the investor, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognised stock exchange is liable to securities transaction tax @ 0.075% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @ 0.015 % of the value payable by the seller.
26. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
27. The income by way of short term capital gains or long term capital gains [in cases not covered under section section 10(38) of the Act] realized by FIIs on sale of shares in the company would be taxed @ 10% as per section 115AD of the Act. However in case of such long term capital gains, the tax is levied on the capital gains computed without considering the cost indexation and protection against foreign exchange fluctuation)
28. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gain [in cases not covered under section 10(38) of the Act] arising on the transfer of share of the company will be exempt from capital gain tax if the capital gain are invested within a period of 6 month after the date of such transfer for a period of last 3 year in bond issued by: -
- a) National Bank for agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;

- b) National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988
 - c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
 - d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
 - e) Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989.
29. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] on the transfer of listed securities i.e. shares of the company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –
- a) The issue is made by a public company formed and registered in India;
 - b) The shares forming part of the issue are offered for subscription to the public;

Venture Capital Companies/Funds

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

(C) Benefits to Members of the Company under the Wealth Tax Act, 1957

Shares of company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act 1957, hence no shares are not liable to Wealth Tax Act, 1957.

Benefits to Members of the Company under the Gift Tax Act, 1958.

Gift made after 1st October 1998 is not liable for any gift tax and hence gift of shares of the company would not be liable for any gift tax.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005.
2. The stated benefits will be available only to the sole/first named holder in case joint holders hold the shares.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.



INDUSTRY OVERVIEW

Please note that in some instances there are no available market sources and we have produced data / information based on empirical data available to us from our manufacturing processes. This may not necessarily hold true in all cases and events.

Introduction

Infrastructure is the pivot on which economic development of any country rests. Cement, mining and utilities are the basic drivers of infrastructure development.

The manufacture of, Mill Internals basically employs alloy-casting process which require designing of alloys in relation to end application. The casting process is followed by precision heat treatment to develop required end properties. Therefore, companies involved in the manufacture of Mill Internals can generally be classified as a foundry. This industry is characterized by many small and few major players who normally manufacture parts to customer specification. The industry is fragmented with players operating at all levels of value chain.

Some of the important factors affecting the performance of the players in the industry include:

- Range of products offered
- Metallurgy and quality of products
- Experience in the industry
- Services offered
- Sales and distribution network
- Research and development etc

Market Prospects

The foundry industry is quite large and produces products for a diverse set of applications. Since this industry produces a specific range of high chrome mill internals which are used as wear parts in the crushing / grinding operations in the mills/ plants of Cement, Mining and Utility industries, the market prospects of the products are explained in relation to these industries as under:

Major types of markets for high chrome mill internals:

Maintenance requirement market: During the grinding operation in the mill, the wear parts that actually grind the feed (clinker/ limestone/coal in cement plants, coal in thermal power plants and mineral ores in mines) start wearing out. These worn out parts have to be replaced and this replacement market is called the 'consumables' market where the customer is required to procure the parts at regular intervals.

Project requirement market: The 'project' market is based on OEM (Original Equipment Manufacturers) sales and includes sales made to OEMs or directly to the customer when a new plant is set up and the whole set of internals is required to be fitted in the mill.

The consumable Industry is gauged by empirically arriving at the wear rate of mill internals per ton of user industry product output. The 'project' market can be estimated based on the general addition in capacities in the particular industry

Industry-wise demand

CEMENT INDUSTRY

1. High Chrome Grinding media:

(a) Replacement demand

This represents the worn-out Grinding media required to be replaced at regular intervals.

The world production of cement in 2003 was 1870 million metric tones as per the geographical distribution of the production is indicated below.

Zone	Cement Capacity (MT in millions)
America	220.0
Middle East	75.0
Europe-Africa	410.0
Far East-Australia	289.0
China	765.0
India	111.0
TOTAL	1870.0

Adding a growth rate of 3.6% the world production of cement in 2005 can be estimated to be 2000 million metric tonnes

Based on empirical data, the average wear rate of grinding media per ton of cement produced is around 100 gms. Using this wear rate, the approximate size of the world market for high chrome grinding media for cement plants has been arrived at 200,000 metric tons in 2005.

(Source-world cement website: http://www.worldcoal.com/Cement/WC_regional_review_july04.htm)

(b) Project demand:

For a new project or for expansion of capacity in existing plant, when a new mill is commissioned, the full grinding media charge has to be supplied. This demand is termed as the 'Project demand'.

As indicated earlier, global cement industry is expected to grow at an annual rate of 3.6%. This growth represents the 'project demand' for the grinding media. Based on empirical data, 300 metric tons of grinding media is required per one million ton of fresh cement capacity. The project demand for grinding media is arrived at 21,600 tonnes for the year 2005-06.

On the above basis, the total (replacement and project) demand for grinding media is arrived at as under:

Year	Estimated cement production- Million Metric Tonnes*	Incremental cement production Million Metric Tonnes (@3.6% growth)*	Grinding media required for new project	Grinding media required for replacement	Total Grinding media requirement
2003-04	1937	67.00	20,100	187,000	207,100
2004-05	2007	70.00	21,000	193,700	214,700
2005-06	2079	72.00	21,600	200,700	222,300
2006-07	2154	75.00	22,500	207,900	230,400

(Source –world cement website http://www.worldcoal.com/Cement/WC_regional_review_july04.htm)

2. Other Products

The market for other high chrome castings (mill internals) like liners, vertical mill spares etc. for the grinding mills in cement industry is as under.

Based on our empirical data, on the wear rate pattern the average wear rate for these products per ton of Cement produced is 23 gms. Based on the cement production figures for 2005-06 of 2000 million tons (source: ibid) http://www.worldcoal.com/Cement/WC_regional_review_july04.htm

The approximate market size for the mill internals is arrived at around 46,161 metric tonnes.



The 'project demand' of other mill internals, based on an empirical wear rate of 75 MTs per million ton of new cement capacity added shall be at 5,400 tonnes for the year 2005-06.

On the above basis, the total (replacement and project) demand for other mill internals is arrived at as under

Year	Estimated cement production-MMTs*	Incremental cement production MMTs*	Mill Internals required for new project
2003-04	1937	67.00	5,025
2004-05	2007	70.00	5,250
2005-06	2079	72.00	5,400
2006-07	2154	75.00	5,625

(* Source –world cement website: http://www.worldcoal.com/Cement/WC_regional_review_july04.htm)

Mining Industry

In the mining industry the mineral ore has to be ground to a specific size, before further processing can be done to recover the metal from the mineral ores,. Grinding mills are employed to carry out this grinding function. These grinding mills require mill internals (like grinding media, liners, etc.) for the grinding operation.

The grinding media requirement in the mining industry based on the current production of key mineral ores in the world has been estimated as under (sources mentioned below the table),

Sr. No.	Mineral Ore production	Annual Ore Production (Million Metric Tonnes)
1	Iron Ore ^a	1008
2	Copper Ore ^b	2700
3	Gold Ore ^c	258
4	Bauxite ^d	85
5	Lead Zinc ^e	96.9

Notes:

- Source: 'Mining Annual Review 2003'.
- Copper metal production of 13.5 million metric tones – Source: 'Mining Annual Review 2003 and assuming recovery rate of 0.5%
- Gold metal production of 2587 metric tones – Source: 'Mining Annual Review 2003' and assuming recovery rate of 10 grams per metric ton.
- Aluminium metal production is 17.23 million metric tonnes - Source: 'Mining Annual Review 2003' and assuming recovery rate of 20%.
- Zinc metal production of 9.69 million metric tones – Source: 'Mining Annual Review 2003 and assuming recovery rate of 10%.

In mining industry the ore is mined and ground to obtain the metal. Ore characteristics vary widely with every mine (and even within the same mine) and hence the wear rate of the mill internals will also vary. The mining industry conventionally uses forged grinding media

The grinding media consumption in major mining countries in the calendar year 2004 is estimated as under:

Sr. No.	Name of the country	Grinding media consumption (metric/tons)
1.	Canada	150,000
2.	USA	290,000
3.	South America	440,000
4.	Eastern Europe	500,000
5.	Africa	300,000
6.	Australia	147,000
7.	Indonesia	119,000
8.	China	500,000
	Total	2,446,000

(Source- www.smorgan.com)

The above does not include the consumption of grinding media in mining segment in India and Middle East as well as the erstwhile USSR.

Utilities (Thermal Power Plants):

Coal is used in thermal power plants in the process of generation of electricity. Coal has to be ground in grinding mills before further processing. The present scenario of power generation in India is summarized below:

Region	Ownership		Mode wise Breakup						
	Sector	Total	Hydro	Thermal				Wind	Nuclear
				Coal	Gas	Diesel	Total		
North		30980	10597	16915	3213	15	20143	179	1180
West		32739	5502	20792	5036	17	25845	632	760
South		30372	10438	13893	2650	939	17482	1671	780
East		17909	2460	15237	190	17	15445	5	0
North East		2357	1134	330	751	143	1223	0	0
Islands		69	5	0	0	64	64	0	0
All India	State	65315	23510	37877	3260	599	41736	69	0
	Private	12295	876	4241	4160	597	8999	2420	0
	Central	37936	5749	25048	4419	0	29467	0	2720
	Total	115545	30135	67166	11840	1196	80201	2488	2720

All India installed capacity (in MW) of power stations located in the regions of main land and islands as on 31.01.2005.

After the Electricity Act 2003, the licensing requirements have been reduced and the generation company will be free to enter distribution business and vice-a-versa. Currently private sector accounts for 11% of the total power generation capacity. The industry foresees an increase in power capacity thereby generating demand for our vertical mills.

The generating capacity in India as on 31st March 2004 stood at 115,544 MW. Currently central institutions like National Thermal Power Corporation (NTPC) and the SEBs dominate the power scene in India. India has adopted a blend of thermal, hydel and nuclear sources with a view to increasing the availability of electricity. Thermal plants at present account for 69% (80,201 MW) of the total power generation, hydro-electricity plants contribute 26% and the rest come from nuclear and wind energy sources.



Coal based power plants account for 67,166 MW of the total thermal power generation capacity of 80,201 MW and which forms about 83% of the thermal power generation capacity.

Further, the government plans to add 150,000 MW of generation capacity over the next decade (including 100,000 MW thermal capacities and 50,000 MW hydro capacities) in order to bridge the current demand-supply gap. This is almost 1.5 times current capacity. Also, if India has to achieve a consistent 7% GDP growth, then power generation has to grow by 8%-9% per annum {Source: Ministry of Power, Government of India (<http://powermin.nic.in>)}

Market Prospects – Thermal Power plants

Around, 67,000 MW of electricity is produced by coal based thermal power plants. As per the empirical data, the wear rate for high chrome mill internals (annual replacement demand) per MW of electricity generated is around 15 grams per MWhr generation. Applying the above wear rate and running hours of 7200 hours per year, the current market for wear parts for coal based thermal power plants works to around 7000 MT per year.

The government plans to add 100,000 MW of thermal power generation capacity over the next decade, and around 83% thereof are estimated to be coal based thermal power plants. Thus, about 83,000 MW of coal based power generation capacity is expected to be added in next 10 years. This constitutes the project demand for the next decade in India. As per empirical data, for every MW of new thermal power generation capacity, 0.147 MT of wear parts are required. This translates in to the new project demand of around 12,000 MT spread over next ten years.(Source: Ministry of Power, Government of India (<http://powermin.nic.in>))

BUSINESS OVERVIEW

Our Company is promoted by a first generation entrepreneur Mr Bhadresh K Shah, who promoted Ahmedabad Induction Alloys in 1978. We are a niche player in the value added, impact, abrasion and corrosion resistant high chrome metallurgy segment. These components include products like grinding media, liners, diaphragms, vertical mill parts, etc. all manufactured in high chrome metallurgy (collectively referred to as “mill internals”). The foreign collaborations with M/S Magotteaux International S.A in 1991, South Western Corporation USA in 1999 and SWC UK in 2002 have given synergy for forward thrust to the company.

Our products find application in the ‘crushing and grinding’ operation in mills in cement, utility, mining and other industries.

High chrome metallurgy offers a lower wear rate, compared to conventionally used parts of manganese steel, ni-hard iron, hyper steel and forgings. We offer our customers complete solutions in grinding in order to optimize the productivity of the grinding mills. This includes advice on the operational parameters of the mills. For example, in case of tube mills for cement plants, we advise on the composition of grinding media (total tonnage, size distribution, metallurgy) and design other mill internals depending on the feed material to be ground and the desired fineness of the finished product. Additionally, we offer services such as installation supervision and mill process optimization for maximum efficiency. We offer similar services in case of other product segments as well. This can translate into substantial savings in terms of higher output, reduced power consumption and lower maintenance costs for the customer.

We have several years of experience in supplying products to a cross-section of industries nationally and internationally. This has been achieved through continuous research & development and product/ process development activity coupled with acquiring and adapting global technologies through collaborations. We had a technical-cum-financial collaboration from 1991 to 2000 with M/s. Magotteaux, Belgium, a multi-national manufacturer of High-chrome metallurgy based wear and impact resistant cast components. We have a strong in-house research and development department, which we believe, has helped us in developing new products and applications and a distinct identity for our products. Presently, we have a technical collaboration with Southwestern Corporation UK for process improvements relating to Vertical mills.

Our products are sold to major cement players in India including ACC Limited, Gujarat Ambuja Cement Ltd., Ultra-tech Ltd and Grasim Industries Ltd. In the mining segment our customers include ferrous and non-ferrous mineral beneficiation plants like Kudremukh Iron Ore Company Ltd., Hy-grade Pellets, Hindustan Zinc, Bharat Aluminium Company). In the utility segment we supply to major thermal power plants and OEMs.

We market and sell our products on the international market through our subsidiaries located in U.K., U.S.A and the Middle East. Our products are sold to global cement manufacturers in major countries located in North and South America, Europe, Middle East, Far East and Africa. We have supply contracts, with global cement manufacturers like Holcim of Switzerland, Lafarge of France, Cemex of Mexico through our overseas subsidiaries and commercial relationships with OEMs like FL Smidth of Denmark, etc.

Infrastructure and Facilities

Our Corporate and Registered office at 115, GVMM Estate, Odhav road, Odhav Ahmedabad-382410. The Company presently has 6 manufacturing units – all in GVMM Estate, Odhav.

Our Production Capacities

Our present installed capacity is indicated below:

(All figures in tonnes)

Products	Existing Capacity	Proposed Capacity
Mill internals (own plus subsidiaries)	30,000*	76,000*

Excluding the current capacity of our subsidiary WSL, which is 35,000 MT and is being increased to 42,000 MT.

We have achieved an average capacity utilisation of 90% for the last three years.



AIAEL and its subsidiaries have plants located at 3 locations in India- at Ahmedabad and Nagpur.

The details of manufacturing facilities at Ahmedabad are as under:

We currently have six manufacturing units at GVMM Industrial Estate, Odhav, Ahmedabad.

Name of the company/Unit	Description of the plant – All in GVMM Estate, Odhav
AIAEL-UNIT-1	Plot no 235,236,237,249,250 – Manufacture of Grinding Media & Small castings (Liners, Bull ring segments)
AIAEL-UNIT-2	Plot No 271-276 – Fettling, Fabrication, Heat Treatment, Quality Control, Quality Assurance & Despatch
AIAEL-UNIT-3	Plot No 92,93,94, 113, 114 – Corporate Office and Pattern Shop
AIAEL-UNIT 4	Plot No 81, 82 – Machining, Fettling and Heat Treatment
AIAEL-UNIT 5 (GCFW)	Plot No. 163 – Production of Grinding Media
AIAEL-UNIT 6(CEPL)	Plot No. 231, 232 – Production of Grinding Media

All the above unit sites are owned by AIAE barring plot no. 81 of Unit 4, which has been taken on lease from our subsidiary RWL.

Reclamation Welding Limited:

RWL our subsidiary is located in plot no. 129, 130 at GVMM Estate, Odhav, Ahmedabad. The main product it manufactures is big sized mill internals individually ranging from 1.5 tons to 16 tons.

Paramount Centrispun Castings Pvt.Ltd, Nagpur

PCCL our subsidiary company has, at Nagpur, a foundry unit for the manufacture of conventional grade industrial castings having the capacity of 5000 TPA. It manufactured a special type of centrifugal casting (bi-metallic rolls used in Raymond mills). Till 2003-2004, PCCPL was manufacturing this specific product on a conversion basis for AIAE. However, post 2003-2004, AIAE manufactures the said products at its plants in Ahmedabad.

Welcast Steels Limited, Bangalore

Welcast Steels Ltd, our Subsidiary company has a manufacturing facility for grinding media with a capacity of 36,000 TPA of grinding media at Bangalore. This unit is in the process of expanding its capacity up to 42,000 TPA, and this will be available to it from F.Y.2005-06.

Our Products

There are two types of mills used for the grinding operation: tube mills (which are horizontal) and vertical mills. AIAEL is involved in design, manufacture, supply and services of mill internals for both vertical as well as horizontal type of mills.

Mill Internals:

For Tube Mills we manufacture:

Head Liners, Shell Liners, Diaphragms (intermediate with grate plates and back plates, Outlet), Grinding media.

For Vertical mills we manufacture:

Grinding Rolls, Tyres, Grinding Rings, Hollow balls, Bull ring segments, Table, Airport Assembly, H.P. Classifier.

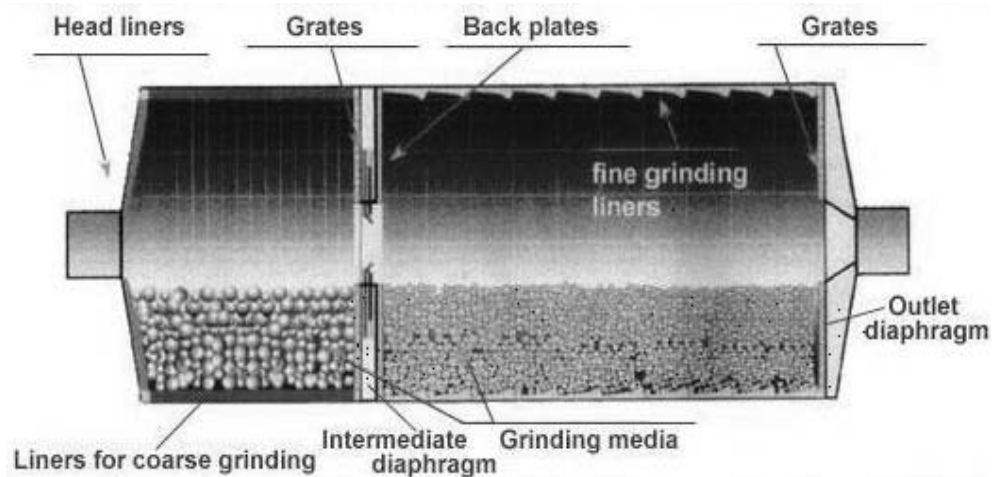
Function of a Mill

The essential purpose of the mill is to grind (the plant grinds clinker in cement mills, coal in thermal power plants or mineral ore in mines). Mill internals (grinding media, liners, etc in case of tube mills and rollers, table liners, etc in case of vertical mills) are used to carry out the grinding operation. The specification of the mill internals are chosen based on the input feed that has to be ground and the fineness of the output required.

Mill Types:

Tube Mills

In tube mills, when the mill rotates, the grinding media are lifted and they fall with an impact on the feed and thereby grind the feed. With repeated operation, the grinding media begins to wear. The grinding media (or grinding balls) have very high degree of hardness, which can damage the shell of the mill. Liners are used to protect the shell of the mill. They are also used for aiding and controlling the lifting action of "Grinding Media" The mill is separated into two chambers and the size of the grinding media decreases from the inlet to the outlet as the fineness of the feed increases. The two chambers are separated by an assembly of diaphragms, grates and back plates, which screen the feed and let only a certain size of feed pass into the second chamber. The outlet of the shell is fitted with outlet diaphragms and grates. All the above mill internals are subjected to wear as grinding operation is carried out.



Vertical Mills

In these mills the grinding takes place when the feed material passes between the rotating table liners and rollers. Over a period of time, these mill internals also wear out. With increasing wear of these internals, the grinding operation becomes less efficient and the output reduces. For a thermal plant, reduced output of ground coal means reduced availability of coal for pulverizing leading to lower heat generation and eventually reduction in the electricity produced. Likewise is the case in cement mills, where reduced efficiency means reduced output of requisite ground cement. In addition to the above, power consumption of the mill may also increase thereby increasing the operating and the maintenance cost for the customers. Hence, controlling the "wear" rate of mill internals is essential for the efficient performance of the mills.

In case of any of these mill internals failing, the grinding process comes to a halt and eventually the production of that plant comes to a standstill. So these products are critical for the efficient functioning of the mills. We believe that the high chrome mill internals manufactured by AIAE offer reduced wear rate of the grinding elements and a greater control on the grinding process compared to conventional alternatives like manganese steel, forged steel and ni-hard iron internals.

We also manufacture wear parts related to the crushing operations.

Our Product Profile

1. Tube Mill Parts



(Picture of grinding media)

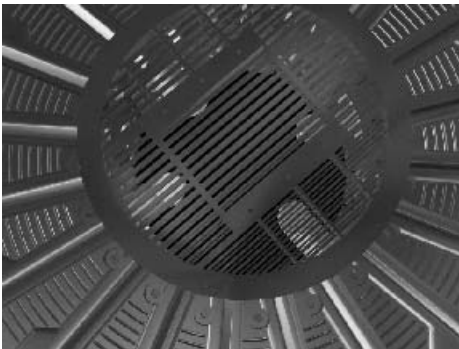


- a) **Grinding Media:** Cast steel high chrome grinding media are produced after a rigorous and lengthy process. The major service requirements for the alloy steel grinding media is that they should be sufficiently hard, abrasion and wear resistant, resistant to deformation and should not develop cracks on the surface during the operation. The core of these balls should have uniform distribution metallurgy, which is developed from satisfactory heat treatment. Such a combination of physical properties is related to the metallographic structure, which can be achieved by strict control of different stages of the manufacturing process after fettling and cleaning.
- b) The castings are subjected to closely controlled heat treatment cycles resulting in the development of desired metallographic structure and uniform hardness through the cross-section of the balls.
- c) **Liners:** The function of a liner is to impart suitable trajectory to the balls so as to ensure efficient crushing of feed material. The liners should also be designed such that there is no direct impact of balls on liners resulting in loss of energy and breakage. Each liner is designed according to the application, there is no unique liner for all the applications.



(Picture of liners for the tube mill)

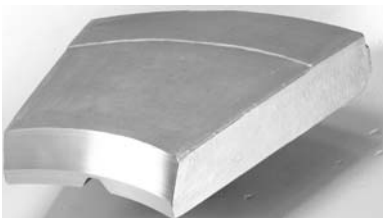
- d) **Diaphragm:** The basic principle of a diaphragm is to keep the material level in the first chamber at the optimum level. The material entering the diaphragm chamber through the slotted grates can exit to the second chamber only through the rotating cylindrical lifters. We also manufacture level control diaphragms, which are used for controlling the level of material in the mill chambers.



(Picture of diaphragm for the tube mill)

2. Vertical Mill Parts

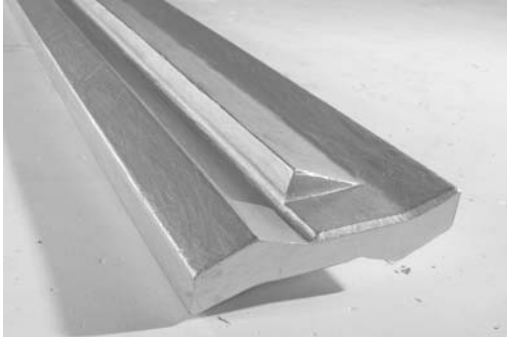
- a) **Rollers & Table liners:** AIAEL manufactures rollers and table liners for various makes of vertical mills like Atox, Loesche, MPS, Polysius, Raymond and E-Mills. Depending on the application the rollers are manufactured in monoblock segmented or inserted construction. Similarly the table liners can be in monoblock or segmented construction.



(Picture of vertical mill parts - table liners and rollers)

2. Crusher Parts

Blow bars/ Hammers: These items are used in crushing operations.



3. Heat Resistant Castings



Dipping tubes: Dipping tubes or immersion tubes are located in preheaters are designed to improve efficiency of separation of material and gas. Conventional dipping tubes for lower cyclones are made of stainless steel and in fabricated construction. This construction causes problems during maintenance. AIAEL has developed segmented dipping tubes in high chromium alloys. This design ensures easy installation besides allowing ease in carrying these segments inside preheaters. Support castings are welded to steel flange existing inside separators. Other castings hang independently allowing flexibility for expansion as temperature rises. The segments are made of suitable heat resistant alloy to ensure longer life. Whenever necessary, thickness/ ribbing can be improved to ensure long service life.

Our Services

We offer process improvement services to our clients, which include the following:

- b) **Mill Audit:** This involves the complete understanding of the mill by the AIAEL engineer, studying the application parts for the mill internals, and determining the mill condition from maintenance and process point of view, understanding the bottleneck, studying the wear profile and determination of proposed guarantees.
- c) **Designing:** Mill Audit is followed by stringent design procedures to ensure the right design for the right application by conducting several design reviews, verification and validations.
- d) **Alloy Selection:** The next step before manufacturing is the alloy selection where the three wear mechanisms – impact, corrosion and abrasion are dealt with. The alloy selection process is determined by the following factors:
 - Applications & Working Conditions
 - Design of part
 - Physical and metallurgical properties
 - Manufacturing process
 - Chemical composition
- e) **Supervision during installation of wear parts:** The installation of the wear parts supplied by us are done under the careful supervision of our experienced engineers
- f) **Optimization of the grinding system:** Our process engineers regularly visit the plants to conduct mill studies. This study helps our engineers in fine-tuning the mills for optimum performance.



Retrofitting

Whenever the mill internals are due for replacement, there is always a possibility of supplying those internals as per the existing design and metallurgy. We believe that retrofitting, which involves replacement of the complete set of mill internals to new designs and metallurgy, offers additional benefits to the customer. We have retrofitted more than 750 mills as a part of our solution based exercise. Retrofitting involves a comprehensive range of activities consisting of:

- Study of mills
- Understanding customers' needs
- Designing of parts
- Decision on ball charge
- Decision on metallurgy
- Manufacturing of parts
- Installation of parts
- Fine tuning of mills

Retrofitting offers the following benefits for customers (As per years of experience of mill audit)

- Optimal chamber lengths based on existing feed and product requirements
- Appropriate liner profiles for maximizing productivity
- Appropriate metallurgy for maximizing life of internals without sacrificing safety.
- Opportunity for optimizing ball charge

Research & Development

Research and Development forms a critical activity for the development of new alloys at AIAE. The research and development involves the use of our technical services, process engineers and quality control / assurance department. Regular trials are carried out for developing new alloys. These in house developed alloys are then tested at field to establish its actual performance in comparison to the existing alloys. Based on successful trials the alloys are standardised for production and supply.

Our track record

Ball Mills

- We have supplied more than 3,00,000 MT of High Chromium Grinding Media.
- 70,000 MT of High Chromium liners
- 325 ball mills retrofitted
- Installation of more than 130 diaphragms

Vertical Mills

- 30,000 tons of wear parts supplied for vertical mills
- Retrofitting of 400 Mills
- More than 2000 inserted rolls supplied
- 2000 mills studied and audited
- 50 service and installation engineers operating from India and 20 Engineers operating in the International Markets.

Collaborations

Since inception, we have been manufacturing wear parts for Ball/Vertical Mills used in cement plants, mines and power plants. Our group has been manufacturing high chrome mill internals using in-house technology since 1985

The following are the technical / other collaborations of AIAEL over the years:

Previous Collaborations:

- (a) Collaboration with M/s. Slegten S.A. Belgium for technical know how in manufacturing of high chrome liners, Level controllers and other diaphragms
- (b) Technical/ financial collaboration with M/s Magotteaux International SA, Belgium in 1991 for manufacture of high chrome castings. This collaboration ended on the year 2000.

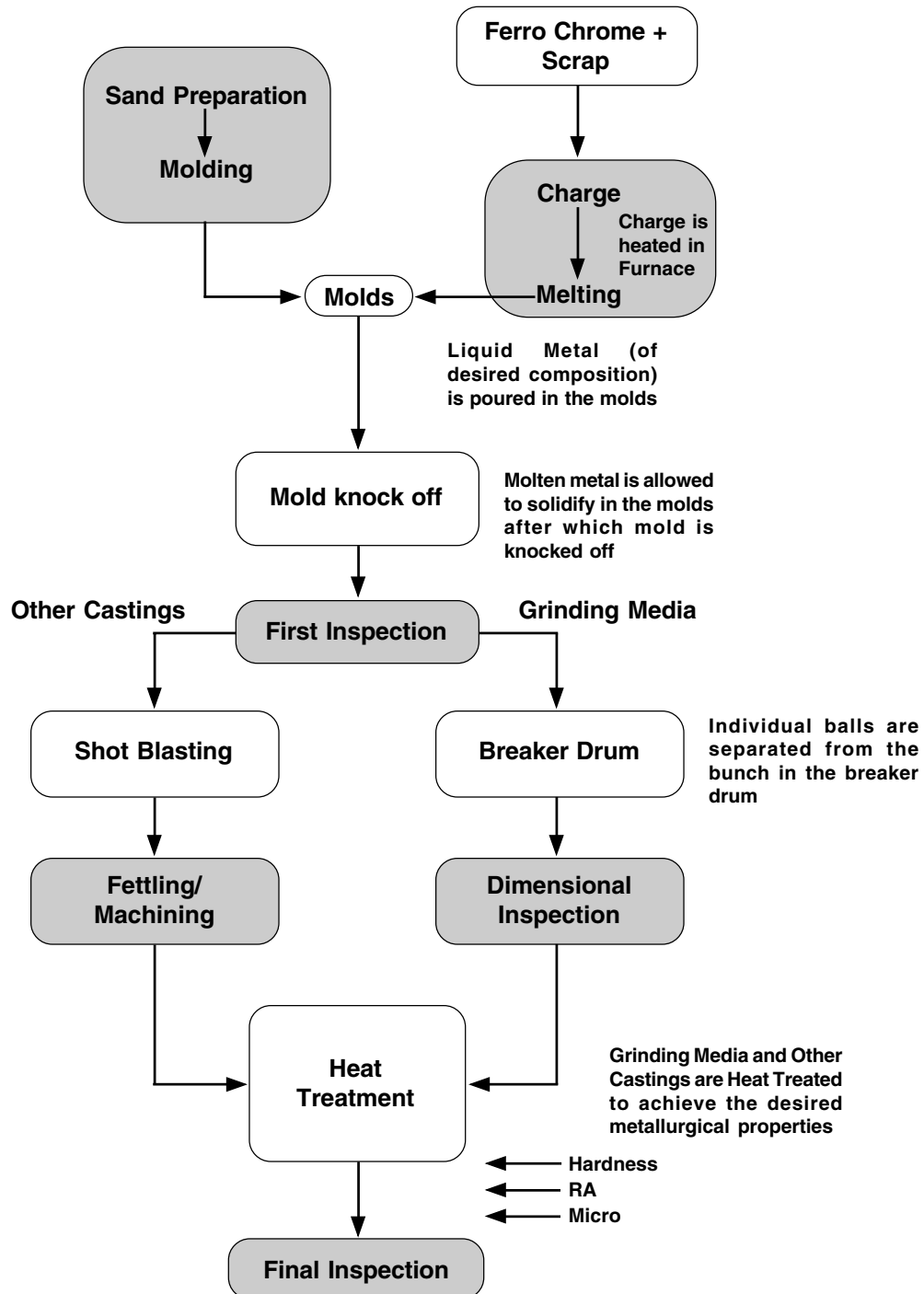
(c) Technical collaboration with M/s. South Western Corporation, USA (SWCUS), for process improvement in Raymond Mills since 1999.

Ongoing Collaborations:.

(d) Technical collaboration with M/s. South Western Corporation U.K., (SWCUK) for the manufacture of high performance classifiers since November 14, 2002 for a period of 5 years.

Manufacturing Processes

Process flow chart for manufacture of mill internals is as below:





1. Grinding media

Grinding media is manufactured using casting process. Sand moulds are prepared using patterns of grinding media. Liquid metal of correct chemical composition is poured in the moulds at decided temperatures. Cast media is separated from moulds and are passed through a drum wherein the media is fettled. The clean media is inspected and good material is passed on to the next stage of processing.

Grinding media passes through stages of heat treatment aimed at achieving desired combination of properties. The properties of hardness and microstructural features are so specified as to ensure good combination of wear resistance and toughness.

2. Other mill internals (liners, vertical mill parts etc..)

Mill internals are manufactured under the following process. Sand moulds are prepared using patterns of product castings. Liquid metal of correct chemical composition is poured in the moulds at decided temperatures. Cast products are separated from moulds and the castings are cleaned on a shot blasting machine. The clean castings are inspected and good material is passed on to the next stage of processing.

These mill internals pass through stages of heat treatment aimed at achieving desired combination of properties. Fettled castings are inspected using gauges for correctness of dimensions. After this stage, depending on the physical properties and the dimensional accuracy required the castings undergo a different set of operations. For example tube mill liners pass through two stages of heat treatment aimed at achieving desired combination of properties. The properties of hardness and microstructural features are so specified as to ensure good combination of wear resistance and toughness. The castings are inspected once again before clearing for dispatch. The vertical mill parts pass through quenching heat treatment aimed at achieving maximum wear resistance. The castings are subjected to final machining operation, inspected for correctness of dimensions and are ready for dispatch.

Commercial Alliances

We have commercial Alliances with some of the leading OEMs and some cement manufacturers.

Raw Materials

The main raw materials required for manufacture of High Chrome castings are

- M.S. Scrap
- Ferro Chrome and other Alloys

M.S. scrap is available quite easily in the international markets as well as in the domestic markets. We procure 85% - 90% of our requirements from the domestic markets and the balance is imported. Ferro Chrome and other Alloys are available in the domestic markets.

An overview of the infrastructure and facilities at the above plants is given below: -

AIAE Unit No. I.

Location - GVMM Industrial Estate, Odhav, Ahmedabad.

Land area 3716 sq.mtrs

Built up area 3623 sq.mtrs

Contracted demand – 2400 KVA (GEB)

DG set – 125 KVA Kirloskar

AIAE Unit No. II: Heat treatment/Fettling/fabrication shop

Location - GVMM Industrial Estate, Odhav, Ahmedabad.

Land area 5560 sq.mtrs

Built up area 6183 sq. mtrs

Contracted demand – 1300 KVA (GEB)

DG set – 380 KVA Kirloskar

500KVA L&T Detroit

AIAE Unit No. III FETTLING AND FINISHING SHOP

Location - Plot No. 81/82, GVMM Industrial Estate, Odhav, Ahmedabad.
 Land area 1782, sq.mtrs
 Built up area 1587 Sq. mtrs.
 Area under heat treatment and fettling 976 Sq Mtr.
 Area under machine shop 611 Sq Mtr
 Contracted demand – 1000 KVA (GEB)
 DG set – 500 KVA(Cummins)

Unit No. IV: RWL (AIAE SUBSIDIARY):

Location - GVMM Industrial Estate, Odhav, Ahmedabad.
 Land area 4510, sq.mtrs
 Built up area—sq,mtrs
 Land – 4510 Sq mtr
 Contract demand – 2400 KVA (GEB)
 DG set – 250 KVA, Kirloskar + 1500 KVA, L&T Detroit

Unit No.5 (CEPL)

Location- Plot No. ———, GVMM Industrial Estate, Odhav, Ahmedabad.
 Land area 1858 , sq.mtrs
 Built up area 1512 sq,mtrs
 Land – 1858 Sq mtr
 Contract demand –700 KVA(GEB)
 DG set – 62.5 KVA

Unit No.6 (GCFW)

Location- Plot No. ———, GVMM Industrial Estate, Odhav, Ahmedabad.
 Land area 929, sq.mtrs
 Built up area sq, mtrs
 Land – 929 Sq mtr
 Contract demand – 550 KVA (GEB)

PCCL (subsidiary)

Land Area: 31035 sq.mtrs
 Contract demand :2100 KVA
 Captive power generation: 930 KVA

Environmental Factors

The process of manufacturing industrial castings does not involve discharge of any hazardous solid waste. We comply with the pollution control guidelines for our manufacturing plants. For details on the approvals obtained/pending from the pollution control board please refer to Government approvals on page 157 of this Red Herring Prospectus.

Our Competitive strengths

We believe that we are well positioned to enhance our position as a supplier of value added, impact, abrasion and corrosion resistant high chrome mill internals, on account of our competitive strengths that include the following:

Focus on Metallurgy, research and development: We have several years experience in developing metallurgy based solutions for our clients. Our research & development capabilities, experienced technicians and our experience enables us to test and implement new applications of metallurgy based on the changing needs of our clients in the three major industries that we cater to viz. cement, utilities and mining.

Comprehensive solutions based approach: Generally, high chrome metallurgy offers a lower wear rate, compared to conventionally used metallurgy. We possess a combination of the knowledge of metallurgy, grinding application and process technology. By virtue of this we have the capability to offer total solutions to the customer which can translate into substantial savings in terms of higher output, reduced power consumption and lower maintenance costs for the customer.

Technology

We have developed customized designs for our products. Through a strong in-house research and developmental activity, we have created our own Intellectual Property by developing many more products / applications /solutions which are unique to us. It is our constant endeavor to strengthen and improve our own products even if it requires induction of foreign technologies. Thus, earlier we had entered into technical collaboration with M/s. Slegten S.A. of Belgium and



Magotteaux, Belgium. We also had a collaboration with Southwestern corporation, USA for process improvement in vertical mills (used for crushing raw material) from 1999 to 2002, and currently have a collaboration with Southwestern corporation, UK for process improvements in high performance classifiers, used in vertical mills which expires in November 2007.

Regional Nature of User Industry

Our primary supplies are for the maintenance requirements of the user industries. These industries are generally regional in nature, which ensures business stability from specific regional economic cycles.

Overseas marketing subsidiaries:

We have a global reach with presence in North & South America, Europe, Middle East, Far East, Australia and Africa. Our emphasis has been to recruit local talent, wherever felt necessary to minimize the cultural differences and make sure that the acceptance is easier. Besides, the top sales managers have experience in the high chrome mill internal industry. Our sales network is established in all these markets through our overseas marketing subsidiaries and we have built contacts, networks and goodwill across the markets and industries, which is an asset for us.

Services:

Our objective to manufacture quality goods is matched by our commitment to provide excellent service to our customers before an order is received, after the components are supplied and during the working life of the components. Engineers of our technical services department “adopt” customers falling within their area of operation and develop a long lasting relationship. Before an order is finalized, they study the operational parameters of the mill, take mill measurements (if the relevant drawings are not available with the customers), suggest improvement in design, alloys etc., and offer guarantees for the mill output, power consumption and life of the components. After the components are supplied, our installation engineers visit the sites for installing the components, start and fine-tune the mill to achieve the guaranteed production rate. The technical services engineers also visit the customers periodically to discuss with the shop floor staff and the management operational problems, if any, suggest improvements, collect feed back on the working of the components supplied by us and appraise the customers of any new product being developed by us.

Low Cost of Production:

The casting manufacturing process involves several stages. Each stage requires skilled resources and is labour intensive. We have the advantage of lower labour costs and availability of technically qualified manpower in India and hence are able to manufacture castings at lower costs.

Quality:

The quality management systems of AIA Engineering Ltd. are certified under ISO 9001:2000 standards.

We believe that we have a combination of knowledge about metallurgy, application and process, which is essential for manufacturing quality products, at a reasonable cost. We are consciously dedicating resources for quality assurance to ensure that quality norms are continually met.

Commercial Partnerships with select OEMS and customers.

We have an alliance with one of the major OEM supplier to thermal power plants across the country, whereby majority of projects commissioned are equipped with our mill internals and the future ‘repetitive’ spares requirement of the customer are also sourced through us.

We have supply contracts with important Cement groups like **Holcim of Switzerland, Lafarge of France, Cemex of Mexico, etc** through our overseas subsidiaries.

Management Depth

We are a closely held company promoted by Mr. Bhadrash Shah, a metallurgical engineer from IIT, Kanpur. He has been associated with the high chrome mill internal industry for the last 27 years and has experience in the commercial field, as well as production and marketing.

Our Board of Directors consists of experienced professionals from different backgrounds. They bring their diverse practical experience to our company.

A team of technocrats, professionals and consultants experienced in the high chrome mill internal industry help manage our strategic intent. Brief biographies of the key personnel responsible for global market development are as detailed below:

- a) Mr. Jules Spede, Director, AIA Engineering

Mr. Spede is a veteran in the high chrome industry, currently based in France, having more than 35 years of experience and his function is strategic planning. Prior to joining us, his past experience involved development of business and manufacturing base in Far eastern asia.

- b) Marc Brunelle, Group Sales Director, Cement and Mining, (Vega Industries, USA):

Mr. Brunelle brings with him a comprehensive and thorough knowledge of process along with long years of experience in North America in Lafarge and sales experience with cement and mining markets for similar products. His background gives him a comprehensive perception of the requirement of global players in cement manufacturing and marketing acumen to get the better of competition.

- c) David Hurlock, Commercial Director (Vega Industries, USA)

Mr. Hurlock, with 30 years experience, started his career as a Sales Engineer for a company manufacturing high chrome wear components in USA. Mr. Hurlock brings with him the network of relationships with all customers in North America.

- d) Mr. Richard Drouin, Group Technical Manager

Mr Drouin is employed as Group Technical Manager with AIAE and heads all Production of the Group with Plant Managers of all plants in India reporting to him. Richard has work experience of more than 20 years with a global wear part manufacturer in various capacities including General Manager of one of their plants. He brings a lot of value to the Group.

Business strategy

Our primary business strategy is to raise capacity of our production and enhance the global market share. Towards this end we propose to set up a dedicated facility at a Greenfield site at Village Changodar, Taluka: Ahmedabad, which is located at the distance of about 25 kms from Ahmedabad. This plant proposed to be set up for the purpose of manufacturing high chrome mill internals will have an installed capacity of 46,000 TPA.

The production is scheduled to begin by October 2006.

The Changodar plant will be based on modern, automation oriented technology which will enhance the production volumes, increase plant efficiencies and reduce the labour requirements, thereby saving on the operating cost.

Other details:

Market including details of competition: The market is discussed as in the Industry segment of this RHP page No. 36. For details on the competition please refer to the Business Overview on page 52 of this RHP. The demand for cement grinding & internals are generated by the services and solutions provided by our field level technicians. Further the guarantee of performance also attracts the end user customers. The agreement with the OEMs and global user industries generates a continuous flow of business. With augmentation of capacity the Company looks forward to increasing global market share. Please refer to the chapter on Industry Overview at page 36 of this Red Herring Prospectus for the information on our major competitors

Past trends and future prospects on exports: Export share was 36%, 20%, 34% in 2003, 2004, 2005 of the total revenues. We have a global marketing network for selling our products outside India. With the enhancement of capacity at Changodar, the Company envisages to further raise its global market share. For further details on the exports of our company please refer to page 112 under Management Discussion & Analysis of the RHP.

Marketing approach and set up/ Distribution

Sales to our customers is always against confirmed orders. Products which can be universally used by a particular user industry, are maintained at warehousing facilities at various locations globally. However, keeping in mind the need to cater to the immediate maintenance requirements, products which require design input and have to be custom made taking in to consideration the application, we supply directly from our manufacturing facilities in India.

The orders are generally generated due to close interaction of our sales and service engineers with our customers. Our products are supplied under guarantees of performance depending on the end use of the product.

Intellectual property:

Our Company has applied for the registration of 5 products under the product patent regime (4 in 2002 and 1 in 2005) which are still pending. Further, we have not yet applied for the registration of our brand name or logo under the Trade Marks Act, 1999.



Competition

As per our information, the details of competitors, in India and outside, are as follows:

In India:

Sr. No.	Name of the Competitor	Product range
1.	L&T India	Vertical mill parts and tube mill liners
2.	ACC Nihon Ltd.	Vertical mill parts and tube mill liners
3.	Balls & Cylpebs	Grinding Media
4.	Balaji Industrial Products Ltd.	Grinding Media, tube mill liners
5.	Magotteaux (India) Pvt Limited	Vertical mill parts

Financials of ACC Nihon

(Rs in Mn)

Particulars	2003-04 (for the 9 month period ending December 2004)	2002-03	2001-02
Sales	268.82	246.61	220.07
Profit Before Tax	-3.97	16.37	-65.24
Net Profit	-3.97	16.37	-65.24

(Source : Annual Report of ACC Nihon Castings Ltd for the Year ended, 2002, 2003 for the peiod ended Dec 2004)

Outside India

Sr. No.	Name of the Competitor	Product range
1.	Magotteaux International, Belgium	Grinding Media and other mill internals
2.	Christian Pfeiffer, Italy	Grinding media and tube mill wear parts
3.	Estanda, Spain	Tube mill wear parts
4.	Toyo, Japan	Grinding Media
5.	Anhui, China	Grinding Media and other mill internals
6.	Aresco, Egypt	Grinding media and tube mill parts
7.	Firth Rickson, UK	Vertical mill parts
8.	Scaw Metals, South Africa	Grinding Media and mill internals

Insurance Cover taken

Both our manufacturing facilities as well as our manpower are provided insurance cover . Our standard fire and special perils policy covers our facilities for fire, natural calamities, terrorism, etc. Other important insurance policies taken by us are as follows:

Insurance Policies for Manufacturing Facilities, Machinery and Goods in transit

- Machinery Breakdown Policy:** This policy covers important machineries like transformers, DG sets, compressor, electric motors, oil/air circuit breakers, molding machines etc. The insurance policy covers the value of the spare parts, the cost of repairing these machineries etc
- Marine Cargo Policy:** Covers the goods in transit within India as well as abroad depending on the terms and conditions of sales or purchase. This policy covers loss of materials based of the invoice value, any damage or shortfalls in the material etc.
- Standard fire and special perils policy:** This policy covers manufacturing facilities including buildings, plant and machinery, raw materials, finished and semi-finished goods, pattents, lab equipments, electrical installations, furniture and fixtures, patterns etc. This policy covers our office buildings and factories in Ahmedabad. This is an annual policy and

we have taken three such policies including a floater policy from United India Insurance Company Ltd. These policies are valid from July 1, 2005 from June 30, 2006.

4. **Electronics Equipment Policy:** This policy covers electronic items like computers, laptops, lab equipments like spectrometer etc

Insurance Policies for the Personnel

- **Personal Accident Cover Policy and Group Personal Accident Cover Policy:** These policies cover those employees who are not covered under ESI (Employee State Insurance Scheme). These policies cover all kinds of accidents for these personnel. We also offer mediclaim policies to our employees and their spouses.
- **Workmen Compensation Policy:** Covers apprentices, trainees and casual workers etc

Top 5 customers for the last 5 years

Within India:

2002-03

Name Of The Customer	As % Of Total Sales
OEM To The Thermal Power Sector	13.53
Kudremukh Iron Ore Company Ltd.	11.25
The Associated Cement Company Ltd.	4.27
Gujarat Ambuja Cements Ltd.,	3.20
Gujarat State Electricity Board	3.02

2003-04

Name Of The Customer	As % Of Total Sales
OEM To The Thermal Power Sector	17.18
Kudremukh Iron Ore Company Ltd.	9.06
The Associated Cement Company Ltd.	6.46
Gujarat Ambuja Cements Ltd.,	6.42
Maharashtra State Electricity Board	5.07

2004-05

Name Of The Customer	As % Of Total Sales
OEM To The Thermal Power Sector	12.84
The Associated Cement Company Ltd.	4.81
Birla Goup	3.97
Uttar Pradesh State Electricity Board	3.70
Gujarat Ambuja Cements Ltd.,	3.13

Sales outside India (through Vega)

Year 2003-04 Customer	Year 2004-05 Customer
Heidelberg	Holcim
Holcim	Lafarge
Lafarge	Heidelberg
Buzzi	Cemex
Italcementi	FLS Smidth

Current Order Book size

As on 30th June, 2005, our order book was **Rs 1633.37 million**



HISTORY AND CORPORATE STRUCTURE

Overview

Our Company was incorporated on March 11, 1991 as Magotteaux (India) Pvt Ltd. On November 4, 1978, Ahmedabad Induction Alloys Pvt Ltd, promoted by Mr Bhadresh K Shah was incorporated. This company was merged with our company on April 1, 1991 vide High Court order dated April 30, 1992 approving the scheme of amalgamation of the two companies.. The assets and liabilities of the transferor company were acquired by our Company and consideration was paid to the erstwhile shareholders of Ahmedabad Induction Alloys Pvt. Ltd. in the form of 11,58,300 equity shares of face value Rs 10 each and 1,19,340 Cumulative Redeemable Preference Shares of Rs 100 each of our company. The name of our company was changed to AIA Magotteaux Pvt with effect from May 11, 1992. Thereafter we became a deemed public company (under section 43A of The Companies Act 1956) and the word Private was deleted from the name of our Company on November 30, 1992. Subsequently the name of our company was changed to AIA Engineering Ltd on May 2, 2000 and the word Magotteaux was removed on account of termination of joint venture with Magotteaux International S.A., Belgium. Consequent to omission of the provision regarding deemed public companies (Section 43A) from the Companies Act, 1956 our company was converted to a private company and the name Private was added to our name with effect from March 1, 2001. AIA Exports Pvt. Ltd. was merged with our Company with effect from April 1, 2002 vide High Court order dated September 26, 2003. Our company was converted to a public limited company on March 30, 2005.

The administration, design, planning, purchase and other related activities are carried out from the registered office of our Company at Ahmedabad. The manufacturing activities are carried out in the factories located on our units in the GVMM Estate, Ahmedabad.

The table below shows the changes in the Name Clause of our Company since incorporation:

Date	Type of change/ Reasons for change
May 11, 1992	The name of our company was changed to AIA Magotteaux Pvt Ltd after the amalgamation of Ahmedabad Induction Alloys Pvt Ltd with our company
November 30, 1992	The word private was deleted (under section 43A of The Companies Act 1956) and we became a deemed public company.
May 2, 2000	Our name was changed to AIA Engineering Ltd after the termination of the joint venture with Magotteaux International S.A., Belgium
March 1, 2001	Our company was converted to a private company due to the omission of the provision regarding deemed public companies (Sec 43A) from the Companies Act, 1956.
March 30, 2005	Our company was converted to a public limited company.

The table below shows the changes in the Registered office of our Company since incorporation:

Previous Address	New Address	Date of Change	Reason for Change
235/236, G.V.M.M Estate, Odhav Road, Ahmedabad- 382410	115, G.V.M.M Estate, Odhav Road, Ahmedabad- 382410	January 25, 1994	Improvement in general administration of our Company

Following are the amendments in the Memorandum of Association of our Company, along with the details:

Date of Amendment	Details of Amendment
February 3, 1992	Increase in Authorised Share Capital u/s 94(1)(a) from Rs 2.5 mn to Rs. 40 mn
May 11, 1992	The name of our company was changed to AIA Magotteaux Pvt Ltd after the amalgamation of Ahmedabad Induction Alloys Pvt Ltd with our company
November 30, 1992	The word private was deleted (under section 43A of The Companies Act 1956) and we became a deemed public company.
December 11, 1993	Increase in Authorised Share Capital u/s 94(1)(a) from Rs. 40 mn to Rs.80 mn.
January 25, 1994	Change of registered office of our Company.
May 2, 2000	Our name was changed to AIA Engineering Ltd after the termination of the joint venture with Magotteaux International S.A., Belgium
March 1, 2001	Our company was converted to a private company due to the omission of the provision regarding deemed public companies (Sec 43A) from the Companies Act, 1956.
January 22, 2002	Increase in Authorised Share Capital u/s 94(1)(a) from Rs. 80 mn to Rs.460 mn
March 4, 2005	Reclassification of shares
March 30, 2005	Our company was reconverted to public limited company.

MAIN OBJECTS OF OUR COMPANY

The Main objects of our company as per our Memorandum of Association are as follows:

1. To carry on the business of all or any kind of iron and steel founders, steel melters, steel makers, steel shapers and manufacturers, mechanical engineers, fabricators, contractors, tool makers, brass founders, metal workers and manufacturers, importers and exporters of and dealers in steel, metal and malleable grey and mild casting including ferrous, non-ferrous and alloy steel, spring steel, forging quality steel and manufacturers., Importers and exporters and dealers in foundry works of all kinds, forgings of mild carbon, alloy and stainless steel and die forgings of all types, nuts, bolts, steel found, nail, tools, all types of hardware items, plate makers, wire drawers, tube manufacturers, galvanisers, japaners, re-roller, annelors, enamellers and electroplaters, steel and alloy steel ingots, billets, flats, angles, rounds,, squares, hexagons, octagons, rails, joints, channels, steel strips, sheets, plates deformed, plain and cold twisted bars, bright bars, shafting and steel structures, pipes and tubes and all types of semis including rolled cast extrusion, sintered and drawn products and to buy, take on lease or hire, sell, import, export, manufacturers, process, repair, convert, let on hire otherwise deal in such products, raw materials, stores, bye-products and allied commodities, rolling stock, implements, tools, tensile, ground tools materials and conveniences of all kinds and generally to carry on the said business in all or any of its branches.
2. To carry on business of iron masters, forgers, iron founders, mechanical and electrical engineers, steel and non-ferrous metal convertors, manufacturers of agricultural implements, power tillers drills, earth moving machinery, dumpers, scrapers, loaders, Excavators, Road-rollers, Conveyors, Building and Construction machinery; Steam generating plants, power driven pumps, Air, Gas Compressors, Vacuum pumps, Ball, Bearing, Lifts and escalators, Wire Ropes, Machine Tools of all types including Metal cutting, Grinding and Forming machine Tools, Injection moulding, extrusion, blow moulding, Die Casting machine, Welding equipments of all types, spark erosion Machines, Wire making machinery, Machine tools and Accessories, wood working Machines, Portable Tools, Furnaces of all types, Gas cutting and Welding Machines and all machineries and Tools, brass founders, metal workers, boiler makers and metallurgists and wood workers

Major Milestones in the history of our Company and its predecessors

1978	Ahmedabad Induction Alloys Pvt. Ltd. (which was later to merge with our Company) Incorporated as a private limited company for the manufacture steel alloy, alloy steel and alloy iron castings used in cement and utility industries
1979	Commencement of operations for manufacturing of wear parts for cement and power plants
1983	Commencement of manufacture of centrifugally cast parts for Raymond mills
1984	Establishment of Research and Development department
1985	Commencement of Manufacture of High chrome grinding media
1988	Collaboration agreement with Slegten S.A. Belgium for redesign of liners and other mill internals used in cement/coal mills.
1989	Commencement of Manufacture of high chrome liners, level control and other diaphragms

MAJOR EVENTS OF OUR COMPANY SINCE INCEPTION

Year	Key Events, Milestones and Achievements
1991	Collaboration agreement with Magotteaux International S.A., Belgium
1991	Development of in-house facilities to design and develop liners to optimize tube mill operations
1991	Acquisition of Paramount Centrispun Casting Ltd, Nagpur in 1992 which was engaged in manufacture of bi-metallic rolls used in coal grinding mills of Raymond mills.
1995	Technical collaboration with Southwestern Corporation (SWC), USA for introduction of MPSP System (consisting of Inserted Rolls, Bullring Segments and Airport Ring Assembly as per the design of SWC) for process improvement in Raymond mills.
1997	Association with Alstom Power Paris (Earlier known as Stein Industries/GEC Alstom) for process know-how for Stein designed mills in power plants.
2000	Termination of collaboration with Magotteaux International, S.A.
2003	Acquisition of 100% stake in VEGA UK through VEGA ME, thereby making all VEGA Cos. wholly owned Subsidiaries of our Company.



Settlement Deed executed by the Promoter and Magotteaux International S.A

Pursuant to the termination of the joint venture with Magotteaux International S.A., the Promoter executed a settlement deed dated February 16, 2000 with Magotteaux International S.A. Under the terms of this settlement deed, for such period of time as the Promoter owns effective majority control of our Company, our Company has the right to use in India the know how of AIA Magotteaux Limited, RWL, Graycast Foundry Works, Centricast Enterprises Private Limited and Welcast without the payment of any fees or royalty, but without claiming any proprietary rights in such industrial property. The Company may not disclose, sell, transfer or license the know-how to any third party. The Promoter is restricted, for a period of fifteen years from the consummation of the settlement deed from acquiring any shares of Magotteaux International S.A., and similarly, Magotteaux International S.A., is restricted from purchasing the shares of our Company for a period of fifteen years from the date of consummation of the deed. In the event of the purchase of the shares by either the Promoter or Magotteaux International S.A., as the case may be, in breach of the Deed, the other party may compel them to sell the shares so purchased to a designated person.

Details Of The Acquisition Of Majority Shareholding Of The Company From Magotteaux International.

Pursuant to the Settlement Deed dated 16-2-2000 & Amendment to the Settlement dated 20-12-2000 between Magotteaux International S.A. (M.I.) (51% Equity Shareholder of AIA Magotteaux Ltd., now known as AIA Engineering Limited) and Mr. Bhadresh K. Shah (BKS), (49% Equity Shareholder), Mr. Bhadresh K. Shah acquired 51% Shares of AIA Magotteaux Ltd. held by M.I. through signed Bid at a total aggregate price of Rs.400 Million.

These Equity Shares were transferred on 12-4-2001 from the name of Magotteaux International S.A. to Mr. Bhadresh K. Shah and his nominees as per the permission No. EC.AH.FID.NO.792/06.04.1638/2000-01 dated 19 January, 2001 received from Reserve Bank of India, Ahmedabad.

Credit Rating

As this is an issue of Equity Shares, credit rating is not required.

Issues otherwise than for Cash

Our Company has not issued any shares for consideration otherwise than for cash since its inception, except as given below:

1. 11,58,000 equity shares of Rs. 10 each were issued on June 27, 1992 to the erstwhile shareholders of Ahmedabad Induction Alloys Pvt Ltd.
2. 1,19,340 preference shares of Rs. 100 each were issued on June 27, 1992 to the erstwhile shareholders of Ahmedabad Induction Alloys Pvt Ltd.
3. 11,93,400 equity shares of Rs.10 each were issued on February 10, 1994 after the conversion of preference shares.
4. 100 preference shares of Rs. 100 each were issued on November 12, 2003 as allotment to erstwhile shareholders of AIA Exports Pvt Ltd on the amalgamation of AIA Exports Pvt Ltd.
5. 1,66,376 equity shares of Rs.10 each were issued on January 18, 2005 after the conversion of preference shares.

Subsidiaries

We have 7 subsidiaries namely, Reclamation Welding Pvt. Ltd., Paramount Centrispun Castings Pvt. Ltd., Welcast Steels Limited, Vega Industries (Middle East) F.Z.E. Vega Industries Ltd, U.K., Vega Industries Inc, USA and Vega Industries (Canada) Inc.

Indian Subsidiaries

1. Welcast Steels Ltd (WSL)

Welcast Steels Ltd, a subsidiary of our company was incorporated on February 28, 1972 in Bangalore. The company is listed both on The Bombay Stock Exchange and Bangalore Stock Exchange. This company operates a manufacturing facility in Bangalore exclusively for production of alloy steels cast grinding media.

Shareholding Pattern

Our company owns 71.59% of the shareholding of Welcast Steels Ltd and the public (including NRIs) own 28.33% of the shareholding.

Board of Directors

The board of directors of Welcast Steels Ltd comprises Mr Vinod Narain, Mr.D.P.Dhanuka, Mr.R.P.Agarwal, Mr.Bhadresh K. Shah and Mr.Pradip R. Shah

Financial Performance

The financial results of Welcast Steels Ltd as at and for the years ended March 31, 2003, 2004 and 2005 are set forth below:

(Rs in mn)

Particulars	Year Ending March 2005		
	2005	2004	2003
Total Income	882.15	556.34	317.65
Profit /(Loss) after tax	18.57	14.73	5.09
Equity Capital	6.38	6.38	6.38
Reserves and Surplus	98.48	81.34	67.80
Earning/(Loss) Per Share (Rs)	29.06	23.19	7.97
Book Value Per Share (Rs)*	164.28	137.47	116.2

* Face Value Rs 10 per share

The equity shares of Welcast Steels Ltd are listed on the Bombay Stock Exchange Ltd and Bangalore Stock Exchange. The highest and lowest market price of shares of the company during the preceding six months on the Bombay Stock Exchange Ltd are as follows:

(Prices in Rs)

Year 2005, Months	Highest price	Lowest price
April	190.80	135.00
May	185.00	130.00
June	233.90	141.00
July	208.00	172.00
August	360.00	186.00
September	391.00	330.0

The closing market price of the equity shares of WSL (on the BSE) as on October 27 is Rs 349.75

Acquisition of shares of Welcast Steels Ltd

We have acquired 3, 21,883 shares amounting to 50.44% of the equity capital of Welcast Steels Ltd on September 28, 2005 at a average price of Rs 358.62 /- per equity share under 3(1)(e)(i) of the Substantial Acquisition of Shares and Takeover) Regulations , 1997.

We have acquired the aforesaid shares from the following group companies .as per the details given here under:

Sr. No.	Name of the Group company	No. of Shares	Shareholding %
1	Paramkrupa Trading Pvt. Ltd.	63563	9.96
2	Shivashish Trading Pvt. Ltd.	62800	9.84
3	Raghvendra Trading Pvt. Ltd.	62250	9.75
4	Lovekush Trading Pvt. Ltd.	61950	9.72
5	Kishankrupa Trading Pvt. Ltd.	62820	9.84
6	Vrindavan Alloys Pvt. Ltd.	8500	1.33
	Total	321883	50.44

Our total holding as on date is 4,56,881 equity shares, representing 71.59% of the equity capital of Welcast Steels Ltd. For the nine month period from April 1, 2005 to September 30, 2005, no investor complains have been received against the company.

Reclamation Welding. Ltd (RWL)

Reclamation Welding. Ltd , was incorporated on April 10, 1981. Our Company acquired controlling take in RWL in year 1993. RWL undertakes the manufacture of tube mill and vertical mill parts for our Company on conversion or job work basis.

Shareholding Pattern

Our Company holds 98.13% stake in RWL. The remaining stake is held by the original promoters of RWL. We held 70% of the equity share capital of RWL till RWL offered additional shares for subscription in 2003. Consequent upon our subscription to



the additional shares, our stake in RWL has increased to 98.13%. However, the other promoters of RWL can further subscribe till their share holding increases to not more than 30% of RWL shares

Board of Directors

The board of directors of Reclamation Welding Pvt. Ltd consists of Mr.Bhadresh K. Shah, Mrs.Gita B. Shah, Mr.Balkrishna F. Shah and Mr.Omprakash F. Shah

Financial Performance

The financial results of Reclamation Welding Pvt. Ltd as at and for the years ended March 31, 2003, 2004 and 2005 are set forth below:

(Rs in mn)

Particulars	Six Month Ending	Year Ending March		
	Sept. 2005	2005	2004	2003
Total Income	81.05	158.26	121.24	96.55
Profit /(Loss) after tax	7.72	15.0	5.38	4.77
Equity Capital	16.0	16.0	16.00	1.00
Reserves and Surplus	57.42	49.69	34.69	29.31
Earning/(Loss) Per Share(Rs)	48.25	94.0	34.00	484.00
Book Value Per Share (Rs)*	457.63	410.53	316.79	3031.19

* Face Value of Rs 100 per share

Paramount Centrispun Castings Pvt. Ltd.

Paramount Centrispun Castings Pvt. Ltd, a subsidiary of our company was incorporated on March 27, 1988 at Nagpur. PCCL was acquired by our Company in 1992. PCCL was involved in manufacture of special type of centrifugal castings(bi-metallic rolls used in Raymond mills). Till 2003-2004, PCCL was manufacturing these specific products on a conversion basis for our Company. After 2003-2004, our Company itself manufactures these products in its own plants in Ahmedabad..

Shareholding Pattern

AIA Engineering Ltd holds 72.47% stake in Paramount Centrispun Castings Pvt. Ltd. The remaining stake is held by Mr.Milind V. Shantikumar M Sancheti, Mrs Jyotsna M Panday and Smt Richa Joshi.

Board of Directors

The board of directors of Paramount Centrispun Castings Pvt. Ltd comprises Mr.Bhadresh K. Shah, Mr.Milind V. Panday, Mr. K.P.Gupte, Mr.Pradip R. Shah ,Mr.Paryank R. Shah, Mr.Ramesh S. Shah – Alternate Director to Mr.Paryank R. Shah

Financial Performance

(Rs in Mn)

Particulars	Six Month Ending	Year Ending March		
	Sept. 2005	2005	2004	2003
Total Income	156.11	246.75	191.16	144.38
Profit /(Loss) after tax	7.06	5.09	7.24	2.40
Equity Capital	11.44	11.44	11.44	11.44
Reserves and Surplus	68.28	61.22	56.08	48.88
Earning/(Loss) Per Share(Rs)	61.71	44.47	63.30	20.95
Book Value Per Share (Rs)*	696.85	634.97	590.02	527.10

* Face Value of Rs 100 per share

Subsidiaries outside India

Our Company has a global distribution network through its four foreign subsidiaries. Solely for convenience in conversion, the Interbank market mid rates are as taken from www.XE.com. The financial statements of Vega Industries (Middle East) F.Z.E., Vega Industries Ltd, U.K., Vega Industries Inc, USA, Vega Industries (Canada) Inc. have been converted into Rupees for each period presented solely to comply with the requirements of Clause 6.9.7 of the SEBI Guidelines. The conversion should not be considered as a representation that such USD amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated, or at all.

For 03-04 the exchange rate considered for Balance Sheet is 1 US\$ = Rs. 45.35 and for Profit and Loss statement is 1 US\$ = Rs. 45.10 and 1 GBP = Rs. 79.79 for Balance sheet and profit and loss. For 04-05, the exchange rate considered for Balance Sheet is 1 US\$ = Rs. 43.62 and for Profit and Loss statement is 1 US\$ = Rs. 44.9 and 1 GBP = Rs. 82.36 for Balance sheet and profit and loss

Vega Industries (Middle East) F.Z.E.

Vega Industries (Middle East) F.Z.E, is a wholly owned subsidiary of our company was incorporated on September 10, 2002 at Ajman in the United Arab Emirates. The company is the trading arm of our company and looks after the marketing / sales of our products in the regions of Middle East, Far East, Australia and South America and certain countries in Europe.

Board of Directors

The board of directors of Vega Industries (Middle East) F.Z.E., consists of Mr Mr.Bhadresh K. Shah, and Mr.Paryank R. Shah.

Financial Performance

Particulars	Six Month Ending Sept. 2005		Year Ending March '05		Year Ending March '04	
	USD	Rs in mn.	USD	Rs in mn.	USD	Rs in mn.
Total Income	7.14	313.27	10.91	491.66	10.46	471.75
Profit /(Loss) after tax	0.57	24.85	0.67	30.08	0.33	14.97
Equity Capital	0.33	14.26	0.33	14.39	0.33	14.97
Reserves and Surplus	1.56	68.26	0.99	43.18	0.32	14.51
Earning / (Loss) Per Share	17.16	752.98	20.58	897.70	10.24	464.38
Book Value Per Share	57.85	2538.46	40.43	1763.56	19.85	900.20

- USD fig in millions

Vega Industries Ltd, U.K.

Vega Industries Ltd, U.K., is a wholly owned subsidiary of our Company through Vega (Middle East) F.Z.E.. It was incorporated on April 14, 1999 at Cardiff in England. The company is a trading arm of our Company and looks after the marketing / sales of our products in certain countries of Europe.

Board of Directors

The board of directors of Vega Industries Ltd, U.K., comprises Mr.Bhadresh K. Shah, and Mr.Paryank R. Shah.

Financial Performance

Particulars	For the period July '04 to March '05		For the period July '03 to June '04	
	GBP	Rs. In mn	GBP	Rs. In mn
Total Income	5.45	448.86	3.67	292.82
Profit /(Loss) after tax	0.17	14.00	0.01	0.80
Equity Capital	0.01	0.824	0.01	0.80
Reserves and Surplus	0.25	20.59	0.08	6.384
Earning/(Loss) Per Share (Rs)	16.81	1384.47	0.09	7.18
Book Value Per Share	26.13	2152.07	9.32	743.64

* GBP fig in millions

** USD fig in millions

Vega Industries Inc, USA

Vega Industries Inc, USA, is a wholly owned subsidiary of our Company through Vega Industries (Middle East) F.Z.E and Vega Industries Ltd., UK. It was incorporated on October 12, 2001 at Brent Wood, Tennessee in USA. The company is a trading arm of our Company and looks after the marketing / sales of our products in the regions of United States of America, Canada and Mexico.



Board of Directors

The board of directors of Vega Industries Inc, USA, consists of Mr Mr.Bhadresh K. Shah, Mr.Paryank R. Shah and Mr Dave Hurlock.

Financial Performance

Particulars	For the period July '04 to March '05		For the period July '03 to June '04	
	USD	Rs. In mn	USD	Rs. In mn
Total Income	3.89	174.66	5.04	227.30
Profit /(Loss) after tax	0.11	4.94	0.05	2.26
Equity Capital	0.05	2.18	0.05	2.27
Reserves and Surplus	0.21	9.16	0.10	4.54
Earning/(Loss) Per Share(Rs)	2.22	96.84	1.09	49.43
Book Value Per Share (Rs)*	5.24	228.57	3.01	136.50

* USD fig in millions

Vega Industries (Canada) Inc.

Vega Industries (Canada) Inc was incorporated for the purpose of starting a manufacturing plant in Canada. This subsidiary has been incurring losses for the last two years. The losses were on account of consultation charges paid during the period without there being any commercial activity. The company intends to wind up this subsidiary since we no longer plan to set up a plant in Canada.

Board of Directors

The board of directors of Vega Industries (Canada) Inc., comprises Mr Mr.Bhadresh K. Shah, and Mr Jules Spede.

Financial Performance

Particulars	For the period Apr '04 to March '05		For the period Apr '03 to Mar '04	
	CSD	Rs. In mn	CSD	Rs. In mn
Total Income	0.00			
Profit /(Loss) after tax	-0.003	-0.11	-0.01	-0.33
Equity Capital	0.03	1.08	0.03	1.00
Reserves and Surplus	-0.02	0.72	0.01	0.66
Earning/(Loss) Per Share(Rs)	-0.12	-4.33	-0.48	-15.88
Book Value Per Share (Rs)*	0.39	14.06	0.52	17.21

* CSD fig in millions

MANAGEMENT

BOARD OF DIRECTORS

The general supervision, direction and management of the operation and business of our Company is vested in our Board which exercises all powers and does all acts and things which may be done by us under our Memorandum and Articles of Association.

As per Article 116 of our AoA:

Not less than two thirds of the total number of Directors shall:

- a. be persons whose period of office is liable to determination by retirement of Directors by rotation, and
- b. save as otherwise expressly provided in the Act, be appointed by the Company in general meeting.

The remaining Directors shall, in default of and subject to any regulations in the Articles of our company, also be appointed by our Company, in general meeting.

Name, Designation, Fathers name, Address, Occupation, Term	Age (Years)	Qualifications	Others Directorships
Mr. Vinod Narain Chairman S/o Mr Krishna Narain No 37, Rajmahal Vilas 2nd Stage, 1st Block, Bangalore-560094 <i>Business</i> <i>Director liable to retire by rotation</i>	76	National Certificate Course of Mechanical Engineers from Birmingham, England , & Diploma in Automobile Engg.of UEI(England)	1. Welcast Steels Ltd.
Mr. Bhadresh K. Shah Managing Director S/o Kantilal M. Shah "9A", Ashok Vatika No. 1 Ambali Bopal Road, Ahmedabad - 380058 <i>Business</i> <i>Director not liable to retire by rotation</i>	55	B.Tech(IIT)	Reclamation Welding Ltd Centricast Enterprises Pvt Ltd Paramount Centrispun Castings Pvt Ltd Welcast Steels Ltd Vrindavan Alloys Pvt Ltd Keyur Financial Services Pvt Ltd Vega Industries Ltd, United Kingdom Vega Industries Inc., USA Vega Industries Middle East F.Z.E., UAE Vega Industries (Canada) Inc.
Mr. Samakulam R Ganesh Director S/o Samakulam R Ramakrishnan 13/204, Garden Estate, Gladys Alvares Road Extension, Off Pokhran -2, Thane (W)- 400 601 <i>Management Advisor</i> <i>Director liable to retire by rotation</i>	60	B.Tech(IIT), S.M (Management) Sloan School of Mangement, MIT,USA, PhD (Business Studies) London Business School , UK	Nil
Mr. Rajendra S Shah Director S/o Mr Shantilal C Shah 289/c, Manek Baug Society, Manek Baug Hall, Ambawadi , Ahmedabad -380015 <i>Business</i> <i>Director Liable to retire by rotation</i>	58	B.E. (Mech)	Harsha Engineers Ltd



Name, Designation, Fathers name, Address, Occupation, Term	Age (Years)	Qualifications	Others Directorships
Mr. Jules J Spede Director S/o Mr Jean Spede Route Du Conddoroz, 516, 4200, Liege, Ougree, Belgium <i>Director Liable to retire by rotation</i>	68	Civil Engineering, Liege University, Belgium	Vega Industries (Canada) Inc.

Biographies of Directors

1. Mr. Vinod Narain, Chairman

Mr. Vinod Narain is a industrialist based in Bangalore and the founder of Welcast Steels Ltd . He is the Chairman of our Company and of Welcast Steels Ltd.

2. Mr. Bhadresh Shah, Managing Director

Mr Bhadresh Shah, a metallurgical engineer (B.Tech from IIT Kanpur), is the promoter of the Company. He started our Company as an alloy casting manufacturer. His vision of manufacturing niche castings drove the group towards special steels. He envisaged the strategy to get into collaborations to take our Company to the next level.

3. Mr. Jules Spede, Director

Mr. Spede is a veteran of the high chrome industry. He was on the Board of a global wear part manufacturer at which time he left the company to join the AIAE group. He is based in France and was earlier heading the Group's international sales. He subsequently took on the responsibility as a Director of AIAE and is today involved in strategy of the Group. He heads all discussions for potential collaborations (with customers, suppliers and OEMs).

Mr. Spede brings an understanding of the market and its dynamics to the AIAE team.

4. Dr. S R Ganesh, Director

Dr. Ganesh isa management consultant. He pursued his B.Tech (Mechanical Engineering) from IIT Bombay, S.M (Management) from Sloan School of Management, MIT, USA and Ph.D (Business Studies) from London Business School, UK.

He was a former Senate Member of IIT Bombay; Professor of IIM Ahmedabad; visiting Professor at various Management institutes like Andersen Graduate School of Management UCLA, USA, University of Virginia and S.P.Jain Institute of Management Research, Bombay. Presently he is a visiting Senior Professor at Narsee Monjee Institute of Management, Mumbai.

He was a Consulting Advisor to Tata Consultancy Services, Mumbai and an Advisor for Corporate Development at Essar Group, Mumbai.

5. Mr. Rajendra Shah:

Mr. Rajendra Shah is an industrialist in Ahmedabad and the Managing Director of Harsha Engineers Ltd, which is an Rs.150 crores, company manufacturing bearing cages. .

His background in managing an engineering company is an asset to AIAE.

Borrowing Powers of Directors

By an ordinary resolution at the EGM on 25th April, 2005, the Board of Directors, under Section 293 (1)(d) of the Companies Act, 1956 has been authorized to borrow any sum or sums of money, from time to time, notwithstanding that the money or moneys to be borrowed together with the money already borrowed by our Company (apart from temporary loans obtained from our Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital and free reserves that is to say reserves not set apart for any specific purposes, provided however the total amount so borrowed shall not exceed Rs.225 Crores (Rupees Two hundred twenty five crores only)

Date of expiration of the current term of office

In accordance with the Companies Act, our Directors Mr. Vinod Narain, Mr. Samakulam R Ganesh, Mr. Jules Spede and Mr. Rajendra S Shah are liable to retire by rotation. Mr. Bhadresh K Shah ,the Managing Director of our Company is appointed for a period of five years with effect from October 01, 2002 and is not liable to retire by rotation as per the provisions of Companies Act, 1956.

Mr. Bhadresh K Shah, Managing Director

Mr. Bhadresh K Shah was appointed as the Managing Director of our Company for a period of 5 (five) years with effect from 1st October 2002 in accordance with the resolution passed in the Board Meeting of Company held on 16th April, 2002. He is not liable to retire by rotation.

In accordance with the resolution passed at the Board Meeting of our Company held on 16th April 2002, Mr. Bhadresh K Shah, Managing Director, is entitled to remuneration, benefits and amenities as per the terms and conditions set out below:

Salary: Rs. 5,00,000/- (Rupees Five Lacs only) per month with such revisions as may be approved by the Board from time to time.

Perquisites:

- a) Housing : Expenses pertaining to electricity to be borne/reimbursed by our company. The company provides furniture, fixtures and furnishings at the residence of Managing Director.
- b) Medical Expenses: Reimbursement of actual medical expenses incurred in India and or abroad including hospitalization, nursing home and surgical charges for himself and family
- c) Leave Travel Concession (LTC): In respect of himself and family not exceeding one months salary per annum. The LTC entitlement for any one year to the extent not availed shall be allowed to be accumulated upto the next two years.
- d) Club Fee: Reimbursement of membership fee for upto three clubs in India, including admission and life membership fee.
- e) Personal Accident Insurance: Policy of such amount, premium of which shall not exceed Rs 20000 per annum.
- f) Gratuity: Gratuity @ one month salary for each completed year of service.
- g) Leave: Leave with full pay or encashment thereof as per the rules of our company.
- i) Other Perquisites: subject to overall ceiling on remuneration mentioned herein below, the Managing Director may be given the allowances, benefits and perquisites as the board of directors may from time to time decide.

Amenities:

Conveyance Facilities: Our Company provides suitable conveyance facilities as may be required by the Managing Director.

Communication Facilities: The company shall provide telephone, telefax and other communication facilities at the Managing Directors residence.

Terms of Appointment of Directors

Mr. Jules Spede has been appointed as a Director of our Company with effect from 1st February 2004, on a monthly remuneration of Euro 450 per month.

Sitting fee is payable to the Directors other than Managing Director and Whole time Director of our Company for attending meetings of the Board and committees thereof at the rate of Rs. 5,000 per meeting.

Corporate Governance

The SEBI Guidelines in respect of Corporate Governance will be applicable to our Company immediately upon listing of their equity shares on the various stock exchanges. Our Company undertakes to take the necessary steps to comply with all the requirements of the SEBI Guidelines on Corporate Governance as may be applicable to our Company upon listing of its equity shares, including broad basing its Board of Directors, and also setting up such Committees as may be necessary under the requirements of the SEBI Guidelines.

Audit Committee

Our Company has already constituted an Audit Committee of the Board of Directors. As per the provisions of Section 292A of the Companies Act, 1956, the Audit Committee was formed by the Board of Directors of our Company on September 13, 2005.

The Committee consists of the following members:

1. Mr. Vinod Narain
2. Dr. S. R. Ganesh
3. Mr. Rajendra Shah

Mr. Vinod Narain has been elected as the Chairman of the Audit Committee. The Company Secretary acts as the Secretary to the Audit Committee.



The Audit Committee must :

1. have meetings periodically as it may deem fit with at least three meetings in a year
2. invite such of the executives to be present at the meetings of the Committee, whenever required by it
3. the Internal Auditor and the Statutory Auditors of the company shall attend and participate at the meetings without right to vote

The Audit Committee deals in the following matters: -

1. Investigation into any matter in relation to the items specified in section 292A of the Companies Act, 1956 and as referred to by the Board. It shall have full access to information contained in the records of our Company and external professional advice
2. Investigation into any activity within its terms of reference, seek information from any employees, obtain outside legal / professional advice,
3. oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
4. recommendation as to the appointment and removal of external auditor, fixation of audit fee and approve payment for any other services discuss with the Auditors periodically on internal control systems, scope of audit including observations of the auditors and review the half yearly and annual financial statements before submission to the Board and ensure compliance of internal control system

The recommendations of the Audit Committee on financial management including the audit report shall be binding on the Board and where such recommendations are not accepted by the Board the reasons for the same shall be recorded in the minutes of the Board meeting and communicated to the shareholders.

Remuneration Committee

The Remuneration Committee of the Board of Directors was formed on September 13, 2005. The Committee consists of the following members:

1. Mr. Vinod Narain
2. Dr. S.R. Ganesh
3. Mr. Rajendra Shah

Mr. Vinod Narain has been elected as the Chairman of the Remuneration Committee. The Company Secretary, acts as the Secretary to the Committee.

The functions of the remuneration committee are to determine our policy on specific remuneration packages for Executive Directors including pension rights and any compensation payments. The remuneration Committee shall recommend to the Board the remuneration of the Executive Directors in all its forms (i.e. salary, contribution to provident fund, superannuation fund, gratuity, bonus, stock option, compensation for loss of office, other amenities, perquisites etc.). The remuneration Committee should take into account the financial position of our Company, profitability, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc. and be in a position to bring out objectivity in determining the remuneration package, while striking a balance between our interest and that of the shareholders, taking a decision on ESOP, ESPS, etc.

Investor Grievance Committee

The Investor Grievance committee of the Board of Directors was formed on September 13, 2005. The Committee consists of the following members:

1. Mr. Bhadresh K. Shah
2. Mr. Rajendra Shah

The Company Secretary acts as the Secretary to the Committee and also as a Compliance Officer.

The Committee is empowered to collect the relevant information from all our departments, which would be useful to satisfy the requirements of the shareholders. The Committee should give required information to the shareholders and solve their problems, complaints and grievances.

The Company undertakes to adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to listing.

Shareholding of our Directors in our Company

As per Article 124 of the AoA, no Director of our Company is required to hold any qualification shares of the Company.

The following table details the shareholding of our Directors other than the Promoter Directors in our Company .

Name of Directors	Number of Equity Shares(Pre-Issue)
Rajendra S Shah	1

Interest of Directors

Our Company has acquired the entire business of Gray Cast Foundry Works (GCFW), a partnership firm of Mr. Bhadresh K. Shah, as a going concern from the close of business hours on 31st December, 2004 for a lumpsum consideration of Rs. 4.4 million and in view of that all the assets and liabilities of GCFW, including the liabilities of workers and staff with continuity of their services have become the assets and liabilities of the company.

Company has acquired the manufacturing division of Centricast Enterprises Pvt. Ltd. (CEPL), owned by Mr. Bhadresh K. Shah, from the close of business hours on 31st December, 2004 for a lumpsum consideration of Rs. 2.5 million. In view of that all the assets and liabilities of CEPL including the liabilities of workers and staff with continuity of their services have become the assets and liabilities of our Company.

Nature and Interest of the Promoters and Directors

All the Directors may be deemed to be interested to the extent of remuneration paid to them for services rendered as the employee of the company. They may also be deemed to be interested in our Company to the extent of the fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or other reimbursement of expenses payable to them as per the Articles.

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

Except as stated otherwise in this Red Herring Prospectus, the Company has not entered into any contract, agreements or arrangement during the preceding two years from the date of the Red Herring Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements are proposed to be made to them.

Changes in the Board of Directors during the last 3 years

Name of Person	Date of Appointment	Date of cessation	Remark
Mr.Jules Spede	1.02.2004	–	Appointed as an Additional Director
Mrs.Gita B. Shah	–	1.03.2004	Ceased as a Director on account of her Resignation
Mrs.Gita B. Shah	31.12.2004	–	Appointed as an Alternate Director to Mr.Jules Spede
Mr.Amit S. Mehta	–	02.01.2005	Ceased as a Director on account of his death
Mr.Rajendra S. Shah *	15.03.2005		Appointed as an Additional Director
Mrs.Gita B. Shah		15.03.2005	Ceased as an Alternate Director to Mr.Jules Spede
Mr.Kunal D. Shah	15.03.2005		Appointed as an Alternate Director to Mr.Jules Spede
Mr.Samkulam Ramakrishnan Ganesh*	14.04.2005		Appointed as an Additional Director
Mr.Vinod Narain*	14.04.2005		Appointed as an Additional Director
Mr.Kunal D. Shah		05.07.2005	Ceased as an Alternate Director to Mr.Jules Spede

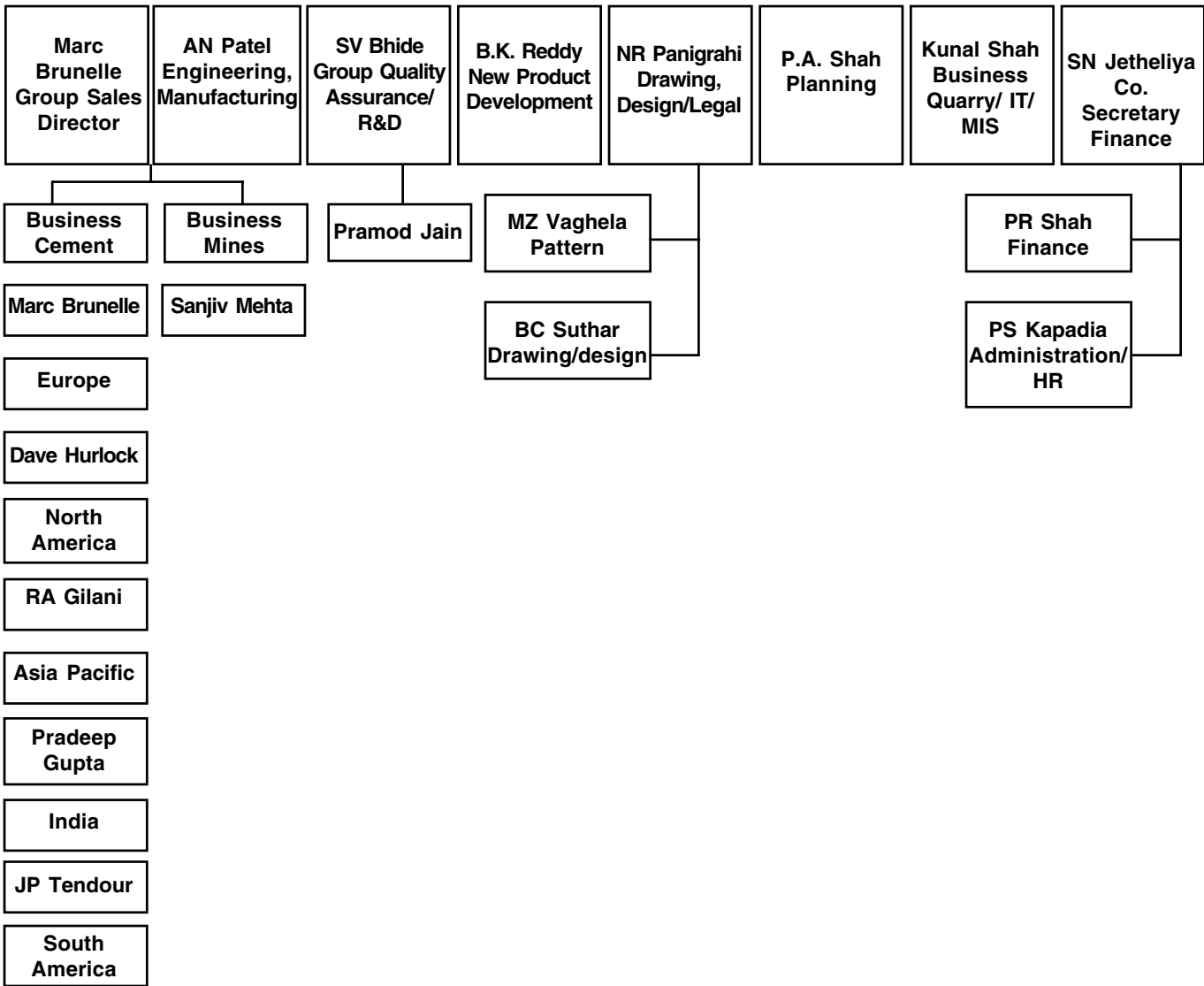
* Regularised in the AGM held on July 05, 2005



ORGANISATION CHART

BOARD OF DIRECTORS
VINOD NARAIN, BHADRESH K SHAH, S.R. GANESH,
JULES SPEDE, RAJENDRA S SHAH

MANAGEMENT COMMITTEE
BHADRESH K SHAH, S.R. GANESH,
JULES SPEDE, RICHARD DROUIN, KUNAL SHAH



KEY MANAGERIAL PERSONNEL

Key Personnel

1. Mr. Richard Drouin, 55, Group Technical Manager

Aged 55 years; has a B.Sc degree from University of Montreal; Mechanical Engineering (1977), MBA (partial) University of Sherbrooke (1985); Richard is employed as Group Technical Manager with AIAE and heads all production of the Group with plant managers of all plants in India reporting to him. Richard has work experience of more than 20 years with a global wear part manufacturer in various capacities including General Manager of one of their plants. Details regarding date of joining our Company and previous employment details to be provided. His gross compensation is USD 100,000 p.a.

2. Dr Sudhir Vaman Bhide, 60, Controller – Quality Assurance

is a Ph.D in Engineering from IIT , Mumbai. Mr Bhide joined AIAE in the year 1982 before which he was employed as works manager at Stainless Foundry Pvt. Ltd.. He has a total experience of more than 30 years in the industry. Mr Bhide has extensive background in metallurgy and he is the head of Research and Development and Quality Assurance at AIA. He is responsible for the quality and metallurgical aspects of AIA products. His gross compensation is Rs 7,45,000/- p.a.

3. Mr Nalini Ranjan Panigrahi, 62, Works Manager

A Bachelor of Technology (Metallurgy) from IIT Kharagpur. He is been with AIA Engineering since 1991 before which he was employed as works manager in Mangalam Alloys, Chhatral. He has a total work experience of 40 years. Mr Panigrahi has experience in the fields of Designing and he is the head of drawing and design at AIA Engineering. Mr Panigrahi also looks after matters relating to intellectual property rights, legal matters etc. He has experience with several companies in the foundry, steel alloy and related businesses in technical and works related areas. His gross compensation is Rs 5,94,750 p.a.

4. Mr Amrutlal Patel, 54, General Manager (Works)

Bachelor of Engineering (Mechanical) from Sardar Patel University, Vallabh Vidyanagar. He is working with our Company since 1993. He has a total work experience of 32 years, which includes more than 11 years at AIA Engineering. Besides heading grinding media production facilities at AIA Engineering, Mr Patel is also the in charge of heat treatment operations, maintenance and plant engineering. His previous experience includes work with Gujarat Steel Tubes Ltd as Sr. Manager (Production). He has won the Certificate of Excellence from Inductotherm(I) Ltd. His gross compensation is Rs 6,11,400/- p.a.

5. Mr Bhimavarapu Koti Reddy , 53, General Manager (Works)

Holds B. Tech (Metallurgy) from IT, BHU, Vatanasi. He joined our company in 1996. He has a total experience of 28 years out of which 9 years are with AIA Engineering. He specializes in the manufacturing processes of large castings and he is the head of one of the units for this activity. He has previously worked with Steelcast Ltd., Bhavnagar in the R&D and production departments. He has also received overseas training in Japan, in planning and technical areas. His gross compensation is Rs 5,93,700/- p.a.

6. Mr S. N Jetheliya Company Secretary

Chartered Accountant and a Company Secretary by qualification. He joined our Company in 1993 and has a total work experience of 32 years out of which 12 years is with AIA Engineering. Apart from the responsibilities as Company Secretary, he also looks after the Finance, Accounts and Tax departments of our company. His past experience includes working for Ambalal Sarabhai Enterprises Ltd . From 1984-1993, he was the proprietor of S N Jetheliya & Co, Chartered Accountants. His gross compensation is Rs 6,92,020/- p.a.

7. Mr Pankaj Amrutlal Shah, 48, Senior Manager, Planning

Bachelor of Engineering (Mechanical) from Gujarat University. He is working with our Company since 1997. He has a total work experience of over 25 years, which includes more than 7 years at AIA Engineering. He is head of Corporate Production Planning at AIA Engineering Ltd. Mr Shah is also involved in other activities like costing of products, purchase of raw materials, Management Information Systems etc. His previous experience in production planning includes companies like Larsen & Toubro and Gujarat Steel Tubes Ltd. His gross compensation is Rs 3,83,700/- p.a.

8. Mr Mahasukh Vaghela, 48, Manager (Technology)

Holds a diploma in Mechanical Engineering. He has been with our Company since 1986. He has a work experience of over 29 years out of which 19 years are with AIA Engineering. He has wide knowledge of pattern making and methoding of castings at AIA Engineering and he is heading these departments. Prior to joining our company he was employed with Steelcast Ltd in Bhavnagar as a technical supervisor. His gross compensation is Rs 3,25,900/- p.a.



9. Mr Pradeep Gupta, 47, Deputy General Manager (Technical Services)

Holds M.Sc degree from Kanpur University (1978) and Diploma in Marketing Management (1986). He has been with the company since 1979. He has a work experience of over 24 years. He is the head of sales and services for the cement business in India. Mr. Gupta has worked closely with several clients across different territories over the years. His gross compensation is Rs 5,82,360/- p.a.

10. Mr Sanjivkumar Pramodray Mehta, 35, Manager (Tech Services)

Bachelor of Engineering (Mechanical) is working with our Company since 1994 before which he was working with Vijayant Consultants. He has a total work experience of over 15 years, including 11 years in the present line of activity at AIAE. He looks after the sales and services for the mining business in India. His other responsibilities include market development, relationship management and co-ordination activities for the cement and the mining industries. He has previously worked in areas like relationship management, client development etc. His gross compensation is Rs 4,77,060/- p.a.

All the above-mentioned Key Managerial Personnel are permanent employees of our Company

Key Employees of the Subsidiaries

● **Marc Brunelle, Group Sales Director, Cement and Mining:**

Group Sales Director – Cement & Mining, Vega Industries Inc USA, aged 45 years, has a Bachelors Degree in Chemical Engineering from Ecole Polytechnique, Montreal, Quebec, Canada. He has over 19 years experience in the cement industry. Prior to joining us, he was working with Lafarge, one of the biggest Cement companies in the world, as Corporate Process Engineer for 4 years. Before Lafarge, he was employed with a global wear part manufacturer in North America in various positions like Technical Sales Engineer, Technical and Commercial Engineer and Business Development Manager and was responsible for Cement and Mining sales in Canada. He joined us in 2004 and is the head of the group's Sales division.

● **David Hurlock, Zone Sales Manager, USA**

Commercial Director/, Vega Industries Inc. USA, aged 56 years, has a Bachelor's Degree in Engineering from Vanderbilt University, Nashville, Tennessee, and USA with electives and senior project conducted within the Owen Graduate School of Management F.C.A (1974). He has over 29 years experience in cement industry. Prior to joining us, he was employed with a global wear part manufacturer for 23 years in various capacities from Sales Engineer, Manager of Product Development, General Manager of Sales & Technical Service and Manager of the Utility Division North America. He joined us in 2000 and was instrumental in the set up of Vega Industries Inc, USA. He is based in Nashville and heads the sales organization in North America.

● **R. A. Gilani, Area Manager - Asia Pacific, Vega Industries (Middle-East), UAE**

Has a first class Bachelor's degree in mechanical engineering from Z.H. College of Engg and Technology, AMU, Aligarh, U.P. India. He has over 14 years experience in cement industry. He has been with our company since 1991 and was transferred to Vega Industries (Middle-East) in 2003. He is currently based in Dubai and heads the Far East zone. He has extensive experience in international

sales. Prior to joining AIA he worked with a hoist manufacturing company as sales and service

Incentives Offered

Our Company broadly has three main departments

- Administration
- Technical
- Field Staff

Each of these departments further has four levels based on the seniority in the department. All these departments have a department head who is responsible for the performance of the department.

Payment or Benefits to Officers (non-salary related)

Car Facility for Employees: Our Company offers car facility for employees at Manager level and above based on the discretion of the management. Employees have to make a down payment equivalent to 25% of the value of the car, with our Company providing for the rest of the payment for a particular segment of car. Under this facility the ownership of the car is transferred to the employee after the completion of 7 years from the date of purchase of vehicle.

Two-Wheeler facility: Our Company provides certain number of two-wheelers to its workers and staff every year where they are make repayments through 48 monthly interest free installments.


The company has formed an administration committee comprising of the MD and six other personnel to decide on the incentive policies and bonus of the company.

PROMOTER

Background of Promoter

Our company is promoted by Mr Bhadresh K Shah who is qualified metallurgical engineer with B.Tech from IIT Kanpur.

Mr Bhadresh K Shah, Managing Director



Bhadresh K Shah, age 54 years, is B.Tech(Metallurgy) from Indian Institute of Technology, Kanpur. He has a career spanning over 27 years in the manufacturing and design of various kinds of value added, impact, abrasion and corrosion resistant high chrome castings. These components include products like grinding media, liners, diaphragms, vertical mill parts, etc. all manufactured in high chrome metallurgy. The main application of these products is in the grinding' operation in the mills in the cement, thermal power and mining industries. He also manages the quality, finance departments of the company. Mr Shah started Gray Cast Foundry Works in 1976 to produce small castings in manganese steel, cast steel and cast iron castings. He founded Ahmedabad Induction Alloys Pvt Ltd (the predecessor to our Company) in 1978, a company engaged in manufacture and supply of steel, alloy steel and alloy iron castings used in cement, utility and mining industries. In March 1991, Magotteaux India Pvt Ltd was incorporated to which Ahmedabad Induction Alloys Pvt Ltd. was merged effective from April 1991. Subsequently the name was changed to AIA Magotteaux Pvt Ltd. With the exit of Magotteaux in March 2000, the name of our company was changed to AIA Engineering Ltd. Mr Shah has been instrumental in negotiating and developing several foreign collaborations over the years. This has helped our Company in the improvement of our designs, product profile and increasing exports. His emphasis on manufacturing process improvements, new product development, quality and adhering to international manufacturing standards has ensured that our products are recognised domestically as well as internationally. Driving Licence No.: GJ01/814951/01, Voters Id: GJ/11/068/109436

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

Promoter Group Companies

- Centricast Enterprises Pvt Ltd
- Vrindavan Alloys Pvt Ltd
- Keyur Financial Services Pvt Ltd
- Paramkrupa Trading Pvt Ltd
- Raghvendra Trading Pvt Ltd
- Kishankrupa Trading Pvt Ltd
- Shivashish Trading Pvt Ltd
- Lovekush Trading Pvt Ltd

DIVIDEND POLICY

Dividend is declared at the Annual General Meeting based on the recommendation of the Board of Directors, at their discretion to be paid to members according to their respective rights and will depend on number of factors, including but not limited to our earnings, capital requirements and overall financial condition. It will be our endeavour to give, on a yearly basis, adequate dividend payout. The Board may also from time to time pay to the members interim dividends, as appears to the Board to be justified by the profits of the Company.

The dividends paid or provided for by the company in the last five fiscal years are as follows:

FY Ended March 31st	Face Value of Equity Share (Rs.)	Amount (Rs.in mn.)	Dividend (%)
2001	10	–	–
2002	10	–	–
2003	10	24.49	100
2004	10	24.49	100
2005	10	2.97	10 (pro-rata)

13% Redeemable Preference Share Capital

FY Ended March 31st	Face Value of Preference Shares (Rs.)	Amount (Rs.in mn.)	Dividend (%)
2002	100	49.75	13
2003	100	49.75	13
2004	100	49.75	13
2005	100	44.50	13 (pro rata)

The amounts paid as dividend or bonus in the past is not indicative of our dividend policy or dividend amounts, in any, in the future.



AUDITOR'S REPORT

The Board of Directors
AIA Engineering Ltd
115, GVMM Estate, Odhav Road,
Ahmedabad-382410
Tel : +91-79-22901078
Fax : +91-79-22901077

Dear Sirs,

As required by Part II of Schedule II of the Companies Act, 1956 and the Guidelines titled Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the request dated 31st August 2005 received from the Company, we have examined the financial information contained in the statements annexed to this report which is proposed to be included in the Prospectus of **AIA Engineering Ltd** ("the Company") in connection with the proposed issue of shares and we report thereon as follows:

1. We have examined the 'Statement of Adjusted Profits and Losses' of the Company for each of the financial years ended 31st March, 2001, 2002, 2003, 2004, 2005 and period ended 30th September, 2005, and the 'Statement of Adjusted Assets and Liabilities' as at those dates enclosed as ANNEXURES I and II, respectively to this report and confirm that:
 - a. These statements reflect the profits and losses and the assets and liabilities of the Company for each of the financial years as extracted from the Profit and Loss Account for the financial years ended 31st March, 2001, 2002, 2003, 2004, 2005 and period ended 30th September, 2005 and the Balance Sheets as at 31st March 2001, 2002, 2003, 2004, 2005 and as on 30th September, 2005 audited by us, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Guidelines and adopted by the members.
 - b. The Significant Accounting Policies adopted by the Company and the Notes to the 'Statement of Adjusted Assets and Liabilities' are enclosed as ANNEXURE III
2. We have also examined the Statements of Profits and Loss of Paramount Centripsun Castings Pvt.Ltd. (72.47%) and Reclamation Welding Ltd. (98.12%), Subsidiaries of the Company for the year ended 31st March, 2001, 2002, 2003, 2004, 2005 and period ended 30th September, 2005 and Vega Industries ME (Middle East) FZE (Vega ME) (100%), Vega Industries (Canada) Inc. (100%) along with Vega Industries Ltd. U.K.(Vega U.K.) 100% Subsidiary of Vega ME and Vega Industries Ltd. U.S.A. 100% Subsidiary of Vega U.K. for the year ended 31st March 2004 (since Incorporation) , 2005 and period ended 30th September, 2005 enclosed as Annexure IV, V, VI, VII, VIII and IX respectively and Statement of Assets and Liabilities of these Subsidiaries as those dates as at 31st March are enclosed as Annexure X, XI, XII, XIII, XIV and XV and confirmed that these Statements reflect the Profits and Losses and Assets and Liabilities of the Subsidiaries for each of the relevant year as extracted , without any adjustments from the financial Statements of the Subsidiaries for the relevant years as audited by M/s C.R.Sagdeo and Co., Chartered Accountants for Paramount Centripsun Castings Pvt. Ltd., M/s Gattani and Associates, Chartered Accountants for Reclamation Welding Ltd., M/s Moore Stephens, Chartered Accountants for Vega Industries (Middle East) FZE, M/s Crowe Chizek & Company LLC, Certified Practicing Accountants for Vega Industries (Canada) Inc., M/s Atkins & Partners Chartered Accountants for Vega Industries Ltd., U.K. and M/s. Crowe Chizek & Company LLC Certified Practicing Accountants for Vega Industries Ltd., U.S.A.
3. We have also examined the Statement of Assets and Liabilities of Welcast Steels Limited (71.59%) Subsidiary of the Company for the period ended on 30th September, 2005 is enclosed as Annexure XI (A) without any adjustment from the financial statement for relevant period as audited by M/s. Dagliya & Co., Chartered Accountants.
4. We have also examined the Statement of Consolidated Assets and Liabilities as at March 31, 2001, 2002, 2003, 2004, 2005 and 30th September, 2005 and the Statement of Consolidated Profits and Losses for the year ended on that date and six months ended September 30, 2005 of AIA Engineering Limited and its subsidiaries ("the Group") enclosed as ANNEXURES XVI and XVII respectively to this report and confirm that:
 - a. These statements reflect the profits and losses and the assets and liabilities of the Group for the year ended 31st March 2001, 2002, 2003, 2004, 2005 and 6 months ended September 30, 2005 as extracted from the consolidated financial statement of the Group taken on record by the Board of Directors on 25th October, 2005 and audited by us on 25th October, 2005
 - b. The Significant Accounting Policies adopted by the Group and the Notes to the 'Statement of Adjusted Consolidated Assets and Liabilities' are enclosed as ANNEXURE XVIII.

AIA ENGINEERING LIMITED

4. We have examined the 'Statement of Accounting Ratios' of the Company for each of the financial years ended 31st March, 2001, 2002, 2003, 2004, 2005 and 30th September, 2005 enclosed as ANNEXURE XIX to this report and confirm that they have been correctly computed from the figures as stated in the 'Statement of Adjusted Profits and Losses' and 'Statement of Adjusted Assets and Liabilities' of the Company referred to in paragraph 1 above.
5. We have examined the accompanying 'Statement of Related Party Disclosure' for each of the financial years ended 31st March, 2001, 2002, 2003, 2004, 2005 and 30th September, 2005 enclosed as ANNEXURE XX to this report and confirm that the relationships and transactions between the Company and its related parties have been appropriately reported in accordance with 'AS – 18 Related Party Disclosures' issued by The Institute of Chartered Accountants of India.
6. We have examined the 'Statement of Dividend Paid' by the Company and its subsidiaries Paramount Centrispun Castings Pvt. Ltd. and Reclamation Welding Ltd. in respect of each of the financial years ended 31st March, 2001, 2002, 2003, 2004, 2005 and 30th September, 2005 on the shares of the Company and its Subsidiaries enclosed as ANNEXURE XXI to this report and confirm that it correctly records the dividend paid in respect of each of those years. We further state that other subsidiary companies except these two have not declared any dividend since inception.
7. We have examined the 'Statement of Tax Shelter' for each of the financial years ended 31st March, 2001, 2002, 2003, 2004, 2005 and 30th September, 2005 enclosed as ANNEXURE XXII to this report and report that, in our opinion, it correctly reflects the 'Tax Shelter' for each of these years.
8. We have examined the 'Capitalization Statement' enclosed as ANNEXURE XXIII to this report and report that it correctly records the matters stated therein.
9. We have also examined the 'Statement of Other Income', 'Statement of Sundry Debtors', 'Statement of Loans and Advances', 'Statement of Secured Loans' enclosed as ANNEXURE XXIV, ANNEXURE XXV, ANNEXURE XXVI and ANNEXURE XXVII to this report and report that it correctly records the matters stated therein. We further report that the information mentioned in the items 3 to 7 above has been correctly computed from the figures as stated in the Statements of Adjusted Profits and Losses and Adjusted Assets and Liabilities referred to in paragraph 1 above.

This report is intended solely for your information for inclusion in the Prospectus in connection with the proposed Public Issue of the Company's shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For Talati & Talati,
Chartered Accountants

Umesh Talati
Partner
(Membership No. 34834)
Ahmedabad,



ANNEXURE - I

AIA ENGINEERING LIMITED

SUMMARY OF PROFIT AND LOSS ACCOUNTS AS RESTATED

(Rs in Mn)

PARTICULARS	Period ended 30-09-2005	FOR THE YEAR ENDED ON 31st MARCH				
		2005	2004	2003	2002	2001
INCOME						
Sales:						
In India -Manufactured goods	821.16	1447.99	1287.66	990.31	975.58	1087.82
Outside India -Manufactured goods	142.08	77.36	377.93	266.15	408.78	463.01
Outside India -Traded goods	354.40	419.12	118.55	230.33	87.70	33.47
Less: Sales Tax, Return & Sales Capitalized	0.00	0.00	0.00	0.00	0.00	0.00
	1317.64	2224.94	1612.01	1558.96	1243.10	1149.31
Increase/(Decrease) in Stock	30.96	17.26	56.84	15.29	-22.19	22.83
Other Income	33.36	37.96	70.12	23.93	54.24	13.17
TOTAL:	1381.96	2280.15	1738.97	1598.18	1275.15	1185.31
EXPENDITURE						
Manufacturing Expenses	992.2	1659.15	1170.76	1047.12	837.96	832.08
Employees' Emoluments	50.64	78.90	68.05	56.17	49.57	45.16
Administrative & Other Expenses	95.98	195.92	162.03	224.33	144.76	103.67
Depreciation	8.85	13.33	11.66	12.83	13.74	13.46
Financial Charges	14.38	15.25	12.34	14.72	20.09	23.67
TOTAL:	1162.05	1962.55	1424.84	1355.17	1066.12	1018.04
Profit before Tax and Other Adjustment	219.91	317.60	314.13	243.01	209.03	167.27
Prior Period Adjustments	-0.04	2.88	-0.78	-383.63	0	2.68
Provision for Current Tax	74.20	115.10	107.00	74.50	62.00	66.50
Provision for Deferred tax	1.05	1.35	0.54	-0.93	0	0
Net Profit after Tax as per audited statement of Accounts (A)	-0.19	204.03	205.81	-214.19	147.03	103.45
Carried forward Profit from Previous Year	144.81	306.51	205.04	519.95	422.67	319.22
Profit available for appropriation	265.08	510.54	410.85	305.76	569.70	422.67
Transfer to General Reserve	409.89	0	20.60	16.98	0	0
Transfer to Capital Redemption Reserve	0.00	191.34	0	0	0	0
Proposed / Interim Dividend on Equity Shares	0.00	2.96	24.48	24.48	0	0
Proposed / Interim Dividend on Preference Shares	0.00	44.50	49.75	49.75	49.75	0
Corporate Dividend Tax on Equity Dividend	0.00	0.42	3.14	3.14	0	0
Corporate Dividend Tax on Preference Dividend	0.00	6.24	6.37	6.37	0	0
Balance carried forward to Balance Sheet	409.89	265.08	306.51	205.04	519.95	422.67

AIA ENGINEERING LIMITED

ANNEXURE – II

AIA ENGINEERING LIMITED

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

(Rs.in Mn)

PARTICULARS	As at 30-09-2005	AS AT 31st MARCH				
		2005	2004	2003	2002	2001
A. Fixed Assets						
Gross Block	297.21	276.03	227.54	208.11	196.44	187.18
Less: Depreciation	139.47	130.82	123.55	112.94	101.68	94.11
Net Block	157.74	145.21	103.99	95.17	94.76	93.07
Add: Capital work in progress	19.25	14.73	19.01	0.91	0.70	0.00
Total	176.99	159.94	123.00	96.08	95.46	93.07
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Block after adjustment of Revaluation Reserve	176.99	159.94	123.00	96.08	95.46	93.07
B. Investments	178.04	62.32	62.52	20.06	6.77	6.58
C. Current Assets, Loan & Advances						
Inventories	220.76	225.16	226.25	115.22	89.16	87.00
Sundry Debtors	846.19	806.36	661.31	612.42	450.95	370.68
Cash and Bank Balances	44.62	46.53	64.04	96.32	112.04	147.94
Loans and Advances	79.19	413.87	283.23	196.73	633.43	174.36
Total	1545.79	1714.18	1420.35	1136.83	1387.81	879.63
D. Liabilities and Provisions:						
Secured Loans	418.52	356.74	157.41	111.83	77.76	189.06
Unsecured Loans	26.10	39.22	4.31	4.67	1.55	0.15
Current Liabilities and Provisions	236.17	592.43	492.75	377.05	355.89	217.75
13% Cumulative Redeemable Preference Shares	0.00	0.00	382.67	382.67	382.66	0.00
Deferred Tax Liabilities (Net)	13.88	14.07	12.72	12.19	0.00	0.00
Total	694.67	1002.46	1049.86	888.41	817.86	406.96
E. Net Worth (A+B+C-D)*	851.12	711.72	370.49	248.42	569.95	472.67
F. Represented by						
Paid-up Share Capital:						
- Equity Shares	130.76	130.76	24.49	24.49	48.10	48.10
Reserves and Surplus	725.77	580.96	346.00	223.93	521.85	424.57
Less: - Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Reserves and Surplus after adjustment of Revaluation Reserve	725.77	580.96	346.00	223.93	521.85	424.57
Total	856.53	711.72	370.49	248.42	569.95	472.67
G. Miscellaneous Expenditure up to the extent not written off	5.41	0.00	0.00	0.00	0.00	0.00
H. Net Worth (F-G)*	851.12	711.72	370.49	248.42	569.95	472.67

Aggregate book value and market value of the shares of Welcast Steels as on September 30, 2005

No of Equity Shares	Face Value (Rs)	Book Value	Market Value as on September 30, 2005
4,56,881	10	Rs 45,68,810	15,81,03,670*

* Based on the market value of Rs 346.05.



ANNEXURE – III

AIA ENGINEERING LIMITED

1. Significant Accounting Policies and Notes on Accounts:

i) Basis of Accounting:

The Accounts have been prepared on Mercantile Method of Accounting and recognise significant items of Income and Expenditure on accrual basis.

ii) Revenue recognition:

Sales of goods is recognised at the point of despatch to the customer and stated net of central excise duty, sales tax, rebate and discount. Export Benefits (Pass Book Credit) is accounted/recognised as and when utilized by the Company.

iii) Acquisition:

a) Company has acquired the entire business of Gray Cast Foundry Works (GCFW), a Partnership firm as a going concern from the close of business hours on 31st December, 2004 for a lumpsum consideration of Rs.44.00 lacs and in view of that all the Assets & Liabilities of GCFW including the liabilities of the Workers and Staffs with continuity of their services have become the Assets and Liabilities of the Company.

b) Company has acquired the Manufacturing Division of Centricast Enterprises Pvt. Ltd. (CEPL), from the close of business hours on 31st December, 2004 for a lumpsum consideration of Rs. 25.00 lacs and in view of that all the Assets & Liabilities of Manufacturing Division of CEPL including the liabilities of the Workers and Staffs with continuity of their services have become the Assets and Liabilities of the Company.

iv) Fixed Assets:

a) All Fixed Assets are stated at Cost of Acquisition Net of Modvat less accumulated Depreciation. All Costs till commencement of commercial production attributable to the Fixed Assets are capitalised.

b) Patents and Copyrights are in the form of other Intangible Assets and are stated at cost net of accumulated amortisation.

c) During the period under report, the Goodwill of Rs. 28,61,810/- is paid on account of excess of the amount of the consideration over the value of the net assets of the transferor units acquired by the Company.

v) Depreciation:

a) Depreciation has been provided on Fixed Assets on Straight Line Method as per the rates specified in Schedule XIV of the Companies Act, 1956 as amended from time to time.

b) Patents and Copyrights are amortised over a period 20 years as the life of the same are 20 years from the date of application as prescribed in Patents and Copyrights Act

c) Goodwill is amortised over a period of 5 years

vi) Investments:

Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

vii) Inventories:

Inventories of Raw Materials and Stores are valued at cost after considering the credit of Cenvat for Excise. Inventories of Work In Process is valued at cost exclusive of Central Excise Duty. Inventories of Finished Goods is valued at cost or net realizable value whichever is lower.

viii) Retirement Benefits:

The Company has scheme of retirement benefit namely Gratuity Fund recognised by the Income Tax Authorities. This Fund is administered through Trustees and the Company's contribution thereto charged to revenue every year. Liability for Leave Encashment is accounted on actuarial valuation basis.

ix) Central Excise Duty:

Central Excise Duty Payable on Finished Goods is accounted for on Clearance of the Goods from the Factory.

AIA ENGINEERING LIMITED

x) Foreign Currency Transactions:

Current Assets and Liabilities related to Foreign Currency transactions remaining unsettled at the end of the year are translated at the year-end rate and the difference in translation is recognised in the Profit & Loss Account.

xi) Leased Assets:

- Operating Leases: Rent lease income upto December 31, 2004 are accounted with reference to lease terms and other considerations. Subsequently company has acquired the Manufacturing Division of Centricast Enterprises Pvt. Ltd. (CEPL) and on account of that it has cancelled Lease Agreement with CEPL w.e.f. December 31, 2004.
- General Description of lease terms: Lease rentals are charged on the basis of agreed terms

xii) Borrowing Cost:

Other cost in connection with the borrowing of the funds to the extent related/attributed to the acquisition/construction of qualifying Fixed Assets are capitalized upto the date when such assets are ready for its intended use and other borrowing cost are charged to Profit & Loss Account.

xiii) Product Warranty Expenses:

Product warranty expenses are determined based on past experience and estimates and are accrued in the year of Sale.

2. Taxation on Income:

Current Tax is the tax payable for the period determined as per the provisions of the Income Tax Act, 1961. The provision for deferred tax has been made in accordance with the requirement of Accounting Standard 22 issued by the Institute of Chartered Accountants of India (ICAI).

- In view of insufficient information from the suppliers regarding their status as SSI unit, amounts due to Small Scale Industrial Undertakings as on 31st March 2005 cannot be ascertained.
- Previous year's figures have been regrouped wherever necessary to make them comparable with Current year's figures.
- Contingent Liabilities not provided for in Accounts:

		April-05 to Sept.-05 (Six Months) (Rs.)	2004-2005 (Rs.)
A	Outstanding Bank Guarantees	153951030	129000367
B	Letters of Credit	17156661	NIL
C	Excise & Service Tax matters in dispute	12772356	9451362
D	Income tax matters in dispute	NIL	43724

6. Directors' Remuneration:

		April-05 to Sept.-05 (Six Months) (Rs.)	2004-2005 (Rs.)
i)	Remuneration	3141804	6443556
ii)	Perquisites including Medical reimbursement	99894	1116154
iii)	Approximate monetary value of perquisites on account of equipments etc.	179861	355503
	T o t a l	3421559	7915213

7. Auditors' Remuneration:

		April-05 to Sept.-05 (Six Months) (Rs.)	2004-2005 (Rs.)
a	Audit Fees	75000	160500
b	Tax Audit Fees	10500	21000
c	Management Consultancy Fees	25000	50000
d	For Taxation matters	15000	27500
e	For other services	10785	19208



- 8 Additional Additional Information pursuant to the provisions of paragraphs 3, 4-C & 4-D of Part - II of Schedule VI of the Companies Act, 1956. (As certified by Directors):

Quantitative information of Goods manufactured:

		April-05 to Sept.-05 (Six Months)		2004-2005	
Capacity, Production etc.		M.T.	Rs.	M.T.	Rs.
a	Licensed Capacity	Not Applicable		Not Applicable	
b	Installed Capacity(As certified by the Management)			32000.00	–
c	Opening Stock of Finished Goods	NIL	NIL	76.00	4934765
d	Actual ProductionOwn ManufacturingJob Conversion	13193.30 265.89	– –	26457.45 350.15	– –
e	Sales / Dispatch:Own ManufacturingJob Conversion	12646.86 265.89	920562169 13353359	26432.71 350.15	1724463296 12202875
f	Closing Stock of Finished Goods	NIL	NIL	NIL	NIL

Quantitative information of Trading Activity

		April-05 to Sept.-05 (Six Months)		2004-2005	
		M.T.	Rs.	M.T.	Rs.
a	Opening Stock	NIL	NIL	NIL	NIL
b	Purchases	6969.08	298223029	9973.86	383941014
c	Sales	6969.08	354400299	9973.86	419127295
d	Closing Stock	NIL	NIL	NIL	NIL

A.	C. I. F. Value of Imports:				
	1) Raw Materials	541.50	27430577	577.57	48457024
	2) Stores		9145346		332685
	3) Capital Goods		4823719		NIL
B.	Expenditure in Foreign Currency :				
	1) After Sales Service charges		NIL		18338857
	2) Others		58403309		17002115
C.	Value of Imported and Indigenous Raw Materials consumed and percentage thereof:				
	Indigenous	12954.38	306969652	26314.62	600898059
	Percentage		85.00%		91.07%
	Imported	914.61	54201561	1176.45	58954990
	Percentage		15.00%		8.93%
	Total	13868.99	361171213	27491.07	659853049
D.	Value of Imported and Indigenous Stores consumed and percentage thereof:				
	Indigenous		127553678	–	208687713
	Percentage		93.60	–	99.82
	Imported	–	8718860		374599
	Percentage	–	6.40		0.18
	Total	–	136272538	–	209062312
E.	Earning in Foreign Exchange:				
	i) Export of Goods	–	481033577	–	721784213

AIA ENGINEERING LIMITED

9. Based on the guiding principles given in Accounting Standard on "Segment Reporting" (AS-17) issued by the Institute of Chartered Accountants of India, the Company's primary business is manufacturing of Castings. The Casting Business of the Company incorporates product groups viz. Grinding Media, Liners, Rolls etc. which mainly have similar risks and returns, accordingly there are no separate reportable segments.

The Operations of the Company are in India and all Assets and Liabilities are located in India. An analysis of the Sales by geographical market is given below:

Name of the Country	Amount in Rs.
India	821157298
U.S.A.	73958633
Italy	9724200
U.K.	278170140
U.A.E.	131169215
Other Countries	3462181
Total	1317641667

10. Related party disclosures under Accounting Standard 18:

(i) Subsidiaries :		(iii) Relatives of Key Management Personnel :	
1	Reclamation Welding Ltd.	1	HOTEL GULMARG
2	Paramount Centrispun Castings Pvt. Ltd.	2	L.D.M. X-ray Clinic
3	Vega Industries Ltd., U.S.A.	3	K.M.Shah Nursing home
4	Vega Industries Ltd., U.K.	4	Mrs. Giraben
5	Vega Industries (Middle East) FZE, U.A.E.	5	Mrs. Gitaben B. Shah
6	Welcast Steels Limited	6	Bhadresh K.Shah (H.U.F.)
(ii) Associates :		(iv) Key Management Personnel :	
1	Centricast Enterprises Pvt. Ltd.	1	Mr.Bhadresh K.Shah (Managing Director)
2	Gray Cast Foundry Works	2	Mr. Jules Spede (Director)
3	Keyur Financial Services Pvt. Ltd.		
4	Vrindavan Alloys Pvt. Ltd.		

	Nature of Relationship	Subsidiaries	Associates	Relatives of Key Management Personnels.	Key Management Personnel
		Rs.	Rs.	Rs.	Rs.
1	Sales & Services	481674417	NIL	NIL	NIL
2	Purchase/Conversion/ Services	443129800	NIL	NIL	NIL
3	Loans received	NIL	22500000	1555000	NIL
4	Repayment of Loan	NIL	37453599	NIL	NIL
5	Interest received	226772	NIL	NIL	NIL
6	Rent paid	NIL	NIL	72000	NIL
7	Hotel Charges	NIL	NIL	168333	NIL
8	Interest Charges (Gross)	NIL	300298	123364	29202
9	Investment In Shares	115724483	NIL	NIL	NIL
10	Consultancy Fees	NIL	NIL	48000	NIL
11	Directors' Remuneration (Please refer Note No.6 above)	NIL	NIL	NIL	3241698
	Grand Total	1040755472	60253897	1966697	3270900
	Balance o/s at the period/year end	271796422	22524658	7921	3752388



11. Earnings per Share (EPS) – The numerators and denominators used to calculate Basic and Diluted Earnings per Share:

	April-05 to Sept.-05 (Six Months) (Rs.)	2004-2005 (Rs.)
Profit attributable to the Equity Shareholders (Rs.) (A)	144813045	153291515
Basic / Weighted average number of Equity Shares outstanding during the year - (B)	13076380	12943279
Nominal value of Equity Shares – (Rs.)	10	10
Basic/Diluted Earnings per Share (Rs.) (A)/(B)	11.07	11.84

12. Additional Information pursuant to the provisions of Part-IV of Schedule VI of the Companies Act, 1956:

Balance Sheet Abstract And Company's General Business Profile:

I. Registration Details:

Registration No.: 015182	State Code: 04	Balance Sheet Date: 30/09/05
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II. Capital raised during the year (Amount in Rs. Thousands):

Public Issue:	NIL	Right Issue	NIL
Bonus Issue:	NIL	Private Placement:	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands):

Total Liabilities		Total Assets	
	1318877		1318877
Source of FundsPaid up Capital	130764	Application of FundsNet Fixed Assets	176987
Reserve & Surplus	725773	Investments	178042
Secured Loans	418521	Deferred Tax Assets	3836
Unsecured Loans	26100	Net Current Assets	954595
Deferred Tax Liabilities	17719	Miscellaneous Expenditure	5417

IV. Performance of the Company (Amount in Rs. Thousands):

Turnover	1317642	Total Expenditure	1162051
Profit Before Tax	219917	Profit After Tax	144857
Earnings per Share(In Rupees)	11.07	Dividend Rate	NIL

V. Generic Names of the Three Principal Products/Services of the Company (As per Monetary Terms):

Item Code No. (ITC Code)	(1) 73269013 (2) 7626990990
Product Description	Grinding Media Balls & CylpebsOther Cast Articles of Iron or Steel.

AIA ENGINEERING LIMITED

ANNEXURE - IV

PARAMOUNT CENTRISPUN CASTINGS PVT. LTD.

SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

(Rs.in Mn)

PARTICULARS	Six month Period ended 30/9/05	2005	2004	2003	2002	2001
INCOME						
Sales:						
Export Sales						
Domestic Sales	153.11	232.40	194.50	138.43	148.20	141.15
Less: Sales Tax, Return & Sales Capitalized	7.28	11.29	8.53	5.58	6.38	4.31
Sub Total	145.83	221.11	185.97	132.85	141.82	136.84
Increase/(Decrease) in Stock	-2.04	8.21	-5.61	2.09	-1.16	2.68
Other Income	4.54	6.13	2.27	3.87	1.96	3.48
Total	148.33	235.45	182.63	138.81	142.62	143.00
EXPENDITURE						
Manufacturing Expenses	110.50	180.53	127.59	103.10	99.02	102.40
Employees' Emoluments	8.86	17.11	14.82	12.91	11.27	9.78
Administrative & Other Expenses	11.56	17.02	17.70	9.06	11.63	11.00
Depreciation	3.25	6.20	4.86	4.66	4.66	7.41
Financial Charges	4.02	6.07	5.96	5.39	5.61	3.63
Miscellaneous Expenditure W/off	-	0.28	-	-	-	-
Total	138.19	227.21	170.93	135.12	132.19	134.22
Profit before Tax and Other Adjustment	10.14	8.24	11.70	3.69	10.44	8.78
Prior Period Adjustments	-	-	-	-	-	-
Provision for Tax Current tax	2.98	2.52	4.23	1.53	3.52	4.00
Provision for Deferred tax	-0.07	0.63	0.23	(0.24)	0.27	-
Fringe Benefit Tax	0.17	-	-	-	-	-
Net Profit after Tax as per audited statement of Accounts (A)	7.06	5.09	7.24	2.40	6.65	4.78
Carried forward Profit from Previous year	48.89	43.75	36.55	34.09	49.25	44.42
Profit available for appropriation	55.95	48.84	43.79	36.49	55.90	49.20
Less: Transfer to General Reserve	-	-	-	-	0.52	-
Taxation/Depreciation Adjustments of Earlier Year/s	-	0.05	0.04	-0.06	1.26	0.05
Transfer to Capital Redemption Reserve						
Proposed/Interim Dividend on Equity	-	-	-	-	20.03	-
Proposed/Interim Dividend on Preference						
Corporate Dividend Tax on Equity						
Corporate Dividend Tax on Preference						
Balance carried forward to Balance Sheet	55.95	48.89	43.75	36.55	34.09	49.25



ANNEXURE - V

RECLAMATION WELDING LTD.

SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

(Rs.in Mn)

PARTICULARS	Period ended 30-09-05	2005	2004	2003	2002	2001
INCOME						
Sales:						
Conversion Sales	78.99	156.96	117.91	93.70	92.08	75.38
Export Sales	–	–	–	–	–	–
Domestic Sales	–	–	–	–	–	11.46
Less: Sales Tax, Return & Sales Capitalized	–	–	–	–	–	–
	78.99	156.96	117.91	93.70	92.08	86.84
Increase/(Decrease) in Stock	2.01	0.56	2.90	2.47	0.38	-11.44
Other Income	0.05	0.74	0.43	0.38	7.79	1.23
Total	81.05	158.26	121.24	96.55	100.25	76.63
EXPENDITURE						
Manufacturing Expenses	53.77	101.62	83.41	63.46	51.05	58.13
Employees' Emoluments	5.47	11.69	9.69	8.35	7.52	6.55
Administrative & Other Expenses	3.12	6.29	5.71	4.94	4.97	3.26
Depreciation	5.62	12.05	9.66	10.03	6.45	3.14
Financial Charges	1.39	2.90	4.45	3.40	2.15	1.24
Total	69.37	134.55	112.92	90.18	72.14	72.32
Profit before Tax and Other Adjustment	11.68	23.71	8.32	6.37	28.11	4.31
Prior Period Adjustments						
Provision for Current tax	3.35	8.73	2.92	1.90	6.75	1.28
Provision for Deferred tax	0.58	-0.02	0.03	-0.30	–	–
Fringe Benefit Tax	0.03	–	–	–	–	–
Net Profit after Tax as per audited statement of A/c (A)	7.72	15.00	5.37	4.77	21.36	3.03
Carried forward Profit from Previous year	48.00	33.00	27.63	22.86	14.65	11.62
Profit available for appropriation	55.72	48.00	33.00	27.63	36.01	14.65
Less: Transfer to General Reserve	–	–	–	–	2.14	–
Transfer to Capital Redemption Reserve	–	–	–	–	–	–
Proposed/Interim Dividend on Equity	–	–	–	–	10.00	–
Proposed/Interim Dividend on Preference	–	–	–	–	–	–
Corporate Dividend Tax on Equity	–	–	–	–	1.02	–
Corporate Dividend Tax on Preference	–	–	–	–	–	–
Balance carried forward to Balance Sheet	55.72	48.00	33.00	27.63	22.86	14.65

AIA ENGINEERING LIMITED

ANNEXURE - VI

VEGA INDUSTRIES (MIDDLE EAST) FZE

SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

PARTICULARS	In USD	(Rs.in Mn)	In USD	(Rs.in Mn)	In USD	(Rs.in Mn)
	Period ended 30-9-2005	Period ended 30-9-2005	2005	2005	2004	2004
INCOME						
Sales :	7255397	318.40	10600729	475.97	10462675	478.17
Export Sales						
Domestic Sales						
Less : Sales Tax, Return & Sales Capitalized						
Increase/(Decrease) in Stock	-125479	-5.51	240873	10.82	-	-
Other Income	8607	0.38	105209	4.72	-	-
Total	7138525	313.27	10946811	491.51	10462675	478.17
EXPENDITURE						
Cost of Sales Expenses	5777808	253.56	9007644	404.44	9503986	434.36
Employees' Emoluments	126596	5.56	276641	12.42	247139	11.30
Administrative & Other Expenses	589795	25.88	919635	41.29	372218	17.01
Depreciation	4391	0.19	5165	0.23	4515	0.20
Financial Charges	73620	3.23	68750	3.09	2121	0.10
Miscellaneous Expenditure W/off						
Total	6572210	288.42	10277835	461.47	10129979	462.97
Profit before Tax and Other Adjustment	566315	24.85	668976	30.04	332696	15.20
Prior Period Adjustments						
Provision for Tax						
Current Tax						
Deferred Tax						
Net Profit after Tax as per audited statement of Accounts	566315	24.85	668976	30.04	332696	15.20
Carried forward Profit from						
Previous year	989046	43.40	320070	14.62	(-12626)	-0.58
Profit available for appropriation						
Less: Transfer to General Reserve						
Transfer to Capital Redemption Reserve						
Proposed/Interim Dividend on						
- Equity						
- Preference						
Corporate Dividend Tax on						
- Equity						
- Preference						
Balance carried forward to Balance Sheet	1555361	68.25	989046	44.66	320070	14.62



ANNEXURE - VII

VEGA INDUSTRIES (CANADA) INC.

SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

	(in \$)	Rs. In Mn.	(in CAD)	Rs. In Mn.	(in CAD)	Rs. In Mn.
PARTICULARS	Period ended 30-9-2005		Year ended 31/03/05		Year ended 31/03/04	
INCOME						
Sales :						
Export Sales						
Domestic Sales						
Less : Sales Tax, Return & Sales Capitalized						
Increase/(Decrease) in Stock						
Other Income	88537	3.89	237514	8.40	–	–
EXPENDITURE						
Manufacturing Expenses						
Employees' Emoluments	55452	2.43	–	–	–	–
Administrative & Other Expenses	32444	1.43	241213	8.53	5671	0.19
Consulting Revenue						
Consulting Expenses						
Depreciation	4740	0.21	–	–	8634	0.29
Financial Charges	208	–	–	–	213	0.01
Miscellaneous Expenditure W/off						
	92844	4.07	241213	8.53	14518	0.49
Profit before Tax and Other Adjustment	-4307	-0.18	-3699	-0.13	-14518	-0.49
Prior Period Adjustments						
Provision for Tax						
Current Tax						
Deferred Tax						
Net Profit after Tax as per Accounts (under audit) Accounts	-4307	-0.18	-3699	-0.13	-14518	-0.49
Carried forward Profit from Previous year	-15693	-0.69	-14518	-0.49	–	–
Profit available for appropriation						
Less: Transfer to General Reserve						
Transfer to Capital Redemption Reserve						
Proposed/Interim Dividend on						
- Equity						
- Preference					–	
Corporate Dividend Tax on						
- Equity					–	
- Preference					–	
Balance carried forward to Balance Sheet	-20000	-0.87	-18217	-0.62	-14518	-0.49

AIA ENGINEERING LIMITED

ANNEXURE - VIII

VEGA INDUSTRIES LTD. U.K.

SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

PARTICULARS	In USD \$	Rs.in Mn	In USD \$	Rs.in Mn.	In USD \$	Rs.in Mn
	Period ended 30-9-2005	Period ended 30-9-2005	2005	2005	2004	2004
INCOME						
Sales :						
Export Sales	6812930	298.99	-	-	-	-
Domestic Sales	311729	13.68	10980197	493.01	5863185	267.97
Less : Sales Tax, Return & Sales Capitalized						
	7124659	312.67	10980197	493.01	5863185	267.97
Increase/(Decrease) in Stock	352389	15.46	52311	2.35	325590	14.88
Other Income	66638	2.92	682910	30.66	254523	11.63
Total	7543686	331.05	11715418	526.02	6443298	294.48
EXPENDITURE						
Manufacturing Expenses	6239734	273.83	9699592	435.51	5033279	230.04
Employees' Emoluments	164905	7.24	547532	24.58	721630	32.98
Administrative & Other Expenses	161458	7.09	594312	26.69	173034	7.91
Depreciation	5092	0.22	16583	0.74	33065	1.51
Financial Charges	15801	0.69	23502	1.06	49534	2.26
Selling & Distribution Expenses	104386	4.58	389039	17.47	465752	21.28
Total	6691376	293.65	11270560	506.05	6476294	295.98
Profit before Tax and Other Adjustment	852310	37.40	444858	19.97	-32996	-1.50
Prior Period Adjustments						
Provision for Tax						
Current Tax	265200	11.64	174956	7.85	-	-
Deferred Tax	1027	0.05	-	-	-	-
Overseas tax						
Net Profit after Tax as per audited statement of Accounts	586083	25.71	269902	12.12	-32996	-1.50
Carried forward Profit from						
Previous year	427132	18.74	-	-	-	-
Profit available for appropriation						
Less: Transfer to General Reserve						
Transfer to Capital Redemption Reserve						
Proposed/Interim Dividend on						
- Equity						
- Preference						
Corporate Dividend Tax on						
- Equity						
- Preference						
Balance carried forward to Balance Sheet	1013215	44.46	269902	12.12	-32996	-1.50



ANNEXURE - IX

VEGA INDUSTRIES LTD. U.S.A.

SUMMARY OF PROFIT AND LOSS ACCOUNT AS RESTATED

	(in \$)	Rs. In Mn.	(in CAD)	Rs. In Mn.	(in CAD)	Rs. In Mn.
PARTICULARS	Period ended 30-9-2005		Year ended 31/03/05		Year ended 31/03/04	
INCOME						
Sales :						
Export Sales						
Domestic Sales	2172653	95.35	5818357	261.24	3301772	150.90
Less : Sales Tax, Return & Sales Capitalized						
Increase/(Decrease) in Stock	371896	16.32	-739113	-33.19	642775	29.38
Other Income	86742	3.80	298217	13.39	177749	8.12
	2631291	115.47	5377461	241.44	4122296	188.40
EXPENDITURE						
Manufacturing Expenses	2277008	99.93	4238753	190.32	3406950	155.71
Employees' Emoluments	168261	7.38	300181	13.48	244770	11.19
Administrative & Other Expenses	67739	2.97	479528	21.53	88614	4.05
Consulting Revenue						
Consulting Expenses	8728	0.38	-	-	-	-
Depreciation	9763	0.43	18587	0.83	7135	0.32
Financial Charges	3317	0.15	-	-	2625	0.12
Selling & Distribution Expenses	84147	3.69	161891	7.27	361253	16.51
	2618963	114.93	5198940	233.43	4111347	187.90
Profit before Tax and Other Adjustment	12328	0.54	178521	8.01	10949	0.50
Prior Period Adjustments						
Provision for Tax						
Current Tax	2531	0.11	52103	2.34	-	-
Deferred Tax	-4123	-0.18	-	-	-	-
Net Profit after Tax as per Accounts (under audit) Accounts	13920	0.61	126418	5.67	10949	0.50
Carried forward Profit from Previous year	211870	9.30	-	-	-	-
Profit available for appropriation						
Less: Transfer to General Reserve						
Transfer to Capital Redemption Reserve						
Proposed/Interim Dividend on						
- Equity						
- Preference						
Corporate Dividend Tax on						
- Equity						
- Preference						
Balance carried forward to Balance Sheet	225790	9.91	126418	5.67	10949	0.50

AIA ENGINEERING LIMITED

ANNEXURE X

PARAMOUNT CENTRISPUN CASTINGS PVT.LTD.

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

(Rs. in Mn)

PARTICULARS	As at 30-09-2005	AS AT 31st MARCH				
		2005	2004	2003	2002	2001
A. Fixed Assets						
Gross Block	106.14	104.80	101.68	86.17	87.99	86.48
Less: Depreciation	60.53	57.28	59.62	54.76	51.53	52.64
Net Block	45.61	47.52	42.06	31.41	36.46	33.84
Add: Capital work in progress	–	–	–	–	–	–
Total	45.61	47.52	42.06	31.41	36.46	33.84
Less: Revaluation Reserve	–	–	–	–	–	–
Net Block after adjustment of Revaluation Reserve	45.61	47.52	42.06	31.41	36.46	33.84
B. Investments	–	–	–	–	–	–
C. Current Assets, Loan & Advances						
Inventories	50.11	54.34	38.24	32.29	25.85	28.61
Sundry Debtors	57.36	62.65	37.71	35.93	41.96	38.58
Cash and Bank Balances	8.64	15.46	8.74	5.37	4.59	8.08
Loans and Advances	18.05	12.51	14.40	12.79	16.66	14.91
Total	134.16	144.96	99.09	86.38	89.06	90.18
D. Liabilities and Provisions:						
Secured Loans	29.96	51.66	16.58	22.78	28.00	20.85
Unsecured Loans	21.48	20.82	19.60	13.31	9.21	6.78
Current Liabilities and Provisions	42.87	41.52	32.27	16.44	25.27	23.89
Deferred Tax Liabilities	5.74	5.81	5.18	4.94	5.18	0.00
Total	100.05	119.81	73.63	57.47	67.66	51.52
E. Net Worth (A+B+C-D)*	79.72	72.67	67.52	60.32	57.86	72.50
F. Represented by						
Paid-up Share Capital:						
- Equity Shares	11.44	11.44	11.44	11.44	11.44	11.44
- 0% Cumulative Redeemable Preference Shares	–	–	–	–	–	–
Reserves and Surplus	68.28	61.23	56.08	48.88	46.42	61.06
Less:- Revaluation Reserve	–	–	–	–	–	–
Reserves and Surplus after adjustment of Revaluation Reserve	68.28	61.23	56.08	48.88	46.42	61.06
Total	79.72	72.67	67.52	60.32	57.86	72.50
G. Misc. Expenditure upto the extent not w/off	–	–	–	–	–	–
H. Net Worth (F-G)*	79.72	72.67	67.52	60.32	57.86	72.50



ANNEUXRE - XI

RECLAMATION WELDING LTD.

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED.

(Rs. in Mn)

PARTICULARS	As at 30-09-2005	AS AT 31st MARCH				
		2005	2004	2003	2002	2001
A. Fixed Assets						
Gross Block	121.41	114.57	93.99	77.27	65.20	41.33
Less: Depreciation	65.47	59.85	47.80	38.14	28.55	22.24
Net Block	55.94	54.72	46.19	39.13	36.65	19.09
Add: Capital work in progress	4.84	4.84	7.82	9.08	1.13	0.65
Total	60.78	59.56	54.01	48.21	37.78	19.74
Less: Revaluation Reserve	-	-	-	-	-	-
Net Block after adjustment of Revaluation Reserve	60.78	59.56	54.01	48.21	37.78	19.74
B. Investments	-	-	-	-	-	-
C. Current Assets, Loan & Advances						
Inventories	16.66	14.65	14.06	11.12	8.43	1.14
Sundry Debtors	50.98	34.19	16.60	11.33	4.56	4.31
Cash and Bank Balances	0.34	2.27	0.44	1.29	0.02	0.44
Loans and Advances	23.75	19.37	17.79	17.93	16.55	15.70
Total	91.73	70.48	48.89	41.67	29.56	21.59
D. Liabilities and Provisions:						
Secured Loans	16.46	19.52	18.90	17.16	15.62	1.53
Unsecured Loans	5.66	5.88	7.26	21.40	7.43	5.42
Current Liabilities and Provisions	56.42	39.03	26.02	20.85	18.28	18.72
Deferred Tax Liabilities	0.75	0.18	0.20	0.16	0.00	0.00
Total	79.29	64.61	52.38	59.57	41.33	25.67
E. Net Worth (A+B+C-D)*	73.22	65.43	50.52	30.31	26.01	15.66
F. Represented by						
Paid-up Share Capital:						
- Equity Shares	16.00	16.00	16.00	1.00	1.00	1.00
- 0% Cumulative Redeemable Preference Shares	-	-	-	-	-	-
Reserves and Surplus	57.42	49.69	34.69	29.31	25.01	14.66
Less:- Revaluation Reserve	-	-	-	-	-	-
Reserves and Surplus after adjustment of Revaluation Reserve	57.42	49.69	34.69	29.31	25.01	14.66
Total	73.42	65.69	50.69	30.31	26.01	15.66
G. Misc. Expenditure upto the extent not w/off	0.20	0.26	0.17	-	-	-
H. Net Worth (F-G)*	73.22	65.43	50.52	30.31	26.01	15.66

AIA ENGINEERING LIMITED

ANNEUXRE – XI (A)

WELCAST STEELS LIMITED

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

(Rs. In Mn.)

PARTICULARS		As at September 30, 2005
A.	Fixed Assets	
	Gross Block	221.38
	Less: Depreciation	126.18
	Net Block	95.20
	Add: Capital work in progress	56.13
	Total	151.33
	Less: Revaluation Reserve	3.35
	Net Block after adjustment of Revaluation Reserve	147.98
B.	Investments	0.01
C.	Current Assets, Loan & Advances	
	Inventories	99.13
	Sundry Debtors	142.59
	Cash and Bank Balances	5.49
	Loans and Advances	76.88
	Total	324.09
D.	Liabilities and Provisions:	
	Secured Loans	177.55
	Unsecured Loans	4.50
	Current Liabilities and Provisions	168.25
	Deferred Tax Liabilities	3.08
	Total	353.38
E.	Net Worth (A+B+C-D)*	118.70
F.	Represented by	
	Paid-up Share Capital:	
	- Equity Shares	6.38
	- 0% Cumulative Redeemable	
	Preference Shares	
	Reserves and Surplus	115.67
	Less:- Revaluation Reserve	3.35
	Reserves and Surplus after adjustment of Revaluation Reserve	112.32
	Total	118.70
G.	Misc. Expenditure upto the extent not w/off	–
H.	Net Worth (F-G)*	118.70



ANNEXURE XII

VEGA INDUSTRIES (MIDDLE EAST) FZE

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

PARTICULARS		As at 30-09-2005		As at 31st March 2005		As at 31st March 2004	
		IN USD	Rs.in Mn	IN USD	Rs.in Mn	IN USD	Rs.in Mn
A.	Fixed Assets						
	Gross Block	37035	1.63	24747	1.08	17817	0.80
	Less: Depreciation	13956	0.61	9565	0.42	4516	0.20
	Net Block	23079	1.02	15182	0.66	13301	0.60
	Add: Capital work in progress						
	Total	23079	1.02	15182	0.66	13301	0.60
	Less: Revaluation Reserve						
	Net Block after adjustment of Revaluation Reserve						
B.	Investments	334375	14.67	334375	14.59	234375	10.63
C.	Current Assets, Loan & Advances						
	Inventories	115394	5.06	240873	10.51	-	-
	Sundry Debtors	2270790	99.65	3149604	137.39	2900363	131.53
	Cash and Bank Balances	518725	22.76	273467	11.93	326464	14.80
	Loans and Advances	124700	5.47	-	-	-	-
	- Employees	-	-	21491	0.93	16870	0.77
	- Vega Industries UK	750000	32.92	750000	32.71	-	-
	- Vega Industries UK (Temporary Loan)						
	- Vega Industries USA	500000	21.95	500000	21.81	-	-
	Total	4279609	187.81	4935435	215.28	3243697	147.10
D.	Liabilities and Provisions:						
	Secured Loans						
	Unsecured Loans	1000000	43.88	1500000	65.43	-	-
	Current Liabilities and Provisions	1737642	76.26	2470946	106.26	2846303	128.97
	Deferred Tax Liabilities	19060	0.84	-	-	-	-
	Total	2756702	120.98	3970946	171.69	2846303	128.97
E.	Net Worth (A+B+C-D)	1880361	82.52	1314046	58.84	645070	29.36
F.	Represented by						
	Paid-up Share Capital:	325000	14.26	325000	14.18	325000	14.74
	- Equity Shares						
	- 0% Cumulative Redeemable						
	Preference Shares						
	Reserves and Surplus	1555361	68.26	989046	44.66	320070	14.62
	Less:- Revaluation Reserve						
	Reserves and Surplus after adjustment of Revaluation Reserve						
	Total	1880361	82.52	1314046	58.84	645070	29.36
G.	Misc. Expenditure upto the extent not w/off						
H.	Net Worth (F-G)	1880361	82.52	1314046	58.84	645070	29.36

AIA ENGINEERING LIMITED

ANNEXURE XIII

VEGA INDUSTRIES (CANADA) INC.

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

PARTICULARS		As at 30-09-2005		As at 31st March 2005		As at 31st March 2004	
		in USD	Rs.in Mn	in CAD	Rs.in Mn	in CAD	Rs.in Mn
A.	Fixed Assets						
	Gross Block	52681	2.31	61155	2.20	57558	1.91
	Less: Depreciation	25402	1.11	23986	0.86	8634	0.28
	Net Block	27279	1.20	37169	1.34	48924	1.63
	Add: Capital work in progress	-	-	-	-	-	-
	Total	27279	1.20	37169	1.34	48924	1.63
	Less: Revaluation Reserve						
	Net Block after adjustment of Revaluation Reserve	27279	1.20	37169	1.34	48924	1.63
B.	Investments						
C.	Current Assets, Loan & Advances						
	Inventories						
	Sundry Debtors	201289	8.83	141165	5.09	-	-
	Cash and Bank Balances	3972	0.17	7420	0.27	1331	0.04
	Loans and Advances & other current assets	528	0.02	605	0.02	15020	0.51
	Total	205789	9.02	149190	5.38	16351	0.55
D.	Liabilities and Provisions:						
	Secured Loans						
	Unsecured Loans						
	Current Liabilities and Provisions	227225	9.97	174576	6.29	49793	1.66
	Deferred Tax Liabilities						
	Total	227225	9.97	174576	6.29	49793	1.66
E.	Net Worth (A+B+C-D)	5843	0.25	11783	0.43	15482	0.52
F.	Represented by						
	Paid-up Share Capital:						
	- Equity Shares	25843	1.13	30000	1.08	30000	1.00
	- 0% Cumulative Redeemable						
	Preference Shares						
	Reserves and Surplus	-20000	-0.88	-18217	-0.65	-14518	-0.48
	Less:- Revaluation Reserve						
	Reserves and Surplus after adjustment of Revaluation Reserve	-20000	-0.88	-18217	-0.65	-14518	-0.48
	Total	5843	0.25	11783	0.43	15482	0.52
G.	Misc. Expenditure upto the extent not w/off						
H.	Net Worth (F-G)						
		5843	0.25	11783	0.43	15482	0.52



ANNEXURE XIV

VEGA INDUSTRIES LTD. U.K.

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

PARTICULARS		As at 30-09-2005		As at 31st March 2005		As at 31st March 2004	
		IN US \$	Rs.in Mn	IN US \$	Rs.in Mn	IN US \$	Rs.in Mn
A.	Fixed Assets						
	Gross Block	96201	4.22	96685	4.22	190433	8.64
	Less: Depreciation	45744	2.01	45157	1.97	60620	2.75
	Net Block	50457	2.21	51528	2.25	129813	5.89
	Add: Capital work in progress						
	Total	50457	2.21	-	-	-	-
	Less: Revaluation Reserve						
	Net Block after adjustment of Revaluation Reserve	50457	2.21	51528	2.25	129813	5.89
B.	Investments	50000	2.19	50000	2.18	50000	2.27
C.	Current Assets, Loan & Advances						
	Inventories	1301895	57.13	1054678	46.01	786041	35.65
	Sundry Debtors	5044550	221.38	3286652	143.36	2603734	118.08
	Cash and Bank Balances	809450	35.52	527638	23.02	515913	23.39
	Loans and Advances & Other Current Assets	740040	32.48	798814	34.84	1262748	57.27
	Total	7895935	346.51	5667782	247.23	5168436	234.39
D.	Liabilities and Provisions:						
	Secured Loans						
	Unsecured Loans	44031	1.93	-	-	1835875	83.26
	Current Liabilities	6126455	268.86	5271494	229.94	3012017	136.59
	Provisions	792321	34.77	-	-	251649	11.42
	Deferred Tax Liabilities	5070	0.22	4490	0.2	-	-
	Total	6967877	305.78	5275984	230.14	5099541	231.27
E.	Net Worth (A+B+C-D)	1028515	45.13	493326	21.52	248708	11.28
F.	Represented by						
	Paid-up Share Capital:	15300	0.67	-	-	-	-
	- Equity Shares	-	-	18883	0.82	15300	0.69
	- 0% Cumulative Redeemable						
	Preference Shares						
	Reserves and Surplus	1013215	44.46	474443	20.7	233408	10.59
	Less:- Revaluation Reserve						
	Reserves and Surplus after adjustment of Revaluation Reserve						
	Total	1028515	45.13	493326	21.52	248708	11.28
G.	Misc. Expenditure upto the extent not w/off						
H.	Net Worth (F-G)	1028515	45.13	493326	21.52	248708	11.28

AIA ENGINEERING LIMITED

ANNEXURE XV

VEGA INDUSTRIES LTD. U.S.A.

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

PARTICULARS		As at 30-09-2005		As at 31st March 2005		As at 31st March 2004	
		in US \$	Rs. in Mn	in US \$	Rs. in Mn	in US \$	Rs. in Mn
A.	Fixed Assets						
	Gross Block	154290	6.77	152536	6.65	152724	6.92
	Less: Depreciation	39023	1.71	29261	1.27	10408	0.47
	Net Block	115267	5.06	123275	5.38	142316	6.45
	Add: Capital work in progress						
	Total	115267	5.06	123275	5.38	142316	6.45
	Less: Revaluation Reserve						
	Net Block after adjustment of Revaluation Reserve	115267	5.06	123275	5.38	142316	6.45
B.	Investments						
C.	Current Assets, Loan & Advances						
	Inventories	1951458	85.64	1579582	68.9	2305077	104.54
	Sundry Debtors	774415	33.99	1220909	53.26	790758	35.86
	Cash and Bank Balances	42150	1.85	548288	23.92	334816	15.18
	Deferred Tax Assets	-	-	-	-	1313	0.06
	Loans and Advances & other current assets	225743	9.90	145177	6.32	36088	1.64
	Total	2993766	131.38	3493956	152.4	3468052	157.28
D.	Liabilities and Provisions:						
	Secured Loans						
	Unsecured Loans	1089765	47.82	1089765	47.54	971395	44.05
	Current Liabilities and Provisions	1732148	76.02	2250143	98.15	2460823	111.6
	Deferred Tax Liabilities	11330	0.50	15453	0.67	-	-
	Total	2833243	124.34	3355361	146.36	3432218	155.65
E.	Net Worth (A+B+C-D)	275790	12.10	261870	11.42	178150	8.08
F.	Represented by						
	Paid-up Share Capital:						
	- Equity Shares	50000	2.19	50000	2.18	50000	2.27
	- 0% Cumulative Redeemable						
	Preference Shares						
	Reserves and Surplus	225790	9.91	211870	9.24	128150	5.81
	Less:- Revaluation Reserve						
	Reserves and Surplus after adjustment of Revaluation Reserve	225790	9.91	211870	9.24	128150	5.81
	Total	275790	12.10	261870	11.42	178150	8.08
G.	Misc. Expenditure upto the extent not w/off						
H.	Net Worth (F-G)	275790	12.10	261870	11.42	178150	8.08



ANNEXURE XVI

AIA CONSOLIDATED GROUP

SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

(Rs. in Mn)

Particulars	As at 30-09-2005	As at 31st March				
		2005	2004	2003	2002	2001
Sources of Funds :						
Share Holders Funds						
Share Capital	130.75	130.76	406.90	407.16	430.76	48.99
Reserves & Surplus	1036.16	744.77	438.60	279.09	562.64	458.78
Loan Funds						
Secured Loans	642.49	427.93	192.89	151.77	121.38	211.43
Unsecured Loans	113.25	127.27	109.02	19.83	12.76	8.77
Deffered Tax Liability	28.68	24.01	20.35	19.10	5.23	–
TOTAL	1951.33	1454.74	1167.76	876.95	1132.77	727.97
Application of Funds :						
Fixed Assets						
Goodwill	–	0.22	0.22	0.22	0.02	0.02
Gross Block	817.20	523.32	439.99	370.56	349.23	314.99
Less:- Depreciation	397.10	252.47	234.67	205.84	181.75	168.98
Net Block	420.10	271.07	205.54	164.94	167.50	146.03
Capital Work in progress	24.09	19.57	26.82	9.99	1.83	0.65
Investment	148.09	22.10	32.41	11.07	0.21	10.86
Deffered Tax Assets	4.52	3.08	2.31	1.81	0.05	–
Current Assets, Loans & Advances						
Inventories	530.64	419.55	407.52	158.64	123.44	123.51
Sundry Debtors	980.35	940.86	678.53	630.92	478.22	395.45
Cash & Bank Balances	119.39	123.39	126.65	102.98	116.65	156.47
Loans , Advances & Other Current Assets	209.06	87.54	92.20	64.41	449.26	45.54
Total Current Assets	1839.44	1571.34	1304.90	956.95	1167.57	720.97
Current Liabilities & Provisions						
Liabilities	347.67	330.38	254.93	147.17	110.28	100.16
Provision	84.85	70.47	125.65	94.94	57.97	10.18
Total Current Liabilities	432.52	400.85	380.58	242.11	168.25	110.34
Net Current Assets	1406.92	1170.49	924.32	714.84	999.32	610.63
Minority Interest	-58.00	-31.82	-23.81	-25.70	–	-40.21
Miscellaneous Expenses (To the Extent Not written off)	5.61	0.25	0.17	0.00	-36.14	0.01
TOTAL	1951.33	1454.74	1167.76	876.95	1132.77	727.97

AIA ENGINEERING LIMITED

ANNEXURE XVII

AIA CONSOLIDATED GROUP

SUMMARY OF PROFIT & LOSS ACCOUNTS AS RESTATED

(Rs.in Mn)

Particulars	Period ended 30-09-2005	For the year ended on 31st March				
		2005	2004	2003	2002	2001
Income :						
Sales						
In India – Manufactured Goods	951.17	1674.87	1448.55	1088.50	1096.93	1201.62
Outside India – Manufactured Goods	397.48	842.78	576.36	338.32	179.82	28.02
Outside India – Traded Goods	354.40	419.12	118.55	230.33	87.70	33.47
Net Sales	1703.05	2936.77	2143.46	1657.15	1364.45	1263.11
Other Income	45.00	79.78	69.78	26.41	61.97	14.72
Increase (Decrease) in Stock	61.27	6.02	98.39	19.85	-23.36	14.07
TOTAL INCOME	1809.32	3022.57	2311.63	1703.41	1403.06	1291.90
Expenditure						
Manufacturing Expenses	1223.00	2062.33	1510.91	1079.01	836.00	848.80
Employees Emoluments	85.32	157.47	147.33	76.27	67.70	60.82
Administrative & Other Expenses	70.65	143.54	106.47	68.80	58.26	55.26
Financial Charges	19.63	27.86	20.82	22.50	26.38	28.02
Selling and Distribution Expenses	87.44	190.52	151.23	177.02	142.70	97.33
Depreciation	18.77	33.40	28.51	27.52	24.85	24.02
TOTAL EXPENSES	1504.81	2615.12	1965.27	1451.12	1155.89	1114.25
Profit before Tax & other Adjustments	304.51	407.45	346.36	252.29	247.17	177.65
Provision for Tax	92.48	136.55	114.14	77.93	72.28	71.78
Fringe Benefit Tax	1.25	–	–	–	–	–
Deferred Tax Liability	0.14	1.96	0.81	-1.47	-0.26	–
Profit after Tax	210.64	268.94	231.41	175.83	174.63	105.87
Adjustments for amalgamation	–	–	–	-370.85	0.78	–
Adjustments	–	–	-0.79	0.40	–	–
Less: Minority interest	2.10	2.55	2.10	2.10	9.66	3.25
Majority interest	208.54	266.39	228.52	174.14	164.97	102.62
Excess Provision for Depreciation written back	–	-0.06	–	–	–	–
short/ (Excess) provision for taxation	0.04	-2.88	–	–	–	–
	210.60	271.88	230.62	176.24	174.63	105.87
Surplus Brought Forward from Previous Year	432.73	416.76	286.13	563.90	486.57	370.76
Minority interest (in previous yr. Profit)	14.36	12.67	10.57	16.28	28.52	25.25
Majority interest (in previous yr. Profit)	418.37	404.10	275.56	547.62	458.05	345.51
Balance carried to Balance Sheet - Minority	16.46	15.21	12.66	18.39	38.18	28.50
Balance carried to Balance Sheet - Majority	626.87	673.43	504.09	350.91	623.02	448.13



ANNEXURE - XVIII

CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:

1. Significant Accounting Policies

i) Basis for preparation of Financial Statements:

The Financial Statements have been prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) as followed in India and the provisions of the Companies Act, 1956 as adopted consistently by the Group. The Accounts have been prepared on Mercantile Method of Accounting and recognize significant items of Income and Expenditure on accrual basis.

ii) Basis of Consolidation:

iii) The Financial statements of the Company and its subsidiaries (the "Group") have been consolidated on a line by line basis, to the extent possible and after eliminating all significant inter-company transactions in accordance with the Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

The excess of cost to the company, of its investment in a subsidiary Company over the Company's portion of equity is recognized in the financial statement as Goodwill on Consolidation.

iii) Fixed Assets:

(i) Own Assets:

(a) All Fixed Assets are stated at cost of acquisition and other incidental expenses.

(b) Patents and Copyrights are in the form of other Intangible Assets and are stated at cost net of accumulated amortization

(c) The Goodwill of Rs. 2861810/- is paid on account of excess of the amount of the consideration over the value of the net assets of the transferor units acquired by the Company.

(ii) Acquisition:

Company has acquired the entire business of Gray Cast Foundry Works (GCFW), a Partnership firm as a going concern from the close of business hours on 31st December, 2004 for a lump sum consideration of Rs. 44.00 Lac and in view of that all the Assets & Liabilities of GCFW including the liabilities of the Workers and Staffs with continuity of their services have become the Assets and Liabilities of the Company.

Company has acquired the Manufacturing Division of Centricast Enterprises Pvt. Ltd. (CEPL), from the close of business hours on 31st December, 2004 for a lump sum consideration of Rs. 25.00 Lac and in view of that all the Assets & Liabilities of Manufacturing Division of CEPL including the liabilities of the Workers and Staffs with continuity of their services have become the Assets and Liabilities of the Company.

(iii) Leased Assets:

The Company has Lease rent income up to 31-12-2004 are accounted with reference to lease terms and other considerations.

Assets held under finance leases and hire purchase contracts are capitalized in the balance sheet at their fair value and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charges to the profit and loss account over the period of lease.

All other lease are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

(iv) Depreciation:

a) Depreciation has been provided on Fixed Assets on Straight Line Method by the Group except Reclamation Welding Ltd. and Vega Industries Ltd. U.K. have adopted Written Down Value Method

b) Patents and Copyrights are amortized over a period 20 years as the life of the same are 20 years from the date of application as prescribed in Patents and Copyrights Act. Goodwill is amortized over a period of 5 years.

AIA ENGINEERING LIMITED

v) Investments:

Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

vi) Inventories:

Inventories of Raw Materials and Stores are valued at cost. Inventories of Work In Process is valued at cost. Inventories of Finished Goods is valued at cost or net realizable value whichever is lower.

vii) Revenue recognition:

Sales of goods is recognized at the point of despatch to the customer and stated net of central excise duty, sales tax, rebate and discount except in Pamamount Centrispun.Castings Pvt. Ltd. Sales are accounted inclusive of sales tax recovered.

Central Excise Duty Payable on Finished Goods is accounted for on Clearance of the Goods from the Factory . Export Benefits (Pass Book Credit) is accounted / recognized as and when utilized by the Company.

viii) Retirement Benefits:

The Group has scheme of retirement benefit namely Gratuity Fund recognized by the Income Tax Authorities, while in Subsidiary namely Reclamation Welding Ltd. has taken Group Gratuity Policy with LIC of India.

Liability for Leave Encashment is accounted on actuarial valuation basis while in subsidiary namely Paramount Centrispun Castings Ltd. Leave encashment is provided on the basis of Certificate from the Management.

ix) Foreign Currency Transactions:

Current Assets and Liabilities related to Foreign Currency transactions remaining unsettled at the end of the year are translated at the year-end rate and the difference in translation is recognized in the Profit & Loss Account.

x) Borrowing Cost:

Other cost in connection with the borrowing of the funds to the extent related/attribution to the acquisition/construction of qualifying Fixed Assets are capitalized up to the date when such assets are ready for its intended use and other borrowing cost are charged to Profit & Loss Account.

xi) Product Warranty Expenses:

Product warranty expenses are determined based on past experience and estimates and are accrued in the year of Sale.

2. Taxation on Income:

Current Tax is the tax payable for the period determined as per the provisions of the Income Tax Act, 1961.

The provision for deferred tax has been made in accordance with the requirement of Accounting Standard 22 issued by the Institute of Chartered Accountants of India (ICAI).

3. The Group's consolidated financial statements include the following subsidiaries:

S.No	Name of the Company	% Holding of AIA Engineering Ltd.	Country of Incorporation
1	Paramount Centrispun Castings Ltd.	72.47%	India
2	Reclamation Welding Ltd.	98.12%	India
	Welcast Steels Ltd.	71.59%	India
3	Vega Industries (Middle East) FZE (Vega ME)	100%	U.A.E.
4	Vega Industries (Canada) Inc.	100%	Canada
5	Vega Industries Ltd. U.K. (Vega U.K.)	100% Subsidiary of Vega (ME)	U.K.
6	Vega Industries Ltd. U.S.A. (Vega U.S.A.)	100% Subsidiary of Vega (UK)	U.S.A.



4. Contingent Liabilities not provided for in Accounts:

Rs.in Mn

	As at 30th September 2005
Outstanding Bank Guarantees	599.27
Letters of Credit	28.96
Counter Gaurantees	48.44
Estimated amount of Contracts on Capital A/c	5.31
Excise & Service Tax matters in dispute	15.68
Income tax matters in dispute	1.68

5. Based on the guiding principles given in Accounting Standard on “Segment Reporting” (AS-17) Issued by the Institute of Chartered Accountants of India, the Company’s primary business is manufacturing of Castings .The Casting Business of the Company incorporates product groups viz. Grinding Media, Liners, Rolls etc. which mainly have similar risks and returns, accordingly there are no separate reportable segments.

The Operations of the Company are in India and all Assets and Liabilities are located in India. An analysis of the Sales by geographical market is given below:

Name of the Country	Amount in Mn
India	951.17
U.S.A.	95.35
Italy	134.77
U.K.	312.66
U.A.E.	71.05
Other Countries	138.04
Total	1703.04

6. Related party disclosures under Accounting Standard 18:

Associates and Subsidiaries	Enterprises indirectly controlled
Centricast Enterprises Pvt.Ltd. Gray Cast Foundry Works Reclamation Welding Limited Welcast Steels Ltd. Paramount Centrispun Casting Pvt. Ltd. Vega Industries Ltd. USA Vega Industries Ltd. UK Vega Industries Ltd. Australia Vega Industries Ltd. ME Keyur Financial Services Pvt.Ltd. Vrindavan Aloys Pvt.Ltd.	SNM Investment Ltd.
Relatives of Key Management Personnel	Key Management Personnel
Hotel Gulmarg LDM X-ray Clinic Dr.K.M.Shah Nursing Home Giraben Gitaben B. Shah Chandrakanta Kantilal Foundation Bhadresh K.Shah (H.U.F)	Bhadresh K.Shah (Managing Director) Jules Spede (Director) M. V. Panday Dave Hurlok Paryank R.Shah

AIA ENGINEERING LIMITED

Particulars	Associates and Subsidiaries	Relatives of Key Management Personnel	Enterprises indirectly Personnel	Key Management Controlled
Sales	1033.26	0.00	0.00	0.00
Purchases	1049.56	0.02	0.00	0.00
Loans received	22.50	1.56	0.00	0.00
Loans paid	37.45	0.00	0.00	0.00
Advances Taken	3.39	0.00	0.00	0.00
Investment in Shares	115.72	0.00	0.00	0.00
Share Application Money	0.00	0.00	0.00	0.00
Interest Income	0.23	0.00	0.00	0.00
Lease rent received	0.00	0.00	0.00	0.00
Service charges	0.00	0.00	0.00	0.00
Rent paid	0.00	0.07	0.00	0.00
Other Expenses	5.66	0.00	0.00	0.00
Charity Donation paid	0.00	0.00	0.00	0.00
Interest Paid	0.30	0.12	0.03	0.00
Consultancy Fees	0.05	0.00	0.00	0.00
Hotel Charges	0.00	0.17	0.00	0.00
Other Income	3.93	0.00	0.00	0.00
Director Remuneration	0.00	0.00	0.00	7.89
Outstanding Payables	0.00	0.00	0.00	0.00
Outstanding Receivables	0.00	0.00	0.00	0.00
TOTAL	2272.05	1.94	0.03	7.89

(Rs.in Mn)

	As at 30 th September 2005
Deferred tax Liabilities on account of	
- Depreciation	32.35
- Service tax	0.05
- Non deductible Expenses u/s 40 (a) and 43 (b)	0.77
- Total as on 30 th September, 2005	33.17
Deferred tax Assets on account of	
- Technical know how fees	0.59
- Leave Encashment	1.81
- Depreciation	1.07
- Service tax	0.23
- Non deductible Expenses u/s 40 (a) and 43 (b)	0.82
- Total as on 30 th September, 2005	4.52

7. Earnings per Share (EPS) – The numerators and denominators used to calculate Basic and Diluted Earnings per Share:

(Rs.in Mn)

	As at 30 th September, 2005
Profit attributable to the Equity Shareholders (Rs.) (A)	210.00
Basic / Weighted average number of Equity Shares outstanding during the year - (B)	13076380
Nominal value of Equity Shares – (Rs.)	10.00
Basic/Diluted Earnings per Share (Rs.) (A)/(B)	16.04

8. In accordance with the transitional provisions of Accounting Standard 21 “Consolidated Financial Statements’ previous year’s figures have not been disclosed.



ANNEXURE XIX

AIA ENGINEERING LIMITED

Statement of Accounting Ratios

(Rs. in Mn)

Particulars	For 6 months ended Sept. 30, 2005	For the financial year ended on 31st March				
		2005	2004	2003	2002	2001
Net Profit after tax as per audited statement of Accounts	144.81	204.03	205.82	169.79	147.03	103.44
Less: Preference Dividend & tax thereon	0.00	50.74	56.12	56.12	49.75	0.00
Net Profit attributable to Equity Shareholders (A)	144.81	153.29	149.70	113.67	97.28	103.44
Weighted average number of shares outstanding during the year (B)	13.08	12.94	2.45	2.45	4.81	4.81
Number of equity shares outstanding during the year (C)	13.08	12.94	2.45	2.45	4.81	4.81
Net worth	851.12	711.72	753.16	631.09	952.61	472.67
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Adjusted Net Worth: (D)	851.12	711.72	753.16	631.09	952.61	472.67
Accounting Ratios :						
Earning per share (A) / (C)	11.07	11.84	61.13	46.42	20.22	21.51
Net Assets value per share (D) / (C)	65.07	54.99	307.55	257.70	198.05	98.27
Return on Net Worth (%) (A) / (D)	17.01	21.54	19.88	18.01	10.21	21.88

Earnings Per Share (Rs.) = $\frac{\text{Adjusted Net Profit (Loss)}}{\text{No of Shares}}$

Net Asset Value Per Share (Rs.) = $\frac{\text{Net Worth after adjustment of Revaluation Reserve}}{\text{No. of Equity Shares O/s at the end of the year}}$

Return on Net Worth (%) = $\frac{\text{Adjusted Net Profit (Loss)}}{\text{Net Worth after adjustment of Revaluation Reserve}}$

AIA ENGINEERING LIMITED

ANNEXURE - XX

AIA ENGINEERING LIMITED

Related Party Transactions

The Company has entered into the following related party transactions. Such parties and transactions have been identified as per Accounting Standard 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India.

(Rs in Mn)

Description	Relation	2001-2002	2002-2003	2003-2004	2004-2005	Sep-05
Sales of Goods	Associates, Enterprises indirectly Controlled	14.53	21.38	333.39	741.64	481.67
Purchases and Job Conversion charges	Associates, Enterprises indirectly Controlled, Relatives of Key Management Personnel	311.04	518.78	494.90	756.68	443.13
Loans received	Associates, Key Management Personnel	21.84	4.91	18.65	64.91	24.06
Loans paid	Associates, Key Management Personnel	17.40	15.52	2.77	28.15	37.45
Investment in Shares	Associates, Enterprises indirectly Controlled	0.00	0.00	42.46	0.00	115.72
Share Application Money	Associates	391.55	0.00	0.00	0.00	0.00
Interest Income	Associates	1.98	1.09	1.71	0.47	0.23
Lease rent received	Associates	0.51	0.36	0.36	0.27	0.00
Service Charges	Associates, Enterprises indirectly Controlled	0.24	1.35	7.99	0.08	0.00
Rent paid	Enterprises indirectly Controlled, Relatives of Key Management Personnel	0.11	0.14	0.18	0.20	0.07
Donation paid	Relatives of Key Management Personnel	0.00	0.00	1.00	0.30	0.00
Interest paid	Associates, Relatives of Key Management Personnel, Management Personnel	0.15	0.34	0.60	1.53	0.45
Consultancy Fees	Relatives of Key Management Personnel	0.14	0.00	0.34	0.00	0.05
Hotel Charges	Relatives of Key Management Personnel	0.32	0.24	0.31	0.00	0.17
Directors' Remuneration	Management Personnel	3.10	6.93	7.04	6.44	3.24
Outstanding Payables	Associates, Enterprises indirectly Controlled, Key Management Personnel	33.62	53.28	49.84	81.13	81.88
Outstanding Receivables	Associates, Enterprises indirectly Controlled	412.71	22.02	245.25	285.67	327.39

1. Out of Sales to related party for the period ended 30th September, 2005 was Rs.81.65 to Vega U.S.A.,Rs.250.51 to Vega U.K.and Rs.142.22 to Vega ME while in 2004-05 it was Rs.148.16, Rs.319.55 and Rs.257.31 respectively.
2. Out of Purchases from related party for the period ended 30th September, 2005 was Rs.124.87 from Reclamation Welding Ltd. and Rs.315.89 from Welcast Steels Ltd. while in year 2004-05 it was Rs.233.37 and Rs.434.25 respectively.
3. Loans received for the period ended 30th September, 2005 also include Rs.0.37 received back from Reclamation Welding Ltd. while in 2004-05 it was Rs.1.71.



ANNEXURE - XXI

AIA ENGINEERING LIMITED

STATEMENT OF DIVIDEND PAID

We further report that the dividends declared by AIA Engineering Ltd. in respect of five financial years period ended March 31st 2001, 2002, 2003 2004, 2005 and 30th September, 2005 are as under:

(Rs.in Mn)

	30-09-2005	2004-05	2003-04	2002-03	2001-02	2000-01
Equity Share Capital	130.76	130.76	24.49	24.49	48.10	48.10
Rate of Dividend	0%	10%	100%	100%	0%	0%
Amount of Dividend	0.00	2.97	24.49	24.49	0.00	0.00
Corporate Dividend tax	0	0.42	3.14	3.138	0	0
13% Redeemable Preference Share Capital	0.00	382.67	382.67	382.66	382.66	0.00
Rate of Dividend	0%	13%	13%	13%	13%	0%
Amount of Dividend	0.00	44.50	49.75	49.75	49.75	0.00
Corporate Dividend tax	0.00	6.24	6.37	6.37	0.00	0.00

* Interim Dividend if any

* Pro-rata dividend if any

ANNEXURE - XXII

AIA ENGINEERING LIMITED

Statement of Tax Shelters

(Rs. In mn)

Particulars	Period ended 30-09-2005	For the financial year ended on 31st March				
		2005	2004	2003	2002	2001
Profit / (Loss) before tax as per books (A)	219.06	316.25	313.60	243.94	209.03	167.27
Tax rate	33.66%	36.593%	35.875%	36.750%	35.700%	39.550%
Tax on actual rate on profits	73.74	115.72	112.50	89.65	74.62	66.15
Adjustments						
Permanent Differences						
Export Profits:						
- u/s. 10 B	0.00	0.00	0.00	0.00	0.00	0.00
- u/s. 80 HHC	0.00	0.00	18.89	45.40	25.36	4.79
Dividend u/s. 10(33)	0.67	1.35	0.08	0.00	17.22	0.00
Other Adjustments	-1.59	-3.33	-0.89	-1.36	-2.13	-0.82
Total Permanent Differences (B)	-0.91	-1.98	18.08	44.04	40.45	3.97
Timing Difference						
Difference between tax depreciation and Book Depreciation	-1.23	6.89	3.30	-1.21	-1.00	-0.84
Provision for Gratuity	0.00	0.00	0.00	0.00	0.00	0.00
Provision for doubtful debts	0.00	0.00	0.00	0.00	0.00	0.00
Others	1.24	-2.42	-2.15	0.18	-1.85	-0.10
Total Timing Difference (C)	0.02	4.47	1.15	-1.04	-2.84	-0.93
Net Adjustments (B + C)	-0.89	2.49	19.22	43.01	37.61	3.03
Tax Saving thereon	-0.30	0.91	6.90	15.81	13.43	1.20
Profit / (Loss) before tax as Income Tax						
Returns (D) = (A - B - C)	219.95	313.76	294.37	200.94	171.42	164.23
Taxable Income as per MAT	144.19	316.51	22.14	14.82	12.49	48.75
Tax as per return	74.04	114.81	105.61	73.85	61.20	64.95

AIA ENGINEERING LIMITED

ANNEXURE - XXIII

Statement of Capitalization

(Rs. In mn)

Particulars	Pre issue as on March 31, 2005	As adjusted for the Issue
Debt		
Short Term Debt (A)	390.71	
Long Term Debt (A)	53.91	
Total Debt	444.62	
Equity Share Holder Funds		
Equity Share Capital	130.76	
Reserves and Surplus	725.77	**
Total Share Holders Funds	865.53	**
Long Term Debt / Total Share Holders Funds Ratio	0.06	**
Total Debt / Net Worth	0.52	**

** can be concluded only on the conclusion of the book-building process.

ANNEXURE - XXIV

AIA ENGINEERING LIMITED

Statement of Other Income

(Rs.in mn)

Particulars	Period ended 30-09-2005	For the financial year ended on 31st March					
		2005	2004	2003	2002	2001	
Interest received	0.36	2.18	6.85	6.59	9.99	8.22	Recurring
Exchange Fluctuation Rate Difference	0.00	0.00	0.00	0.00	3.59	0.55	Recurring
Lease rent received	0.00	0.27	0.36	0.36	0.51	0.90	Recurring
Miscellaneous Receipts of Income	8.67	1.89	5.37	0.83	1.97	1.37	Recurring
Dividend received	0.67	1.35	0.07	0.00	17.22	0.00	Non-Recurring
Profit on Sale of Assets	0.52	0.46	0.24	0.12	0.92	0.00	Non-Recurring
Premium on Sale of Import License	23.14	31.80	56.90	15.31	4.01	2.05	Recurring
Sundry Balances written back	0.00	0.00	0.02	0.00	15.01	0.00	Non-Recurring
Sales tax refund	0.00	0.00	0.25	0.72	1.01	0.00	Non-Recurring
Income tax refund	0.00	0.01	0.00	0.00	0.00	0.07	Non-Recurring
TOTAL	33.36	37.96	70.06	23.93	54.23	13.16	

ANNEXURE - XXV

AIA ENGINEERING LIMITED

Statement of Sundry Debtors

(Rs.in Mn)

As on 31 st March	More than 6 Months	Less than 6 Months	Total
30-09-2005	89.30	756.88	846.18
2005	76.35	730.01	806.36
2004	60.56	600.75	661.31
2003	79.81	532.62	612.42
2002	52.54	398.42	450.95
2001	34.93	335.75	370.68



ANNEXURE - XXVI

AIA ENGINEERING LIMITED

Break up of Loans and Advances

(Rs.in Mn)

	30-09-2005	2004-05	2003-04	2002-03	2001-02	2000-01
Advances to Suppliers, Contractors	30.94	10.73	7.72	6.62	4.73	4.40
Advn. recoverable in Cash on in kind for value	3.53	5.05	4.41	4.43	7.77	10.64
Advn. Income tax and tax deducted at source	407.41	354.26	222.62	133.30	196.24	125.97
Sundry Deposits and Advances	17.13	16.41	12.63	7.88	7.06	7.37
Loans and Advances to Staff	4.18	3.35	3.52	2.28	1.58	1.94
Balance with Central Excise Department	19.71	16.30	4.09	22.22	5.38	3.41
	482.90	406.10	254.99	176.73	222.76	153.73
Loans and Advances to Sister Companies						
Magotteaux International S.A. Belgium	0.00	0.00	0.00	0.00	0.00	0.06
Welcast Steels Ltd.	0.00	0.00	22.48	0.00	0.00	0.00
AIA Exports Pvt. Ltd.	0.00	0.00	0.00	0.00	405.09	16.99
Centricast Enterprises Pvt. Ltd.	0.00	0.00	0.00	0.00	0.00	0.00
Graycast Foundry Works	0.00	0.01	0.00	0.00	0.00	0.00
Powertech Consultancy Pvt. Ltd.	0.00	0.02	0.00	0.00	0.00	0.00
Paramount Centrispun Castings Pvt. Ltd.	0.00	0.00	0.00	0.08	5.58	0.00
Reclamation Welding Ltd.	3.70	4.07	5.40	19.56	0.00	3.58
Vega Industries (Middle East) FZE Dubai	0.00	0.00	0.03	0.00	0.00	0.00
Vega Industries Ltd. U.S.A.	0.00	3.67	0.00	0.00	0.00	0.00
Powertech Consultancy Pvt. Ltd.	0.00	0.00	0.32	0.37	0.00	0.00
	3.70	7.77	28.23	20.00	410.67	20.63
TOTAL	486.60	413.87	283.23	196.74	633.43	174.36

ANNEXURE - XXVII

AIA ENGINEERING LIMITED

Secured Loans

(Rs in Mn)

Particulars	30-09-2005	2004-05	2003-04	2002-03	2001-02	2000-01	Terms of repayment
I D B I Bank Ltd.	0.00	100.00	20.00	60.00	50.00	115.50	Bullet payment
State Bank of India Working Capital Loan	150.00	150.00	105.00	50.00	0.00	10.00	On Demand
State Bank of India Export Packing Credit	0.00	0.00	15.00	0.00	0.00	0.00	
State Bank of India ST Corporate Loan	0.00	0.00	0.00	0.00	0.00	40.00	
State Bank of India Medium Term Loan	53.91	45.95	0.00	0.00	0.00	1.28	Quarterly Instl. Rs.50 Lac
State Bank of India Bills Discounting	0.00	0.00	17.41	0.75	7.09	1.07	On Realization
State Bank of India Cash Credit A/c	85.64	0.00	0.00	0.00	20.67	21.21	
ABN AMRO Bank N.V.	128.97	60.79	0.00	0.00	0.00	0.00	Bullet payment
HDFC Bank Ltd. Auto Loan A/c	0.00	0.00	0.00	1.08	0.00	0.00	
TOTAL	418.52	356.74	157.41	111.83	77.76	189.06	

AIA ENGINEERING LIMITED

Terms And Conditions Of Term Loan Of Rs.8 Crores Sanctioned By State Bank Of India, Gvmsav Odhav Branch, Ahmedabad.

(1) Security :

i) Primary :

Hypothecation of fixed asset acquired out of proposed term loan. EM over land and building at Changodar.

ii) Collateral :

- a) Extension of Charge on entire current assets,
- b) Extension of EM over land and building and charge over plant
- c) Machineries and
- d) Lien on Rupee TDRs worth Rs.1,50 Crores in the name of the Company.

(2) Margin :20%

(3) Rate of Interest : SBAR (Min.10.25%) plus interest if any subject to change from time to time at monthly intervals.

(4) Period of Advance : Repayable in 16 Quarterly installment of Rs.50 lakhs each starting from 30-6-2005 to 31-3-2009.

Un secured Loans

Particulars	30-09-2005	2004-05	2003-04	2002-03	2001-02	2000-01	Terms of repayment
Credit Lyonnais	0.00	0.00	0.00	0.00	0.00	0.00	On Demand
H.R. Brothers	0.00	0.00	0.00	0.00	0.00	0.15	On Demand
Bhadresh K. Shah	0.58	0.58	0.92	1.61	1.42	0.00	On Demand
Bhadresh K. Shah (H.U.F.)	1.27	1.27	0.00	0.15	0.13	0.00	On Demand
Gita B .Shah	1.75	0.19	0.21	0.00	0.00	0.00	On Demand
Keyur Financial Services Pvt. Ltd.	0.00	3.29	3.18	2.91	0.00	0.00	On Demand
Centricast Enterprises Pvt. Ltd.	22.50	22.84	0.00	0.00	0.00	0.00	On Demand
Graycast Foundry Works	0.00	4.38	0.00	0.00	0.00	0.00	On Demand
Vrindavan Alloys Pvt. Ltd.	0.00	6.67	0.00	0.00	0.00	0.00	On Demand
TOTAL	26.10	39.22	4.31	4.67	1.55	0.15	



FINANCIALS OF GROUP COMPANIES

The financials of the group companies provided herein are audited upto March 2005

1. Centricast Enterprises Pvt Ltd

This company was incorporated on March 8, 1982. The registered office of the company is situated at 1299/A-1 Chandrakanta Niwas, Opposite Dinbai Towers, Lal Darwaja, Ahmedabad – 380 001. AIAEL has taken over on a going concern basis the manufacturing facilities and the business of CEPL effective from Jan 1, 2005. Centricast Enterprises Pvt Ltd has five subsidiary companies under it viz. Paramkrupa Trading Pvt Ltd, Raghvendra Trading Pvt Ltd, Kishankrupa Trading Pvt Ltd, Shivashish Trading Pvt Ltd and Lavkush Trading Pvt Ltd.

Shareholding

Name of Shareholder	No. of Shares	%holding
Mr. Bhadresh K. Shah	2990	99.67
Mrs. Gita B. Shah	5	0.17
Bhadresh K. Shah (HUF)	5	0.17

Board of Directors

The board of directors of Centricast Enterprises Pvt Ltd consists of Mr Mr.Bhadresh K. Shah, Mrs.Gita B. Shah and Mr.S.N.Jetheliya

Financial Performance

The financial results of Centricast Enterprises Pvt Ltd as at and for the years ended March 31, 2003, 2004 and 2005 are set forth below:

(Rs in mn)

Particulars	Year Ending March 2005		
	2005	2004	2003
Total Income	33.74	38.97	38.69
Profit /(Loss) after tax	6.22	5.00	5.24
Equity Capital	0.30	0.30	0.30
Reserves and Surplus	34.69	28.48	23.48
Earning/(Loss) Per Share (Rs)	2072.00	1666.00	1747.00
Book Value Per Share (Rs)*	11664.00	9591.66	7925.47

* Face Value Rs 100 per share

2. Vrindavan Alloys Pvt Ltd

This company was incorporated on March 28, 1994. The registered office of the company is situated at 701, Elegance Tower, Near C.N.Vidyalay, Ambawadi, Ahmedabad-380009. The company earns rent out of the properties owned in Mumbai and Ahmedabad.

Shareholding

Name of Shareholder	No. of Shares	%holding
Mr. Bhadresh K. Shah	9990	99.90
Mrs. Gita B. Shah	1	0.01
Bhadresh K. Shah (HUF)	1	0.01
Mr. Amit S. Mehta	1	0.01
Khushali B. Shah	1	0.01
Bhumika B. Shah	1	0.01
SNM Investments Ltd.	1	0.01
Others	4	0.04

AIA ENGINEERING LIMITED

Board of Directors

The board of directors of Vrindavan Alloys Pvt Ltd consists of Mr Mr.Bhadresh K. Shah and Mrs.Gita B. Shah.

Financial Performance

The financial results of Vrindavan Alloys Pvt Ltd as at and for the years ended March 31, 2003, 2004 and 2005 are set forth below:

(Rs in Mn)

Particulars	Year Ending March		
	2005	2004	2003
Total Income	6.85	6.71	4.99
Profit /(Loss) after tax	4.54	4.43	2.83
Equity Capital	0.10	0.10	0.10
Reserves and Surplus	19.78	15.24	10.74
Earning/(Loss) Per Share(Rs)	456.00	442.73	283.00
Book Value Per Share (Rs)	1987.60	1533.62	1084.40

3. Keyur Financial Services Pvt Ltd

This company was incorporated on November 10, 1994. The registered office of the company is situated at 115, G.V.M.M. Estate, Odhav Road, Odhav, Ahmedabad-382410. The company is in the business of financial services.

Shareholding

Name of Shareholder	No. of Shares	%holding
Equity Shares		
Mr. Bhadresh K. Shah	49868	99.84
Mrs. Gita B. Shah	82	0.16
Preference Shares*		
Mr. Bhadresh K. Shah	50	100.00

* Face value Rs 100.

Board of Directors

The board of directors of Keyur Financial Services Pvt Ltd consists of Mr Mr.Bhadresh K. Shah and Mrs.Gita B. Shah

Financial Performance

The financial results of Keyur Financial Services Pvt Ltd as at and for the years ended March 31, 2003, 2004 and 2005 are set forth below:

(Rs in Mn)

Particulars	Year Ending March		
	2005	2004	2003
Total Income	0.31	0.45	0.10
Profit /(Loss) after tax	0.11	0.36	0.40
Equity Capital	0.50	0.50	0.50
Reserves and Surplus	3.90	3.80	3.54
Earning/(Loss) Per Share(Rs)	3.87	7.28	1.29
Book Value Per Share (Rs)	88.06	85.96	80.78



4. Paramkrupa Trading Pvt Ltd

This company was incorporated on December 28, 1994. The registered office of the company is situated at 51, Shahjanand Shopping Center, Shahibaug, Ahmedabad-380004. The main business of the company is Trading in Alloys Steels Castings

Shareholding

<i>Name of Shareholder</i>	<i>No. of Shares *</i>	<i>%holding</i>
Centricast Enterprises Pvt. Ltd.	18000	98.90
Mr. Omprakash F. Shah	100	0.55
Mr. Balkrishna F. Shah	100	0.55

* Face Value Rs 100.

Board of Directors

The board of directors of Paramkrupa Trading Pvt Ltd consists of Mr.Omprakash F. Shah and Mr.Balkrishna F. Shah

Financial Performance

The financial results of Paramkrupa Trading Pvt Ltd as at and for the years ended March 31, 2003 ,2004 and 2004 are set forth below:

(Rs in Mn)

Particulars	For the year ended		
	2005	2004	2003
Total Income	0.07	0.06	0.13
Profit /(Loss) after tax	0.06	0.06	0.12
Equity Capital	1.82	1.82	1.82
Reserves and Surplus	-0.40	-0.45	-0.51
Earning/(Loss) Per Share(Rs)	3.21	3.17	6.67
Book Value Per Share (Rs) *	78.24	75.04	71.87

* face value of Rs 100 per share

5. Raghvendra Trading Pvt Ltd

This company was incorporated on December 28, 1994. The registered office of the company is situated at 129, G.V.M.M. Estate, Odhav Road, Odhav, Ahmedabad-382410. The main business of the company is Trading in Alloys Steels Castings

Shareholding

<i>Name of Shareholder</i>	<i>No. of Shares *</i>	<i>%holding</i>
Centricast Enterprises Pvt. Ltd.	18000	98.90
Mr. Fatehlal M. Shah	100	0.55
Mr. Balkrishna F. Shah	100	0.55

* Face value Rs 100

Board of Directors

The board of directors of Raghvendra Trading Pvt Ltd consists of Mr.Fatehlal M. Shah and Mr.Balkrishna F. Shah

AIA ENGINEERING LIMITED

Financial Performance

The financial results of Raghvendra Trading Pvt Ltd as at and for the years ended March 31, 2003, 2004 and 2005 are set forth below:

(Rs in Mn)

Particulars	Year Ending March		
	2005	2004	2003
Total Income	0.06	0.06	0.13
Profit /(Loss) after tax	0.06	0.04	0.12
Equity Capital	1.82	1.82	1.82
Reserves and Surplus	-0.12	-0.18	-0.22
Earning/(Loss) Per Share(Rs)	3.11	2.26	6.46
Book Value Per Share (Rs)	93.50	90.39	88.12

6. Kishankrupa Trading Pvt Ltd

This company was incorporated on January 9, 1995. The registered office of the company is situated at 28, Rajasthan Society, Opp:-Meghdoot Petrol Pump, Shahibaug, Ahmedabad-380004. The main business of the company is Trading in Alloys Steels Castings

Shareholding

Name of Shareholder	No. of Shares *	%holding
Centricast Enterprises Pvt. Ltd.	18000	98.90
Mr. Omprakash F. Shah	100	0.55
Mr. Ramesh S. Shah	100	0.55

* Face value Rs 100.

Board of Directors

The board of directors of Kishankrupa Trading Pvt Ltd consists of Mr.Ramesh S. Shah and Mr.Omprakash F. Shah

Financial Performance

The financial results of Kishankrupa Trading Pvt Ltd as at and for the years ended March 31, 2003, 2004 and 2005 are set forth below:

(Rs in Mn)

Particulars	Year Ending March		
	2005	2004	2003
Total Income	0.06	0.06	0.13
Profit /(Loss) after tax	0.06	0.06	0.12
Equity Capital	1.82	1.82	1.82
Reserves and Surplus	-0.11	-0.17	-0.23
Earning/(Loss) Per Share(Rs)	3.09	3.14	6.54
Book Value Per Share (Rs)	93.85	90.77	87.63

* Face value Rs 100.



7. Shivashish Trading Pvt Ltd

This company was incorporated on January 9, 1995. The registered office of the company is situated at 1299/A-1, Chandrakanta Niwas, Opp:-Dinbai Tower, Laldarwaja, Ahmedabad-380001. The main business of the company is Trading in Alloys Steels Castings.

Shareholding

<i>Name of Shareholder</i>	<i>No. of Shares *</i>	<i>%holding</i>
Centricast Enterprises Pvt. Ltd.	18000	98.90
Mr. Ramesh S. Shah	100	0.55
Mr. Omprakash F. Shah	100	0.55

* Face value Rs 100

Board of Directors

The board of directors of Shivashish Trading Pvt Ltd consists of Mr.Ramesh S. Shah and Mr.Omprakash F. Shah

Financial Performance

The financial results of Shivashish Trading Pvt Ltd as at and for the years ended March 31, 2003, 2004 and 2005 are set forth below:

(Rs in Mn)

Particulars	Year Ending March		
	2005	2004	2003
Total Income	0.06	0.06	0.13
Profit /(Loss) after tax	0.06	0.06	0.12
Equity Capital	1.82	1.82	1.82
Reserves and Surplus	-0.11	-0.17	-0.23
Earning/(Loss) Per Share(Rs)	3.14	3.10	6.53
Book Value Per Share (Rs)	93.85	90.70	87.58

* Face value Rs 100

8. Lovekush Trading Pvt Ltd

This company was incorporated on January 23, 1995. The registered office of the company is situated at 231, G.V.M.M. Estate, Odhav Road, Odhav, Ahmedabad-382410. The main business of the company is Trading in Alloys Steels Castings.

Shareholding

<i>Name of Shareholder</i>	<i>No. of Shares *</i>	<i>%holding</i>
Centricast Enterprises Pvt. Ltd.	18000	98.90
Mr. Fatehlal M. Shah	100	0.55
Mr. Balkrishna F. Shah	100	0.55

* Face value Rs 100

Board of Directors

The board of directors of Lovekush Trading Pvt Ltd consists of Mr.Fatehlal M. Shah and Mr.Balkrishna F. Shah

AIA ENGINEERING LIMITED

Financial Performance

The financial results of Lovekush Trading Pvt Ltd as at and for the years ended March 31, 2003, 2004 and 2005 are set forth below:

(Rs in Mn)

Particulars	Year Ending March		
	2005	2004	2003
Total Income	0.06	0.06	0.12
Profit /(Loss) after tax	0.06	0.06	0.12
Equity Capital	1.82	1.82	1.82
Reserves and Surplus	-0.08	-0.14	-0.19
Earning/(Loss) Per Share(Rs)	3.04	3.09	6.44
Book Value Per Share (Rs)	95.49	92.46	89.39

Companies from which the promoters have disassociated themselves in the past three years

There are no companies from which the Promoters have disassociated themselves in the past three years.



Management Discussion and Analysis of Financial Condition and Results of Operations (As Per Indian GAAP)

You should read the following discussion of financial condition and results of operations together with audited financial statements under Indian GAAP including schedules, annexures and notes thereto and the reports thereon, which appear in the Auditors Report of this Red Herring Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of Talati & Talati, Dated 13th, September, 2005 in the section with the title "Financial Statements".

The following discussion is based on our audited financial statements (as restated) for fiscal 2002, 2003, 2004 and 2005 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and on information available from other sources. Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-months period ended April to March of that year.

Overview

Our company is promoted by a first generation entrepreneur Mr. Bhadresh K Shah. We are a major player in the value added, impact, abrasion and corrosion resistant high chrome metallurgy segment. These components include products like grinding media, liners, diaphragms, vertical mill parts, etc. all manufactured in high chrome metallurgy. (collectively referred to as "mill internals").

Our products find application in the 'crushing and grinding' operation in the mills in the Cement, Utility, Mining and other industries.

This high chrome metallurgy offers a lower wear rate, compared to conventionally used parts of manganese steel, ni-hard iron, hyper steel and forgings. We can offer complete solutions in grinding to optimize the productivity of the grinding mills. This includes advice on the operational parameters of the mills. For example, in case of tube mills for cement plants, we advise on composition of grinding media (total tonnage, size distribution, metallurgy) and design other mill internals depending on the feed material to be ground and the desired fineness of the finished product. Additionally, we also offer other services such as installation supervision and mill process optimization for maximum efficiency. In case of other product segments also we offer similar services. This can translate into substantial savings in terms of higher output, reduced power consumption and lower maintenance costs.

We have more than 27 years of experience in supplying our products to the cross-section of the industries we serve nationally and internationally. This has been achieved through continuous research & development and product/ process development activity coupled with acquiring and adapting the global technologies through collaborations. We had a technical-cum-financial collaboration from 1991 to 2001 with M/s. Magotteaux, Belgium, one of the leading manufacturers of High-chrome metallurgy based wear and impact resistant cast components. We have a strong in-house research and development department which we believe has helped us developing new products and applications and a distinct identity for our products. Presently, we have a technical collaboration with Southwestern Corporation UK for process improvements relating to Vertical mills.

Our products are in the nature of impact, abrasion and corrosion resistant critical components of Ball-Mills (Tube Mills) and Vertical Mills, which are integral equipments forming part of Cement plants, Mining plants and Thermal Power plants. These components include products like Grinding Media, liners, Diaphragms, Vertical Mill Parts, etc.-all manufactured in High Chrome Metallurgy. (collectively referred to as "Mill Internals").

There are two types of mills used for the grinding operation: tube mills (which are horizontal) and vertical mills. The essential purpose of a mill is to grind (eg. clinker in cement mills, coal in thermal power plants or mineral ore in mines). Mill internals (grinding media, liners, etc in case of tube mills and rollers, table liners, etc in case of vertical mills) are used to carry out the grinding operation.

As the wear increases, the grinding operation becomes less efficient and the output reduces. Hence, controlling the "wear" rate of mill internals is very essential. High chrome mill internals manufactured by us offer reduced wear rate and a greater control on the grinding process compared to conventional alternatives like manganese steel, forged steel and ni-hard iron internals. In case of failure of a mill internal, the grinding process comes to a halt and eventually the production of that plant comes to a standstill. We believe that our products are "critical" in nature and hence perceived to be very important from the customers point-of-view.

We also manufacture wear parts related to the crushing operations.

Our products are sold to major cement players in India including ACC Limited, Gujarat Ambuja Cement Ltd., Ultra-tech Ltd., Grasim Industries Ltd., etc. In the mining segment our customers include ferrous and non-ferrous mineral beneficiation plants like Kudremukh Iron Ore Company Ltd., Hy-grade Pellets, Hindustan Zinc, Bharat Aluminium Company). In the utility segment we supply to major thermal power plants and OEMs.

AIA ENGINEERING LIMITED

We market and sell our products internationally through our subsidiaries located in U.K., U.S.A and Middle East. Our products are sold to major cement manufacturers in major countries located in North and South America, Europe, Middle East, Far East and Africa. We have supply contracts, with global cement manufacturers like Holcim of Switzerland, Lafarge of France, Cemex of Mexico and commercial relationships with OEMs like FL Smidth of Denmark, etc.

Critical Accounting Policies

Our financial statements are prepared in accordance with generally accepted accounting principles, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of assumptions and estimates of our management. For further details see "Financial Statements – Significant Accounting Policies and Notes to accounts". Some of the important accounting policies are as under.

a) Basis of Accounting:

The Accounts have been prepared on Mercantile Method of Accounting and recognize significant items of Income and Expenditure on accrual basis.

b) Revenue Recognition

- (i) Sales of Goods is recognized at the point of dispatch to the customer and stated net of central excise, sales tax, rebate and discount.
- (ii) Export Benefits (Pass Book Credit) is accounted/ recognized as and when utilized by the Company.

c) Fixed Assets

All Fixed Assets are stated at cost of acquisition net of Modvat less accumulated depreciation. All costs till commencement of commercial production attributable to the Fixed Assets are capitalized.

c) Depreciation

Depreciation has been provided on Fixed Assets on straight – line method as per the rates specified in Schedule – XIV of the Companies Act, 1956 as amended from time to time.

d) Retirement Benefits

The Company has scheme of Retirement benefit namely Gratuity Fund recognized by the Income Tax Authorities. This Fund is administered through Trustees and the Company's contribution thereto charged to revenue every year. Liability for leave Encashment is accounted on actuarial valuation basis.

e) Foreign Currency Transactions:

Current Assets and Liabilities related to foreign currency transaction remaining un-settled at the end of the year are translated at the year-end rate and the difference in translation is recognized in the Profit & Loss Account.

Taxation on Income

Current Tax is the tax payable for the period determined as per the provisions of the Income Tax Act, 1961.

The Provision for deferred tax has been made in accordance with the requirement of Accounting Standard 22 issued by the Institute of Chartered Accounts of India (ICAI).

OUR RESULTS OF OPERATION

Revenue:

(A) STAND ALONE

Our total sales and profit after tax for the year ended March 31, 2005 was Rs.2224.93 mn and Rs.204.03 mn respectively as compared to total income and profit after tax of Rs.1612.01 mn and Rs. 205.82 mn respectively for the year ended March 31, 2004. The trend of total turnover (Export & Domestic) for the past 4 years and for the six months ended on 30/09/2005 is as under:

(Rs. in Mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on March 31			
		2005	2004	2003	2002
Export sales	496.48	776.95	324.35	568.65	267.52
Domestic Sales	821.16	1447.98	1287.66	990.31	975.58
Total Sales	1317.64	2224.93	1612.01	1558.96	1243.10
% Increase over the previous year	N.A	38.02%	3.40%	25.41%	8.16%

Our total sales in fiscal 2005 of Rs.2224.93 million, represents a growth of 38.02 % over the total sales for the fiscal 2004.



As explained on page no. 117 of the RHP, generally the sales in the second half of the financial year (H2) are higher than the sales in the first half (H1). Thus, in the fiscal year 2004-05, the sales of the first half were 44.58 % of the total sales. Similarly, in the financial year 2003-04, the sales of the first half were 44.10% of the total sales. For this reason, the sales achieved in the six months period ended 30.9.2005 are not strictly comparable with the annual sales achieved in the fiscal year 2004-05.

The Trading Sales of Rs. 87.70 mn, Rs. 230.33 mn, Rs. 118.55mn, Rs. 419.12 mn and Rs. 354.40 mn for the fiscal years 2002, 2003, 2004, 2005 and for the six months ended on 30/09/2005 respectively represent the Sales made out of the trading purchases from our Group Company WSL.

Our export sales represented 21.52%, 36.48%, 20.12%, 34.92% & 37.67% of our Gross Sales in fiscal 2002, fiscal 2003, fiscal 2004 fiscal 2005 and in H1 fiscal 2006 respectively. Our export sales increased by 112.56% from Rs. 267.52 million in fiscal year 2002 and Rs. 568.65 million in fiscal 2003 and decreased by 42.96% to Rs. 324.35 million in fiscal 2004. However, the export sales once again increased by 139.54 % to 776.95 million in fiscal 2005. Although apparently our export sales seems to have reduced in fiscal 2004 as compared to fiscal 2003, if we look at our consolidated sales outside India relating to the same period, they show an increase of 22.20% in fiscal 2004 over fiscal 2003.

(B) CONSOLIDATED

On a consolidated basis our total sales and profit after tax for the year ended March 31, 2005 was Rs. 2936.77 mn and Rs. 268.940 mn respectively as compared to total income and profit after tax of Rs.2143.46 mn and Rs.231.40 mn respectively for the year ended March 31, 2004.

The break-up of our consolidated sales in the domestic market (in India) and in export market (outside India) for the past four years and for the six months ended on 30/09/2005 is as under:

(Rs. in Mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on March 31			
		2005	2004	2003	2002
Export sales(Sales outside India)	751.88	1261.90	694.91	568.65	267.52
Domestic Sales – (Sales in India)	951.17	1674.87	1448.55	1088.50	1096.93
Total Sales	1703.05	2936.77	2143.46	1657.15	1364.45
% Increase over the previous year	N.A	37.01%	29.35 %	21.45 %	8.02%

It will be seen that while on a stand alone basis, export sales seems to have reduced in fiscal year 04 vis-à-vis fiscal year 2003, on a consolidated basis, the export sales have increased by 22.20 % in the fiscal year 2004 as compared to the fiscal year 2003.

This is because of the fact that in the fiscal year 2004 our group company WSL, which is manufacturing grinding media has recorded higher export sales, which are made through our export marketing subsidiary companies (Vega Companies).

The Sales outside India include the trading Sales of Rs.87.70 million, Rs.230.33 mn, Rs.118.55mn Rs. 419.12 mn and Rs. 354.40 mn for the fiscal years 2002, 2003, 2004, 2005 and for the six months ended on 30/09/2005 respectively represent the Sales made out of the trading purchases from our Group Company WSL.

On a consolidated basis, our export sales represented 19.61 %, 34.31 %, 32.42 % 42.97 % and 44.15% of our gross sales in fiscal year 2002, fiscal year 2003, fiscal year 2004 fiscal year 2005 and in H1 fiscal year 2006 respectively.

Other Income (Stand Alone)

In past years, Other Income mainly comprised of export benefits, Dividends, Interest and Miscellaneous Receipts. Details of the same are as under:

(Rs. in Mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on March 31			
		2005	2004	2003	2002
Interest Received	0.36	2.18	6.85	6.59	9.99
Exchange Fluctuation Rate Diff.	0.00	0.00	–	–	3.59
Lease Rent Received	0.00	0.27	0.36	0.36	0.52
Miscellaneous Receipts	8.67	1.90	5.38	0.83	1.97
Dividend (Gross)	0.67	1.35	0.08	–	17.22
Profits on sales of Assets	0.52	0.46	0.24	0.12	0.92
Premium on Sale of Import Licenses	23.14	31.80	56.90	15.31	4.01
Sundry Balances Written back	0.00	0.00	0.02	–	15.01
Sales tax Refund	0.00	0.00	0.26	0.72	1.01
	33.36	37.96	70.07	23.93	54.24

AIA ENGINEERING LIMITED

Other Income (Consolidated)

(Rs in Mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Interest Received	0.66	2.89	7.39	6.64	11.02
Exchange Fluctuation Rate Difference	0.00	0.00	0.00	0.00	3.59
Lease Rent Received	0.00	0.35	0.44	0.36	0.52
Miscellaneous Receipts	17.06	39.32	3.40	1.29	2.82
Dividend (Gross)	0.67	1.35	0.08	0.00	15.19
Profits on sales of Assets	0.62	0.71	0.24	-0.31	0.97
Premium on Sale of Import Licenses	23.14	31.80	56.90	15.30	4.01
Sundry Balances Written back	0.31	0.47	0.03	0.40	21.89
Sales tax Refund	2.54	2.67	1.02	2.71	1.96
Income Tax Refund	0.00	0.22	0.28	0.00	0.00
	45.00	79.78	69.78	26.41	61.97

In the consolidated figures, the misc. receipts represent the recoveries of various expenses made by the Vega Companies, and are showing a growth of 1052.78% in fiscal year 2005 as compared to fiscal year 2004. This high growth in the recovery in fiscal year 2005 is mainly because of the fact that we have aggressively started this policy effective from the fiscal year 2005. Further the Vega Companies have become our Subsidiaries only effective from fiscal year 2004.

Expenditure

The main components of our cost are explained below:

Raw Material Cost:

(A) STAND ALONE

Our raw material consumption as percentage to the value of production (raw material consumed as % to net sales, exclusive of +/- stock adjustment) is as shown below

(Rs in Mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Net Sales	1317.64	2224.93	1612.01	1558.96	1243.10
Increase/(Decrease) in Stock	30.96	17.26	56.85	15.29	-22.20
Net Value of production (NVOP)	1348.60	2242.19	1668.85	1574.25	1220.90
Raw Materials Consumed (Including Trading Purchase)	659.39	1043.79	639.09	577.42	435.58
% of raw material consumed to the value of production	48.89%	46.55%	38.30%	36.68%	35.68%

- The RMC includes the purchases of grinding media from our group company WSL, and marketed by us. The raw material cost in fiscal year 2005 has increased by almost 8.25% on a stand-alone basis. This is attributable to unprecedented increase in the prices of MS Scrap and Ferro Alloys, both in Indian markets as well as in the international markets. Since most of our orders/contracts were on fixed price basis, we could not pass on the increase in the raw material prices to the customers. However, we have now started putting escalation clauses in most of our contracts /orders to provide for such abnormal cost escalation in the raw material price.

The raw material consumption as a percentage to the net value of production in the six months period ended 30.9.2005 stood at 48.89% as against 46.55% in the fiscal year 2004-05. This increase is mainly attributable to the fact that during the period ended on 30/09/2005, the raw material consumption figure includes trading purchases to the tune of Rs. 298.22 mn constituting 45.25% of the total RMC amount, as against the trading purchases to the tune of Rs. 383.94 mn pertaining to fiscal year 2004-05, constituting 36.78% of the total RMC amount in fiscal year 2004-05. Thus, the RMC figure as a percentage to the Value of production appears to be higher in the Six month's period ended 30/09/2005.



(B) CONSOLIDATED

On a consolidated basis, our raw material consumption as percentage to the value of production (raw material consumed as % to net sales, exclusive of +/- stock adjustment) is as shown below:

(Rs. in Mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Net Sales	1703.05	2936.77	2143.46	1657.15	1364.45
Increase/(Decrease) in Stock	61.27	6.02	98.39	19.85	-23.36
Value of production	1764.32	2942.79	2241.85	1677.00	1341.09
Raw Materials Consumed (Including Trading Purchase)	887.29	1448.22	959.29	617.21	449.41
% Of raw material consumed to the value of production	50.29%	49.21%	42.79%	36.80%	33.51%

Operating (Other than Raw materials) and other expenses:

(A) STAND ALONE

Due to increased efficiency and economies of scale resulting from higher production quantities, our operating and other expenses as a percentage to NvoP have reduced from 46.13% in fiscal year 2003 to 41.44% in fiscal year 2004 further to 38.01% in fiscal year 2005 and to 33.08% in H1 fiscal year 2006.

Principal components of operating and other expenses are manufacturing expenses other than raw materials viz. power and fuel, stores & spares, packing materials, repairs and maintenance, factory overheads etc., employee emoluments, administrative, selling & distribution expenses viz. rates & taxes, post, telephone and fax expenses, insurance, office expenses, clearing, forwarding and freight, outward expenses, sales commission, advertisement expenses etc.

(B) CONSOLIDATED

On a consolidated basis, our operating and other expenses as a percentage of NVOP stood at 45.17 %, 39.56 %, 34.86 % and 23.86% respectively for Fiscal 2003, 2004, 2005 and H1 fiscal year 2006 respectively. In consolidated numbers these expenses also include the administrative and selling expenses of our "Vega" subsidiaries.

Depreciation

In our stand-alone operations, depreciation has been provided on Fixed Assets on straight – line method as per the rates specified in Schedule – XIV of the Companies Act, 1956 as amended from time to time.

Taxation / Deferred Tax

In our stand-alone operations, current Tax is the tax payable for the period determined as per the provisions of the Income Tax Act, 1961.

The Provision for deferred tax has been made in accordance with the requirement of Accounting Standard 22 issued by the Institute of Chartered Accounts of India (ICAI).

Earnings Before Interest, Depreciation, Tax and Amortization.

STAND ALONE

A comparison of EBIDTA (Rs. in million) of our stand-alone operations and as percentage to value of production after adjustment of excise duty paid for the past periods is as under:

(Rs. in Mn)

	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Value of production, after adjustment of excise duty paid	1348.60	2242.19	1668.85	1574.25	1220.90
Profit After Tax	144.85	201.15	206.59	169.44	147.03
Add: Finance Charges	14.38	15.25	12.34	14.72	20.09
Depreciation	8.85	13.33	11.66	12.83	13.74
Tax	74.01	116.45	107.54	73.57	62.00
Amortization	0.00	0.00	0.00	0.00	0.00
EBIDTA	242.09	346.18	338.13	270.56	242.86
% Of EBIDTA to value of production	17.95%	15.44%	20.26%	17.19%	19.89%

AIA ENGINEERING LIMITED

On a stand-alone basis, the EBIDTA for fiscal year 2004 has increased over fiscal year 2003 by around 3.07% owing to better production efficiencies. However, the EBIDTA for fiscal year 2005 has reduced by around 4.82 % as compared to fiscal year 2004, mainly because of the extra ordinary increase in the raw material cost as explained in the earlier paragraphs. It may be mentioned here that the comparative reduction in the EBIDTA percentage in fiscal year 2005 is lesser than the comparative percentage increase in the raw material price, because of the reduction in the operating and other expenses (other than raw material) in fiscal year 2005 as compared to fiscal year 2004. Further, the EBIDTA has again increased by around 2.51% in H1 fiscal year 2006 as compared to the fiscal year 2005 because of better realizations and reduction in other operating expenses.

(B) CONSOLIDATED

The EBIDTA of our consolidated operations and as a percentage to the consolidated sales (after adjustment of stocks), for the past periods is as under:

(Rs. in Mn)

F.Y.	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Value of production, after adjustment of excise duty paid	1764.32	2942.79	2241.84	1677.00	1341.10
Profit After Tax	210.64	268.94	231.40	175.84	174.63
Add: Finance Charges	19.63	27.86	20.82	22.50	26.38
Depreciation	18.77	33.40	28.51	27.52	24.85
Tax	93.87	138.51	114.94	76.46	72.54
Amortization	0.00	0.00	0.00	0.00	0.00
EBIDTA	342.91	468.71	395.67	302.32	298.40
% Of EBIDTA to value of production	19.44%	15.93%	17.65%	18.03%	22.25%

Profit After Tax

(A) STAND ALONE

On a stand-alone basis, the profit after tax for the past periods is as under:

(Rs. in Mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Profit before tax	219.91	317.60	314.13	243.01	209.03
Provision for taxation –Current	75.25	115.10	107.00	74.50	62.00
- Deferred	-0.19	1.35	0.54	(-) 0.932	0
Previous year adjustments/extra ordinary item	0.04	2.88	(-) 0.78	(-) 383.63 *	0
Net profit after tax/ adjustments	144.81	204.03	205.82	(-) 156.66	147.03
% Of net profit after tax To NVOP	10.74%	9.10%	12.33%	9.95%	12.04%

*In the fiscal year 2003, we have made a one-time adjustment of Rs.370.85 million, being a one-time loss (capital loss) arising out of the amalgamation of our group company AIA Exports Pvt. Ltd., with us. We have fully written off this extraordinary item in the P & L Account of the fiscal 2003.

(B) CONSOLIDATED

The corresponding position on a consolidated basis is as under:

(Rs. in Mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Profit before tax	304.51	407.45	346.35	252.30	247.18
Net profit after tax/ adjustments	210.64	268.94	231.40	175.84	174.63
% Of net profit after tax To NVOP	11.94%	9.14%	10.32%	10.49%	13.02%



Sundry Debtors

(A) STAND ALONE

The following table presents the details of our debtors:

(Rs. in Mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Net Sales	1317.64	2224.93	1612.01	1558.96	1243.10
Outstanding Debtors at the end of period	846.19	806.36	661.31	612.43	450.96
Debtors less than 180 days	756.89	730.01	600.75	532.62	398.42
Debtors more than 180 days	89.30	76.35	60.56	79.81	52.54
Debtors less than 180 days as % to total debtors	89.45	90.53%	90.84%	86.97%	88.35%
Debtors more than 180 days as % to total debtors	10.55	9.47%	9.16%	13.03%	11.65%
Bad Debts Written off/ Provision	0.00	0	0	0	0
No. Of days outstanding debtors (Days)	118.00	132	150	143	132
% Of Bad Debts to sales	0.00	0	0	0	0

On a stand alone basis, our debtors in terms of number of days outstanding appear to be on the higher side because of the following reasons: -

The debtors include the debts due from our Vega Subsidiaries to whom we have to extend higher credit up to 150-180 days. This is because this credit includes the shipment period to various destinations outside India of around 30-45 days; average stocking period of around 30 days in relation to the stocks maintained outside India; and the normal credit period of around 60 days in respect of sales effected by Vega subsidiaries to the customers outside India.

As per past trend our Q4 for sales are generally higher than average quarterly sales of first three quarters. This is because our products are also forming part of the capital equipments (Ball Mills etc.) manufactured and supplied by OEMs to their customers. Normally, the sales of such OEMs are higher in the last quarter because of the depreciation benefits claimed by their customers and correspondingly sales of our products are also higher. Hence, if we take the year end debtors, (which largely pertains to last quarter sales), then the average holding period for the entire year would be higher. This aspect can be evidenced by the break-up of quarter-wise sales for the past periods, as under:

(Rs in Mn)

SALES	2005	2004	2003	2002
Q1 April-June	462.90	323.35	328.04	221.12
% of total sales	20.81%	20.06%	21.04%	17.79%
Q2 – July –Sept.	528.82	387.51	380.08	257.64
% of total sales	23.77%	24.04%	24.38%	20.73%
Q3-October-Dec.	535.30	365.20	366.34	320.38
% of total sales	24.06%	22.66%	23.50%	25.77%
Q4-Jan-March	697.91	535.95	484.50	443.97
% of total sales	31.37%	33.25%	31.08%	35.71%
Total:	2224.93	1612.01	1558.96	1243.10

AIA ENGINEERING LIMITED

On a consolidated basis, the details of our debtors are as under: -

(Rs. in mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Net Sales	1703.05	2936.77	2143.46	1657.15	1364.45
Outstanding Debtors at the end of period	980.35	940.86	678.53	630.92	478.22
Debtors less than 180 days	968.88	857.94	613.85	549.56	424.88
Debtors more than 180 days	11.47	82.92	64.68	81.36	53.34
Debtors less than 180 days as % to total debtors	98.83%	91.19%	90.47%	87.11%	88.85%
Debtors more than 180 days as % to total debtors	1.17%	8.81%	9.53%	12.89%	11.15%
Bad Debts Written off/ Provision	0	0	0	0	0
No. Of days outstanding debtors (Days)	211	117	116	139	128
% Of Bad Debts to sales	0.00%	0.00%	0.00%	0.00%	0.00%

Our Results of Operations

(A) Stand Alone

The table below sets forth various line items from our stand alone audited financial statements for fiscal 2002, 2003, 2004, 2005 and for H1 fiscal year 2006 as a percentage of net value of production, which is defined as total net sales including increase / decrease in stock.

(Rs. in mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Net Sales	1317.64	2224.93	1612.01	1558.96	1243.10
Sub total	1317.64	2224.93	1612.01	1558.96	1243.10
Increase/ Decrease in Stock	30.96	17.26	56.84	15.29	-22.20
Net value of Production (NvoP)	1348.60	2242.19	1668.86	1574.25	1220.90
Raw Material Cost to (NvoP)	48.89%	46.55%	38.30%	36.68%	35.68%
Cost of Raw Materials	659.39	1043.79	639.09	577.42	435.58
Operating & other Expenses to (NvoP)	33.08%	38.01%	41.44%	46.13%	44.43%
Operating & Other Expenses	446.05	852.22	691.63	726.27	542.47
Depreciation to (NvoP)	0.66%	0.59%	0.70%	0.82%	1.12%
Depreciation	8.85	13.33	11.66	12.83	13.74
Finance Charges to (NvoP)	1.07%	0.68%	0.74%	0.93%	1.65%
Finance Charges	14.38	15.25	12.34	14.72	20.09
Profit before Tax to (NvoP)	16.31%	14.16%	18.82%	15.44%	17.12%
Profit before Tax	219.91	317.60	314.13	243.01	209.03
Profit after tax to (NvoP)	10.74%	9.10%	12.33%	-13.61%	12.04%
Profit after tax	144.81	204.03	205.82	-214.18	147.03



(B) CONSOLIDATED

The summarised consolidated results of our operations are as under: -

(Rs. in mn)

Particulars	For the six months ended on 30/09/2005	For the year ended on 31st March			
		2005	2004	2003	2002
Net Sales	1703.05	2936.77	2143.46	1657.15	1364.45
Sub total	1703.05	2936.77	2143.46	1657.15	1364.45
Increase/ Decrease in Stock	61.27	6.02	98.39	19.85	-23.36
Net value of Production (NvoP)	1764.32	2942.79	2241.85	1677.00	1341.09
Raw Material Cost to (NvoP)	50.29%	49.21%	42.80%	36.80%	33.51%
Cost of Raw Materials	887.29	1448.22	959.29	617.21	449.41
Operating & other Expenses to (NvoP)	23.86%	34.80%	39.56%	45.17%	44.24%
Operating & Other Expenses	421.03	1024.00	886.87	757.48	593.28
Depreciation to (NvoP)	1.06%	1.14%	1.27%	1.64%	1.85%
Depreciation	18.77	33.40	28.51	27.52	24.85
Finance Charges to (NvoP)	1.11%	0.95%	0.93%	1.34%	1.97%
Finance Charges	19.62	27.86	20.82	22.50	26.38
Profit before Tax to (NvoP)	17.26%	13.85%	15.45%	15.04%	18.43%
Profit before Tax	304.51	407.45	346.35	252.30	247.18
Profit after tax to (NvoP)	11.94%	9.14%	10.32%	10.49%	13.02%
Profit after tax	210.60	268.94	231.40	175.84	174.63

Comparison of fiscal 2005 with fiscal 2004

(A) Stand Alone

Turnover

Our turnover comprising of export and domestic sales after changes in inventory registered a growth of 38.02% from Rs.1612.02 mn in fiscal 2004 to Rs. 2224.93 mn in fiscal 2005.

This was mainly due to the impact of increase in production resulting from the increase in total production capacity available with the group.

Other Income

The other income decreased by around 45.86 % from Rs.70.12 million in fiscal year 2004 to Rs.37.96 million in fiscal year 2005. The decrease mainly resulted from the decrease in premium of export entitlement. The export entitlements mainly comprise of DEPB License and are accounted for by us on cash basis. We book this income only upon the sale of said licenses. Further, DEPB rates in fiscal year 2005 have been reduced by around 4% to average rate of 3%, from the average rate of 7% in fiscal year 2004.

Expenditure

Our expenditure on raw material consumption increased by 63.32% from Rs, 639.09 million in fiscal year 2004 to Rs.1043.79 million in fiscal year 2005. This increase was partly due to increase in turnover by 38.02% in fiscal year 2005 as compared to the fiscal year 2004 and also due to the increase in the raw material costs, as elaborated earlier.

The operating and other expenses increased by 23.22 % from Rs.691.63 million in the fiscal year 2004 to Rs.852.22 million in fiscal year 2005. However as explained earlier, there is a reduction in the operating and other expenses as a percentage to NVOP in fiscal year 2005 as compared to fiscal year 2004. Thus, the operating and other expenses as a percentage of NVOP were 38.01 % in fiscal year 2005 as compared to 41.44 % in fiscal 2004.

Earnings before Interest Depreciation Tax and Amortization (EBIDTA)

Our EBIDTA increased marginally by 2.38% from Rs.338.13 million in fiscal year 2004 to Rs.346.18 million in fiscal year 2005. This increase was only marginal due to extraordinary increase in the raw material cost in the fiscal year 2004 as explained earlier. Again, on a consolidated basis, the EBIDTA increase is higher as elaborated in the succeeding paragraphs.

AIA ENGINEERING LIMITED

Finance Charges

Finance charges increased by 23.58% from Rs.12.34 million in fiscal year 2004 to Rs.15.25 million in fiscal year 2005. This was mainly due to growth in revenue resulting into higher utilization of working capital and other non-fund base finance facilities. However, finance charges as a percentage of value of production decreased from 0.74% in the fiscal year 2004 to 0.68% in the fiscal year 2005 due to increase in sales.

Depreciation

Depreciation increased by 14.32% from Rs.11.66 million in fiscal year 2004 to Rs.13.33 million in fiscal year 2005, corresponding to the increase in gross block of fixed assets by 21.31% from Rs.227.54 million in fiscal year 2004 to Rs.276.04 million in fiscal year 2005. As a percentage of value of production, depreciation cost decreased from 0.70% in fiscal year 2004 to 0.59% in fiscal year 2005.

Income tax

Provision for current tax increased from Rs.107.54 million in fiscal year 2004 to Rs. 116.45 in fiscal year 2005, mainly due to higher profits and reduction in the concessional tax treatment eligible for income from the exports.

Profit after tax

The profit after tax was Rs.204.03 million in fiscal year 2005 as compared to profit after tax of Rs.205.82 million in fiscal year 2004. The profit after tax as a percentage to net value of production decreased from 12.33% in the fiscal year 2004 to 9.10 % in fiscal year 2005. This was largely due to the increase in the raw material cost in the fiscal year 2005, as explained earlier.

(B) CONSOLIDATED

Turnover

Our turnover comprising of export and domestic sales after changes in inventory registered a growth of 37.01% from Rs.2143.46 mn in fiscal 2004 to Rs. 2936.77 mn in fiscal 2005.

This was mainly due to the impact of increase in production resulting from the increase in total production capacity available with the group.

Other Income

The other income increased by around 14.33% from Rs.69.78 million in fiscal year 2004 to Rs.79.78 million in fiscal year 2005. The increase mainly resulted from the increase in other misc. income due to higher recoveries of various expenses made by the Vega Companies from the Customers. This high growth in the recovery in fiscal year 2005 is mainly because of the fact that we have aggressively started this policy effective from the fiscal year 2005. Further the Vega Companies have become our Subsidiaries only effective from fiscal year 2004.

Expenditure

Our expenditure on raw material consumption increased by 50.97% from Rs. 959.29 million in fiscal year 2004 to Rs.1448.22 million in fiscal year 2005. This increase was partly due to increase in turnover by 37.01 % in fiscal year 2005 as compared to the fiscal year 2004 and also due to the increase in the raw material costs, as elaborated earlier.

The operating and other expenses increased by 15.46% from Rs.886.87 million in the fiscal year 2004 to Rs.1024.00 million in fiscal year 2005. However as explained earlier, there is a reduction in the operating and other expenses as a percentage to NVOP in fiscal year 2005 as compared to fiscal year 2004.

Earnings before Interest Depreciation Tax and Amortization (EBIDTA)

Our EBIDTA increased by 18.46% from Rs.395.67 million in fiscal year 2004 to Rs.468.71 million in fiscal year 2005.

Finance Charges

Finance charges increased by 33.81% from Rs.20.82 million in fiscal year 2004 to Rs.27.86 million in fiscal year 2005. This was mainly due to growth in revenue resulting into higher utilization of working capital and other non-fund base finance facilities. However, finance charges as a percentage of value of production increased from 0.93% in the fiscal year 2004 to 0.94 % in the fiscal year 2005 due to increase in sales.

Depreciation

Depreciation increased by 17.15% from Rs.28.51 million in fiscal year 2004 to Rs.33.40 million in fiscal year 2005, corresponding to the increase in gross block of fixed assets by 18.94% from Rs.439.98 million in fiscal year 2004 to Rs.523.32 million in fiscal year 2005. As a percentage of value of production, depreciation cost decreased from 1.27% in fiscal year 2004 to 1.14% in fiscal year 2005.



Income tax

Provision for current tax increased from Rs.114.94 million in fiscal year 2004 to Rs. 138.51 in fiscal year 2005, mainly due to higher profits and reduction in the concessional tax treatment eligible for income from the exports.

Profit after tax

The profit after tax is Rs 268.94 million in fiscal year 2005 as compared to profit after tax of Rs. 231.40 million in fiscal year 2004. The profit after tax as a percentage to value of production decreased from 10.32% in the fiscal year 2004 to 9.14% in fiscal year 2005. This was largely due to the increase in the raw material cost in the fiscal year 2005, as explained earlier.

Comparison of fiscal 2004 with fiscal 2003

(A) STAND ALONE

Turnover

Our turnover comprising of export and domestic sales after changes in inventory registered a growth of 3.40% from Rs. 1558.96 mn in fiscal 2003 to Rs. 1612.01 mn in fiscal 2004.

This was mainly due to the impact of increase in production resulting from the increase in total production capacity available with the group.

Other Income

The other income increased by around 193% from Rs. 23.93 million in fiscal year 2003 to Rs. 70.12 million in fiscal year 2004. The increase mainly resulted from the increase in premium of export entitlement and increase in miscellaneous receipts. The export entitlements mainly comprise of DEPB License and are accounted for by us on cash basis. We book this income only upon the sale of said licenses. Further, DEPB rates in fiscal year 2004 have been reduced by around 4% to average rate of 3%, from the average rate of 7% in fiscal year 2003.

Expenditure

Our expenditure on raw material consumption increased by 10.68% from Rs. 577.42 million in fiscal year 2003 to Rs. 639.09 million in fiscal year 2004. This increase was partly due to increase in turnover by 3.40% in fiscal year 2004 as compared to the fiscal year 2003 and also due to the increase in the raw material costs, as elaborated earlier.

The operating and other expenses increased by 4.77% from Rs. 726.27 million in the fiscal year 2003 to Rs. 691.63 million in fiscal year 2004. However as explained earlier, there is a reduction in the operating and other expenses as a percentage to NVOP in fiscal year 2004 as compared to fiscal year 2003. Thus, the operating and other expenses as a percentage of NVOP were 41.44 % in fiscal year 2004 as compared to 46.13 % in fiscal 2003.

Earnings before Interest Depreciation Tax and Amortization (EBIDTA)

Our EBIDTA increased by 24.97% from Rs. 270.56 million in fiscal year 2003 to Rs. 338.13 million in fiscal year 2004. This increase was mainly attributable to better realization in fiscal year 2004.

Finance Charges

Finance charges decreased by 16.17% from Rs. 14.72 million in fiscal year 2003 to Rs. 12.34 million in fiscal year 2004. This was mainly due to growth in revenue resulting into higher utilization of working capital and other non-fund base finance facilities. However, finance charges as a percentage of value of production decreased from 0.93% in the fiscal year 2003 to 0.74% in the fiscal year 2004 due to increase in sales (decrease in financial charges).

Depreciation

Depreciation decreased by 9.12% from Rs. 12.83 million in fiscal year 2003 to Rs. 11.66 million in fiscal year 2004, corresponding to the increase in gross block of fixed assets by 9.34% from Rs. 208.11 million in fiscal year 2003 to Rs. 227.54 million in fiscal year 2004. As a percentage of value of production, depreciation cost decreased from 0.82 % in fiscal year 2003 to 0.70% in fiscal year 2004.

Income tax

Provision for current tax increased from Rs.73.57 million in fiscal year 2003 to Rs. 107.54 in fiscal year 2004, mainly due to higher profits and reduction in the concessional tax treatment eligible for income from the exports.

Profit after tax

The profit after tax was Rs. 205.82million in fiscal year 2004 as compared to profit after tax of Rs. (214.18) million in fiscal year 2003. The profit/ Loss after tax as a percentage to net value of production decreased from (13.61)% in the fiscal year 2003 to 12.33% in fiscal year 2004. This was largely due to the increase in the raw material cost in the fiscal year 2004, as explained earlier.

AIA ENGINEERING LIMITED

(B) CONSOLIDATED

Turnover

Our turnover comprising of export and domestic sales after changes in inventory registered a growth of 33.68% from Rs. 1676.99 mn in fiscal 2003 to Rs. 2241.84 mn in fiscal 2004.

This was mainly due to the impact of increase in production resulting from the increase in total production capacity available with the group.

Other Income

The other income increased by around 164% from Rs.26.41 million in fiscal year 2003 to Rs. 69.78 million in fiscal year 2004. The increase mainly resulted from the increase in premium of export entitlement and increase in miscellaneous receipts

Expenditure

Our expenditure on raw material consumption increased by 55.42% from Rs. 617.21 million in fiscal year 2003 to Rs. 959.29 million in fiscal year 2004. This increase was partly due to increase in turnover by 29.35 % in fiscal year 2004 as compared to the fiscal year 2003 and also due to the increase in the raw material costs, as elaborated earlier.

The operating and other expenses increased by 22.04 % from Rs. 783.88 million in the fiscal year 2003 to Rs. 956.65 million in fiscal year 2004. However as explained earlier, there is a reduction in the operating and other expenses as a percentage to NVOP in fiscal year 2004 as compared to fiscal year 2003.

Earnings before Interest Depreciation Tax and Amortization (EBIDTA)

Our EBIDTA increased by 30.88% from Rs. 302.32 million in fiscal year 2003 to Rs. 395.68 million in fiscal year 2004

Finance Charges

Finance charges decreased by 7.46% from Rs. 22.5 million in fiscal year 2003 to Rs. 20.82 million in fiscal year 2004. This was mainly due to growth in revenue resulting into higher utilization of working capital and other non-fund base finance facilities. However, finance charges as a percentage of value of production decreased from 1.34% in the fiscal year 2003 to 0.93% in the fiscal year 2004 due to increase in sales (decrease in financial charges).

Depreciation

Depreciation increased by 3.60% from Rs. 27.52 million in fiscal year 2003 to Rs. 28.51 million in fiscal year 2004, corresponding to the increase in gross block of fixed assets by 18.73% from Rs. 370.78 million in fiscal year 2003 to Rs. 440.21 million in fiscal year 2004. As a percentage of value of production, depreciation cost decreased from 1.64% in fiscal year 2003 to 1.27% in fiscal year 2004.

Income tax

Provision for tax increased from Rs.76.46 million in fiscal year 2003 to Rs. 114.94 in fiscal year 2004, mainly due to higher profits and reduction in the confessional tax treatment eligible for income from the exports.

Profit after tax

The profit after tax is Rs. 231.40 million in fiscal year 2004 as compared to profit after tax of Rs. 175.84 million in fiscal year 2003. The profit after tax as a percentage to net value of production decreased from 10.49% in the fiscal year 2003 to 10.32% in fiscal year 2004. This was largely due to the increase in the raw material cost in the fiscal year 2004, as explained earlier.

Comparison of fiscal 2003 with fiscal 2002

(A) STAND ALONE

Turnover

Our turnover comprising of export and domestic sales after changes in inventory registered a growth of 25.41% from Rs. 1243.09 mn in fiscal 2002 to Rs. 1558.96 mn in fiscal 2003.

This was mainly due to the impact of increase in production resulting from the increase in total production capacity available with the group.

Other Income

The other income decreased by around 55.88 % from Rs. 54.24 million in fiscal year 2002 to Rs. 23.93 million in fiscal year 2003. The decrease mainly resulted from the decrease in Dividend received and decrease in sundry balance written back. The export entitlements mainly comprise of DEPB License and are accounted for by us on cash basis. We book this income only upon the sale of said licenses. Further, DEPB rates in fiscal year 2003 have been reduced by around 4% to average rate of 3%, from the average rate of 7% in fiscal year 2002.



Expenditure

Our expenditure on raw material consumption increased by 32.56 % from Rs. 435.58 million in fiscal year 2002 to Rs. 577.42 million in fiscal year 2003. This increase was partly due to increase in turnover by 25.40% in fiscal year 2003 as compared to the fiscal year 2002 and also due to the increase in the raw material costs, as elaborated earlier.

The operating and other expenses increased by 33.88 % from Rs. 542.47 million in the fiscal year 2002 to Rs. 726.27 million in fiscal year 2003. However as explained earlier, there is a reduction in the operating and other expenses as a percentage to NVOP in fiscal year 2003 as compared to fiscal year 2002

Earnings before Interest Depreciation Tax and Amortization (EBIDTA)

Our EBIDTA increased by 11.41 % to Rs. 270.56 million in fiscal year 2003 from Rs. 242.85 million in fiscal year 2002. This increase was only marginal due to a higher increase in the raw material and operating costs in the fiscal year 2003.

Finance Charges

Finance charges decreased by 26.73 % from Rs. 20.08 million in fiscal year 2002 to Rs. 14.72 million in fiscal year 2003. This was mainly due to growth in revenue resulting into higher utilization of working capital and other non-fund base finance facilities. However, finance charges as a percentage of value of production decreased from 1.65 % in the fiscal year 2002 to 0.93 % in the fiscal year 2003 due to increase in sales (decrease in financial charges).

Depreciation

Depreciation decreased by 6.57% from Rs. 13.74 million in fiscal year 2002 to Rs. 12.83 million in fiscal year 2003, against the increase in gross block of fixed assets by 5.94 % from Rs.196.44 million in fiscal year 2002 to Rs. 208.11 million in fiscal year 2003. This is owing to the fact that bulk of the increase in the fixed assets was in the later part of the year so that the depreciation charge was lesser on proportionate basis. As a percentage of value of production, depreciation cost decreased from 1.12 % in fiscal year 2002 to 0.82 % in fiscal year 2003.

Income tax

Provision for current tax increased from Rs. 62.00 million in fiscal year 2002 to Rs. 73.57 in fiscal year 2003, mainly due to higher profits and reduction in the confessional tax treatment eligible for income from the exports.

Profit after tax

The profit after tax is Rs.(214.18) million in fiscal year 2003 as compared to profit after tax of Rs. 147.03 million in fiscal year 2002. The loss in fiscal year 2003 is because In the fiscal year 2003, we have made a one-time adjustment of Rs. 370.85 million, being a one-time loss (capital loss) arising out of the amalgamation of our group company AIA Exports Pvt. Ltd., with us. We have fully written off this extraordinary item in the P & L Account of the fiscal 2003.

(B) CONSOLIDATED

Turnover

Our turnover comprising of export and domestic sales after changes in inventory registered a growth of 25.05 % from Rs. 1341.10 million in fiscal 2002 to Rs. 1676.99 mn in fiscal 2003.

This was mainly due to the impact of increase in production resulting from the increase in total production capacity available with the group.

Other Income

The other income decreased by around 57.39 % from Rs. 61.97 million in fiscal year 2002 to Rs. 26.41 million in fiscal year 2003. The decrease mainly resulted from the decrease in Dividend received and decrease in sundry balance written back. The export entitlements mainly comprise of DEPB License and are accounted for by us on cash basis. We book this income only upon the sale of said licenses. Further, DEPB rates in fiscal year 2003 have been reduced by around 4% to average rate of 3%, from the average rate of 7% in fiscal year 2002.

Expenditure

Our expenditure on raw material consumption increased by 37.34% from Rs. 449.41million in fiscal year 2002 to Rs. 617.20 million in fiscal year 2003. This increase was partly due to increase in turnover by 21.45% in fiscal year 2003 as compared to the fiscal year 2002 and also due to the increase in the raw material costs, as elaborated earlier.

The operating and other expenses increased by 27.68% from Rs. 593.28 million in the fiscal year 2002 to Rs. 757.48 million in fiscal year 2003. The operating and other expenses as a percentage of NVOP were 45.17% in fiscal year 2003 as compared to 44.24% in fiscal 2002.

Earnings before Interest Depreciation Tax and Amortization (EBIDTA)

Our EBIDTA increased marginally by 1.31% from Rs. 298.40 million in fiscal year 2002 to Rs. 302.32 million in fiscal year 2003.

AIA ENGINEERING LIMITED

Finance Charges

Finance charges decreased by 14.69 % from Rs. 26.38 million in fiscal year 2002 to Rs. 22.500 million in fiscal year 2003. This was mainly due to growth in revenue resulting into higher utilization of working capital and other non-fund base finance facilities. However, finance charges as a percentage of value of production decreased from 1.97% in the fiscal year 2002 to 1.34% in the fiscal year 2003 due to increase in sales (decrease in financial charges).

Depreciation

Depreciation increased by 10.75 % from Rs. 24.85 million in fiscal year 2002 to Rs. 27.52 million in fiscal year 2003, corresponding to the increase in gross block of fixed assets by 6.17 % from Rs.349.23 million in fiscal year 2002 to Rs. 370.78 million in fiscal year 2003. As a percentage of value of production, depreciation cost decreased from 1.85% in fiscal year 2002 to 1.64 % in fiscal year 2003.

Income tax

Provision for current tax increased from Rs. 72.54 million in fiscal year 2002 to Rs. 76.46 in fiscal year 2003, mainly due to higher profits and reduction in the concessional tax treatment eligible for income from the exports.

Profit after tax

The profit after tax was Rs. 175.84 million in fiscal year 2003 as compared to profit after tax of Rs. 174.63 million in fiscal year 2002. The profit/ Loss after tax as a percentage to net value of production decreased from 13.02 % in the fiscal year 2002 to 10.49 % in fiscal year 2003. This was largely due to the absorption of one time capital loss arising out of amalgamation in the standalone results for fiscal year 2003 as explained above.

Liquidity and Capital Resources

Liquidity

Our primary liquidity needs have been to finance our working capital requirements and capital expenditure. To fund these costs, we have primarily relied on cash flows from operations, and also Borrowings from Banks /Institutions.

Cash Flows

(A) STAND ALONE

The table below summarizes our cash flows for fiscal 2005 and 2004:

(Rs. In mn)

Cash Flow	For the six months ended on 30/09/2005	Fiscal 2005	Fiscal 2004
Net Cash Flow from operating activities	164.04	81.83	94.70
Net Cash (Used in) investing activities	-146.09	-45.08	-76.79
Net Cash flow from financing activities	-19.86	-54.26	-50.19
Increase/(Decrease) in Cash and Cash Equivalents	-1.91	-17.51	-32.28
Effect of Exchange Rate Changes	0.00	0.00	0.00
Net Increase/(Decrease) in Cash and Cash Equivalents	-1.91	-17.51	-32.28
Opening Cash Balance	46.53	64.04	96.32
Closing Cash Balance	44.62	46.53	64.04

Figures in brackets represent cash outflow

(B) CONSOLIDATED

Cash Flow	For the six months ended on 30/09/2005	Fiscal 2005	Fiscal 2004
Net Cash Flow from operating activities	75.18	178.53	25.94
Net Cash (Used in) investing activities	-475.00	-13.15	-21.00
Net Cash flow from financing activities	395.83	-168.64	18.73
Increase/(Decrease) in Cash and Cash Equivalents	-3.99	-3.26	23.67
Effect of Exchange Rate Changes	0.00	0	0
Net Increase/(Decrease) in Cash and Cash Equivalents	-3.99	-3.26	23.67
Opening Cash Balance	123.39	126.65	102.98
Closing Cash Balance	119.39	123.39	126.65



WORKING CAPITAL

(A) STAND ALONE

The above table below summarizes the working capital movement of the past periods.

(Rs in mn.)

	For the six month ended on September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Current Assets: (CA)					
- Inventories	220.76	225.16	226.25	115.22	89.16
- Sundry debtors	846.19	806.36	661.31	612.42	450.95
- Cash and bank balances	44.62	46.53	64.04	96.32	112.04
- Loans & advances	79.19	59.61	60.60	63.43	437.19
	1190.76	1137.66	1012.20	887.39	1089.34
Current liabilities: (CL)					
- Sundry creditors (G + E)	174.59	157.76	139.95	141.50	94.40
- Statutory liabilities	8.78	1.06	9.19	2.43	4.93
- Other current liabilities	52.80	73.89	100.12	96.62	58.51
	236.17	232.71	249.26	240.55	157.84
= Net current assets (CA-CL)	954.59	904.95	762.94	646.84	931.50
Bank borrowings	364.60	310.79	137.41	50.75	27.76
= Net working capital	589.99	594.16	625.53	596.09	903.74
Current ratio (CA / CL)	5.04	2.09	2.62	3.05	5.87

Net Current assets as at March 31, 2005 were 904.94 mn compared to 762.96 mn as at March 31, 2004, mainly on account of increase in current assets from 1012.21 mn in fiscal 2004 to 1137.65 mn in fiscal 2005 and decrease in current liabilities and provisions from 249.26 mn in fiscal 2004 to 232.71 mn in fiscal 2005. Increase in current assets as on March 31, 2005 is attributable mainly to increase in Debtors from 661.31 mn in fiscal 2004 to 806.36 mn in fiscal 2005.

(B) CONSOLIDATED

	For the six month ended on September 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Current assets: (CA)					
- Inventories	530.64	419.55	407.52	158.64	123.44
- Sundry debtors	980.35	940.86	678.53	630.92	478.22
- Cash and bank balances	119.39	123.39	126.65	102.98	116.65
- Loans & advances	209.06	87.53	92.21	64.42	449.26
	1839.44	1571.33	1304.91	956.96	1167.57
Current liabilities: (CL)					
- Sundry creditors trade	112.25	201.42	142.37	59.42	60.29
- Statutory liabilities	13.13	8.34	12.77	3.72	5.68
- Other current liabilities	307.14	199.93	229.77	178.96	102.28
	432.52	409.69	384.91	242.10	168.25
= Net current assets (CA-CL)	1406.92	1161.64	920.00	714.86	999.32
Bank borrowings	535.48	245.61	154.08	68.36	19.23
= Net working capital	871.44	916.03	765.92	646.50	980.09
Current ratio (CA / CL)	4.25	2.40	2.42	3.08	6.23
Debtors o/s no. of days with net sales	211	116.94	115.55	138.97	127.93
Inventories no. of days to net sales	31.15	52.14	69.40	34.94	33.02
Sundry creditors no. of days to RM cost	46.19	50.77	54.16	35.14	48.96

AIA ENGINEERING LIMITED

Indebtedness

Total debt as on March 31, 2005 was Rs. 356.74 mn as compared to Rs. 157.40 mn as on March 31, 2004. The total outstanding secured loans of Rs.356.74 mn can be divided in the following groups.

1. Working Capital finance amounting to Rs.310.78 mn comprising of fund based working capital facilities from Banks and institutions.
2. Term loan from banks amounting Rs. 45.95 mn for purchase of Assets.

The total debt as on September 30, 2005 was Rs. 418.52 mn comprising of working capital finance (Fund Based limits of Rs. 364.61 mn from Banks and Term Loan from Banks amounting to Rs. 53.91 mn for purchase of assets.

Historical and Planned Capital Expenditures

In fiscal 2003, we made additions to Fixed Assets amounting to Rs.11.68 million, primarily for plant & machinery/infrastructure.

In fiscal 2004, we made additions to Fixed Assets amounting to Rs.19.43 million, primarily for plant & machinery/infrastructure

In fiscal 2005, we made additions to Fixed Assets amounting to Rs.48.5 mn primarily for plant & machinery/infrastructure.

In H1 fiscal year 2006, we made additions to Fixed Assets amounting to Rs. 21.18 mn primarily for plant & machinery/infrastructure

Related Party Transactions

For details of related party transactions, please refer to the section entitled "Related Party Transactions" on page 100 of this Red Herring Prospectus.

Financial Market Risks

Quantitative and Qualitative Disclosures about Market Risk

Interest rate risk

Our interest rate risk results from changes in interest rates, which may affect our financial expenses. The interest rates on working capital finance are linked to PLR of the lending banks. Hence, our interest rate risk is limited only to the extent of changes in PLR. In respect all other secured long-term loans, the interest rates are fixed.

Exchange rate risk

We face exchange rate risk to the extent that our certain borrowings are denominated in currencies other than Indian rupees. We are also exposed to foreign exchange risk with respect to our import and export transactions. For fiscal 2004, our net foreign export exposure (net of inflows and out flows) was less than 0.4% of our total turnover and hence we are subject to very limited exchange rate risk.

Effect of Inflation

During fiscal 2001, 2002 and 2003, the All India Consumer Price Index increased by 3.8%, 4.3% and 4% respectively. Since we set the price for our products sold based on various factors, including inflation, it did not have a significant effect on the result of our operations to date.

We do not expect that inflation rates will have a significant impact on our results of operations for the foreseeable future.

Information required as per Clause 6.8 of SEBI Guidelines

1. Unusual or infrequent events or transactions

Pursuant to the scheme of Amalgamation as approved by the Hon'ble High Court of Guajrat, our group company M/s AIA Exports Pvt.Ltd., was merged with us with effect from 1.4.2002. The said company was primarily operating as an investment company. Upon amalgamation the loss of Rs.370.85 Million arising out of the difference in the face value of investments and its purchase price in the hands of the said company, has been booked as a loss pursuant to amalgamation in our books in the financial year 2002-03 and has been fully written off in the P&L account for the fiscal year 2002-03.

2. Significant economic/regulatory changes

Except as stated in the RHP there are no major known economic / regulatory changes.



3. Known trends or Uncertainties

Except as stated in the RHP there are no major known trends or uncertainties.

4. Future relationship between costs and income

The future relationship between costs and income, are likely to maintain the same trend as stated above.

5. Total turnover of each major industry segment

We are operating in only one major industry segment –i.e. manufacture of High Chrome Mill Internals utilized in grinding /crushing operations in a variety of grinding mills. As such the particulars of our turn over as stated Business Overview of the prospectus are pertaining to this broad industry segment only.

6. New Products or business segments.

Within the above broad segment, we are venturing into mining segment as well as in the quarry segment in the international markets, subsequent to augmentation of our production capacities, as indicated in the objects of the issues in the RHP.

7. Seasonality of business

As explained in the earlier paragraphs, generally our last quarter sales are higher than the previous three-quarters consequent upon the increased sales in the last quarter to our OEM customers who are manufacturing a variety of Grinding Mills. Except for this, generally, our business cannot be regarded to be in the nature of the seasonal business.

8. Dependence on single or few suppliers / customers

We are fairly diversified in terms of the customers, as can be seen from the following break-up of our customers:

Top five customers and their contribution to income for the last 3 years

Within India:

2002-03

Name of the Customer	As % of Total Sales
Oem to The Thermal Power Sector	13.53
Kudremukh Iron Ore Company Ltd.	11.25
The Associated Cement Company Ltd.	4.27
Gujarat Ambuja Cements Ltd.,	3.20
Gujarat State Electricity Board	3.02

2003-04

Name of the Customer	As % of Total Sales
Oem To The Thermal Power Sector	17.18
Kudremukh Iron Ore Company Ltd.	9.06
The Associated Cement Company Ltd.	6.46
Gujarat Ambuja Cements Ltd.,	6.42
Maharashtra State Electricity Board	5.07

2004-05

Name of the Customer	As % of Total Sales
Oem To The Thermal Power Sector	12.84
The Associated Cement Company Ltd.	4.81
Birla Group	3.97
Uttar Pradesh State Electricity Board	3.70
Gujarat Ambuja Cements Ltd.,	3.13

AIA ENGINEERING LIMITED

For six months ended on 30/09/2005

Name of the Customer	As % of Total Sales
Oem To The Thermal Power Sector	9.41
The Associated Cement Company Ltd.	8.19
Birla Group	6.18
Kudremukh Iron Ore Company Ltd.	5.58
Gujarat Ambuja Cements Ltd.,	5.39

Sales outside India (through Vega)

Year 2003-04	Year 2004-05	For 6 months ending September 30, 2005
Customer	Customer	Customer
Heidelberg	Holcim	Holcim
Holcim	Lafarge	Heidelberg
Lafarge	Heidelberg	Lafarge
Buzzi	Cemex	CEMEX
Italcementi	FLS Smidth	Polysius

As can be observed from the above chart, the customer base of the Company is diversified and no single customer has contributed significantly in all the years. Hence, the threat from excessive dependence on a single customer/product is not significant as the customer base and the product base is diversified.

9. Competitive Conditions

We believe that we are well positioned to enhance our position as a supplier of value added, impact, abrasion and corrosion resistant high chrome mill internals, on account of our competitive strengths that include the following:

10. Focus on Metallurgy, research and development

We have more than 28 years of experience in developing metallurgy based solutions for our clients. Our R&D capabilities, experienced technicians and our experience enables us to test and implement new kinds of metallurgy based on the changing needs of our clients in the three major industries namely, cement, utilities and mining.

11. Comprehensive solutions based approach

Generally, high chrome metallurgy offers a lower wear rate, compared to conventionally used metallurgy. We possess the combination of the knowledge of metallurgy, grinding application and process technology. By virtue of this we have the capability to offer a total solution to the customer which can translate into substantial savings in terms of higher output, reduced power consumption and lower maintenance costs.

12. Technology

We have developed customized designs for our products. It is our constant endeavor to strengthen and improve our own products even if it requires induction of foreign technologies. Thus, earlier we had entered into technical collaboration with M/s. Slegten S.A. of Belgium and Magotteaux, Belgium. We also had a collaboration with Southwestern corporation, USA for process improvement in vertical mills (used for crushing raw material) from 1999 to 2002, and currently have a collaboration with Southwestern corporation, UK for process improvements in high performance classifiers, used in vertical mills which expires in November 2007. Through a strong in-house research and developmental activity, we have created our own IP by developing many more products / applications /solutions which are unique to us.

13. Overseas Marketing subsidiaries

Our Group has a global reach with presence in North & South America, Europe, Middle East, Far East, Australia and Africa. Our emphasis has been to recruit local talent, wherever felt necessary to minimize the cultural differences and make sure that the acceptance is easier. Besides, the top sales managers have experience in the high chrome mill internal industry. Our sales network is established in all these markets and has built contacts, networks and goodwill across the markets and industries which is an asset for us.



14. Services

Our objective to manufacture quality goods is matched by our commitment to provide excellent service to our customers before an order is received, after the components are supplied and during the working life of the components. Engineers of our technical services department “adopt” customers falling within their area of operation and develop a long lasting relationship. Before an order is finalized, they study the operational parameters of the mill, take mill measurements (if the relevant drawings are not available with the customers), suggest improvement in design, alloys etc., and offer guarantees for the mill output, power consumption and life of the components. After the components are supplied, our installation engineers visit the sites for installing the components, start and fine-tune the mill to achieve the guaranteed production rate. The technical services engineers also visit the customers periodically to discuss with the shop floor staff and the management operational problems, if any, suggest improvements, collect feed back on the working of the components supplied by us and appraise them of any new product being developed by us.

15. Low Cost of Production

The casting manufacturing process involves several stages. Each of the stage requires skilled resources and is labour intensive. We have the advantage of lower labour costs and availability of technically qualified manpower in India and hence are able to manufacture castings at a lower costs.

16. Quality

The quality management systems of AIA Engineering are certified under ISO 9001 : 2000 standards.

We believe that we have the combination of knowledge about metallurgy, application and process , which is essential for manufacturing quality products, at a reasonable cost. We are consciously dedicating resources for quality assurance to ensure that quality norms are continually met.

17. Commercial Partnerships with select OEMS and customers

We have a alliance with one of the major OEM supplier to thermal power plants across the country, whereby majority of projects commissioned are equipped with our mill internals and the future ‘repetitive’ spares requirement of the customer are also sourced through us.

We have supply contracts with important Cement groups like **Holcim of Switzerland, Lafarge of France, Cemex of Mexico, etc.**

18. Management Depth

We are a closely held company promoted by Mr. Bhadresh Shah, a metallurgical engineer from IIT, Kanpur. He has been associated with High Chrome mill internal Industry for the last 28 years and has experience in the field of commercial issues, production and Marketing.

A Team of technocrats, professionals and consultants having experience in the High Chrome mill internal industry help managed our strategic intent. Biographies of the key personnel responsible for global market development are included in the Key Management Personnel section.

19. Significant developments after fiscal 2005 that may affect our future results of operations

To our knowledge, no circumstances have arisen since the date of the last financial statement as disclosed in the Red Herring Prospectus which materially and adversely affect or is likely to affect the trading or profitability of the Company, or the value of its assets, or its ability to pay its liability within the next twelve months.

There is no subsequent development after the date of the auditors’ report, which will have a material impact on reserves, profits, earnings per share and book value of the company.

LEGAL & OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as provided below, based on records available, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings initiated for offences (including past cases, economic offences etc.) irrespective of whether specified in paragraph (1) of Part 1 of Schedule XIII of the Companies Act and litigations for tax liabilities against the Company, the Directors, the Promoter and the subsidiaries that would have a material adverse effect on the business of the Company and there are no defaults, non-payment or overdue of statutory dues/bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on the business of the Company other than unclaimed liabilities against the Company or Directors or the subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiaries, Promoter or Directors.

Litigation against the company

A. Criminal Proceedings

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	12448/2003	October 4, 2004	Government Labour and Reconciliation Officer, Ahmedabad	Company and Director, Mr. Bhadresh K. Shah	In the Court of the Metropolitan Magistrate, Ahmedabad	NA	The Government Labour and Reconciliation Officer, Ahmedabad has filed a complaint against the Company and Mr. Bhadresh Shah in his capacity as the Managing Director of the Company. The complaint was filed under Sections 17A and 18(3) read with Section 32 of Industrial Disputes Act, 1947 for failing to comply with an order of the Labour Commissioner directing the reinstatement of a workman of the Company. While this case was pending, the Company and the concerned workman arrived at a settlement whereby the Company paid an amount of Rs.30,000 to the workman towards payment of gratuity and other dues before the Deputy Labour Commissioner on December 8, 2004 and court orders approving the settlement were passed. The Company has moved an



							application to the Office of the Deputy Labour Commissioner, vide letter dated February 17, 2005, for withdrawal of the criminal case. The Company has also made another representation to the Principal Secretary, Labour & Employment, Government of Gujarat, vide letter dated September 29, 2005.
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B. Income Tax Proceedings

The Company has sought a refund of Rs. 3,462 for the assessment year 1999-2000 through letter dated September 28, 2000 to the Joint Commissioner of Income Tax, Ahmedabad. The company has also filed Form 16A for the credit of the TDS amount of Rs. 23, 662 in the name of the Company for the assessment year 1999-2000.

C. Service Tax Proceedings

The Company received a show cause notice dated May 15, 2002 issued by the Deputy Commissioner of Service Tax, Ahmedabad for the payment of service tax for the period 1997-1998 and 2000-2001, on the ground that in spite of having provided the services of commissioning, design engineering, pattern development, testing etc. and collecting service charges on the same from its customers, the Company had failed to pay service tax for the said periods. The said show cause notice raised the following demands:

- (i) payment of tax amounting to Rs. 34,10,453 under section 73(a) of the Finance Act;
- (ii) interest on the said amount under sections 66 and 75 of the Finance Act; and
- (iii) penalty under section 75(a) of the Finance Act for contravention of S.69 (failure to obtain service tax registration), section 68 (failure to pay service tax) and S.70 (failure to file the ST-3 returns for the said periods).

The Company has filed its reply dated June 6, 2002 stating that (i) it had obtained service tax registration on December 21, 2000 as soon as it became clear from discussions with the Department of Central Excise that the Company was liable to pay service tax as 'consulting engineer'; (ii) the service tax liability amounts only to Rs. 17,59,707 and such amount has already been paid; and (iii) imposition of interest and penalty may be waived as there was reasonable cause for the non-payment of service tax..

The Company received a show cause notice dated May 2, 2003 issued by the Assistant Commissioner of Central Excise, Ahmedabad demanding payment of service tax of Rs. 7,55,106 for the period April 2001 to March 2002 and April 2002 to March 2003 under S. 73(a) of the Finance Act, interest on the said amount under Ss.66 and 75 of the Finance Act, and penalty under S.75(a) of the Finance Act for contravention of S.69, S.68 and S.70 of the Finance Act. In its reply dated May 21, 2003, the Company has stated that (i) the notice is merely protective in nature and is in continuation of the earlier demand notice dated May 15, 2002 issued by the Deputy Commissioner, Ahmedabad, (ii) it has obtained service tax registration valid from December 21, 2000, (iii) it has paid service tax of Rs. 5,05,734 for the period April 2001 to March 2003, (iv) the assessable value of services computed by the Department by including the cost of equipment supplied to customers is incorrect, as the same cannot be treated as payment for services, (v) the demand of service tax on unrealised service charges is not payable by the Company, and (vi) as evidenced by the records, the Company has filed the returns for the periods April 2001 to March 2003 within the specified time limits, and therefore, the imposition of interest and penalty on the Company cannot be sustained.

The Company received a show cause notice dated November 9, 2004 in relation to the payment of service tax of Rs. 54, 767 on the technical know-how fee paid to a foreign service provider. The Company in its reply dated January 29, 2005 has stated that the said amount has already been paid.

D. Excise Proceedings

- The Company has received seven (7) show cause notices dated February 25, 2002, May 24, 2002, January 17, 2003, June 13, 2003, December 4, 2003, June 30, 2004 and April 21, 2005 issued by the Assistant Commissioner of Central Excise, Ahmedabad for recovery of amounts aggregating Rs. 1,37,100 availed as cenvat Credit by the Company on

AIA ENGINEERING LIMITED

metaquinch oil used in job work under the Cenvat Credit Rules, 2002 for periods between April 2001 and January 2005. The notices stated that modvat credit was sought to be reversed as the final goods were found to have been cleared without payment of duty. Additionally, interest at the rate of 24% under S. 11A of the Central Excise Act, 1944 and penalty under Rule 13 of the Cenvat Credit Rules, 2002 were also sought to be levied by the show cause notices. The Company has filed its replies to the said notices dated March 6, 2002, June 14, 2002, January 23, 2003, June 19, 2003, December 11, 2003, July 5, 2003 and May 5, 2003 respectively.

- The Company received six (6) show cause notices dated October 30, 2001, February 20, 2002, May 27, 2002, December 9, 2002, June 12, 2003 and December 4, 2003 issued by the Assistant Commissioner of Central Excise, Ahmedabad for recovery of amounts aggregating Rs. 75,671 availed as cenvat Credit by the Company on light diesel oil used in job work under the cenvat Credit Rules, 2002 for periods between December 2000 and February 2003. According to the notices, modvat credit was sought to be reversed as the final goods were found to have been cleared without payment of duty. Additionally, interest at the rate of 24% under S. 11A of the Central Excise Act, 1944 and penalty under Rule 13 of the Central Excise Rules, 2002 were sought to be levied. The Company has filed its replies to the said notices dated December 22, 2001, February 22, 2002, June 14, 2002, December 11, 2002, June 19, 2003 and December 11, 2003 respectively.
- The Company received a show cause notice dated November 4, 1996 issued by the Assistant Commissioner of Central Excise, Ahmedabad for the recovery of modvat credit of Rs. 45,800 availed by the Company and for penalty under Rule 57U of the Central Excise Rules on the ground that credit had been availed by the Company for the use of "kold ladle set" which, not being a capital good, was ineligible for modvat credit under S. 57A of the Central Excise Rules. The Company has filed its reply on November 29, 1996.
- The Company has received a show cause notice dated January 9, 2003 issued by the Commissioner of Central Excise, Ahmedabad stating that the post-manufacturing expenses incurred for and subsequently recovered from the customer are to be disclosed as part of assessable value; therefore, insurance and freight charges are to be shown as part of the assessable value in relation to the manufacture of castings. Accordingly, a demand for a sum of Rs. 52,768 has been raised for the periods January 1998 to June 1999 being the sum charged to the buyer by the Company by way of insurance and freight charges, under S.11A of the Central Excise Act, together with penalty under S.11AC of the Central Excise Act and interest under S.11AB of the Act. The Company has filed its reply on February 6, 2003.
- The Company received two show cause notices dated May 20, 2004 and March 15, 2005 issued by the Assistant Commissioner of Central Excise, Ahmedabad in respect of the refund claims of Rs.3,58,566 and Rs. 4,60,862 filed by the Company with regard to deposits made by it under protest. The refund claims were sanctioned by the Assistant Commissioner, Central Excise. However, in light of the fact that the appeals filed by the Department against the orders of the Assistant Commissioner were still pending, the Department has sought to recover the refund amount under S.11A of the Central Excise Act. The Company has filed its replies to the said notices dated May 28, 2004 and March 18, 2005 respectively.
- The Company received a show cause notice dated September 18, 1995 issued by the Assistant Commissioner of Central Excise, Ahmedabad in respect of modvat credit of Rs. 37,705 availed by it for the period April 1995- July 1995 on the basis of invoices issued by M/s Hindustan Petroleum Corporation and consigned to M/s Ahmedabad Induction Alloys Pvt. Ltd. This was challenged by the Department on the ground that credit can be availed only by the consignee, and not the Company. The Company has filed its reply on November 6, 1995.
- The Company has received two show cause notices dated September 11, 1995 and October 16, 1995 have been issued by the Assistant Commissioner of Central Excise, Ahmedabad to the Company on the ground that modvat credit amounting to Rs. 92,508.66 availed by the Company on the basis of the invoices issued by dealers was not to be sustained as the said invoices did not comply with several requirements under the Central Excise Rules, 1944 and were, therefore, invalid. The notices have sought the recovery of the said amount under R 57I of the Central Excise Rules, 1944 read with S. 11A of the Central Excise Act, 1944 as well as penalty for contravention of Rules 57G of the Central Excise Rules, 1944. The Company has filed its replies to the said notices on November 23, 1995.
- The Company has received a show cause notice dated September 18, 1995 demanding duty of Rs. 1,548.80 in respect of modvat credit taken on duty of packing charges shown and included in the assessable value of inputs, on the ground that credit of duty is not eligible on packing charges availed by the Company. The Company has filed its reply on November 6, 1995.
- The Company received a show cause notice dated September 18, 1995 issued by the Assistant Commissioner of Central Excise, Ahmedabad demanding the recovery of the modvat credit of Rs.1,37,700 availed by the Company on inputs of sand moulds on the ground that sand moulds are exempted from the payment of duty as they are just used as tools and not utilised in the manufacturing process. The Company has filed its reply dated November 6, 1995.



S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	E/1723/05	May 31, 2005	Department of Central Excise, Ahmedabad	Company	Customs, Excise and Service Tax Appellate Authority (the "CESTAT")	Interest as applicable	The Commissioner (Appeals), Central Excise and Customs, Ahmedabad passed an order dated February 22, 2005 upholding the demand for payment of duty of Rs.7,97,412 by the Company on the amount charged by the Company to Gujarat Electricity Board as royalty charges for the period 1998-1999 and 1999-2000. The Department has preferred an appeal before the CESTAT for the levy of interest as applicable on the said amount. The Company has maintained however, that it has already paid interest of Rs. 2,94,798 on the demand.
2.	E/1173/02	April 4, 2002	Department of Central Excise, Ahmedabad	Company	CESTAT	Rs.36,12,702	The Company received six show cause notices issued by the Superintendent of Central Excise, Ahmedabad for periods between 1998-2001 demanding the recovery of modvat credit aggregating Rs.36,12,702. The Company had availed the modavat credit on the ground that credit of specified duty on inputs manufactured by a 100% EOU was to be restricted to 95% of the duty which is equal to the additional duty leviable on like goods under S.3 of the Central Excise Tariff Act, 1985. However, the Assistant Commissioner of Central Excise,

AIA ENGINEERING LIMITED

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							<p>Ahmedabad vacated the said demands on the grounds that (1) under the proviso to S.3(1) of the Central Excise Act, duty can be levied on goods manufactured and cleared by a 100% EOU, and therefore, credit of such excise duty paid would be admissible, and (2) the same has been upheld by the decision in Vikram Ispat v. CCE, Mumbai, (2000 (120) ELT 800). Subsequently, the Department appealed to the Commissioner (Appeals), Central Excise, Ahmedabad, who held in favour of the Company and dismissed the appeal. The Department has now preferred an appeal to the CESTAT against the order of the Commissioner (Appeals).</p>
3.	Appeal E/766/04	July 13, 2004	Department of Central Excise, Ahmedabad	Company	CESTAT	Rs.5,76,010	<p>The Commissioner (Appeals) reversed the order of the Assistant Commissioner of Central Excise which levied modvat credit of Rs.5,76,010 availed by the Company on metaquinch oil used in job work as the final goods were found to have been cleared without payment of duty. The Central Excise Department has preferred an appeal to the CESTAT against the order of the Commissioner (Appeals), Central Excise.</p>



E. Civil Proceedings

(i) Labour related

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Ref. No. 2124/93	1993	Ashwin Kumar Tripathi	Company	Labour Court, Ahmedabad	Rs.80,472	The Company terminated the services of the complainant, a casual worker, after the completion of domestic enquiry procedures. However, the complainant has initiated these proceedings claiming his reinstatement and back wages aggregating Rs.80, 472. The Company filed its reply on September 20, 1994. The next hearing in this matter is on December 23, 2005.
2.	Ref.1212/93	July 27, 1993	Jayram Desai	Company	Labour Court, Ahmedabad	Rs.1,34,680	The complainant, a midpoint security guard employed on a contract basis initiated these proceedings for his reinstatement and for the payment of back wages amounting to Rs.1, 34,680. The Company in its reply has stated that the matter was settled before the workers' union on payment of Rs.4, 500 to the complainant, and that the complainant was not a regular employee of the Company. The matter is posted for the next hearing on November 30, 2005
3.	Ref.1069/1993	July 29, 1993	K.K. Bhadoria	Company	Labour Court, Ahmedabad	Rs.1, 34,680	The complainant, a midpoint security guard employed on a contract basis initiated these proceedings for his reinstatement and for the payment of back wages of Rs.1, 34,680. The Company in its

AIA ENGINEERING LIMITED

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							reply has stated that the matter was settled before the workers' union, and that the complainant was not a regular employee of the Company.
4.	P/W 200/1993	April 16, 1993	Jayram Desai and K.K. Bhadoria	Company	Labour Court, Ahmedabad	Rs. 20,838	This complaint was filed by the complainants in the above two matters for the payment of back wages amounting to Rs. 10,419 each by the Company. The next hearing in the matter is on November 9, 2005.
5.	Ref.1278/1999	November 3, 1999	Kantiji Gandaji	Company	Labour Court, Ahmedabad	Rs.3, 10,515	The complainant, a contract labourer who worked in the Company for the period March 1, 1991 and January 31, 1992 has filed this complaint for his reinstatement and back wages of Rs.3, 10,515. The Company in its reply has stated that the matter was settled before a notary and that papers are being submitted before the court for settlement order.
6.	Ref.1278/99	November 3, 1999	Dashrath Gagaji	Company	Labour Court, Ahmedabad	Rs.1, 37,160	The complainant, a contract labourer who worked in the Company for the periods April 4, 1996 -March 31, 1998 and April 8, 1998- May 2, 1999 has filed this complaint for his reinstatement and the payment of back wages of Rs.1, 37,160. The Company in its reply has stated that the matter was settled before a notary and that papers are being submitted before the court for settlement order.



S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
7.	Ref. 1376/ 1999	November 5, 1999	Jashwant Gagaji	Company	Labour Court, Ahmedabad	Rs.1, 82,880	The complainant, a contract labourer who worked in the Company for the periods February 1, 1992- December 31, 1993 and April 3, 1996 - March 31, 1998 has filed this complaint for his reinstatement. The Company in its reply has stated that the matter was settled before a notary and that papers are being submitted before the court for settlement order.
8.	Ref.549/01	August 8, 2001	Pappu Kapansingh	Company	Labour Court, Ahmedabad	NA	The complainant had been a labour contractor at the R&D unit of the respondent. His contract with the respondent expired on June 30, 2002. He has filed this complaint seeking his reinstatement as an employee.
9.	W/C 76/2002	September 3, 2002	Bharat Kalabhai Thakor	Company	Labour Court, Ahmedabad	Rs.1,00,000	The complainant has filed the petition seeking compensation of Rs.1,00,000 under the Workmen's Compensation Act. The Company has not yet filed its reply in the matter.
10.	Ref. 287/2003	April 7, 2003	Savitaben Nathabai Pandya	Company	Labour Court, Ahmedabad	Rs.77,033	The complainant had been employed on a contract labour basis through a contractor, for the period July 11, 2002 to August 11, 2002. Subsequently she absented herself and filed the complaint for reinstatement and payment of back wages of Rs.77,033. The next hearing in the matter is on October 21, 2005.

AIA ENGINEERING LIMITED

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
11.	Rec. 2021/ 2002	January 4, 2003	Savitaben Nathabai Pandya	Company	Labour Court, Ahmedabad	Rs.69,966	Along with the above mentioned complaint, the complainant has filed this complaint for the payment of legal dues of Rs. 69,966 The next hearing in the matter is on December 2, 2005.
12.	Ref.1653/98	December 22, 2003	Punaji Galaji	Company	Labour Court, Ahmedabad	Rs.53,601	The complainant had been employed as a contract labourer through a contractor. He absented himself and has now filed the complaint for reinstatement and payment of back wages aggregating Rs. 53,601. The matter is posted for hearing on November 21, 2005.

(ii) Civil suit

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Suit 1459/2004	April 26, 2004	M/s Balaji Industrial Products, Jaipur	Company	City Civil Court, Ahmedabad	Rs. 2, 63, 00, 000	Pursuant to a suit filed by the Company against M/s Balaji Industrial Products, Jaipur alleging stealing of the Company's industrial designs, M/s Balaji Industrial Products, have filed a counter petition on the ground of loss of goodwill and business and interest as a result of the suit filed by the Company. M/s Balaji Industrial Products have claimed damages of Rs. 2,63,00,000.



(iii) Motor Accidents Compensation

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
2.	MACP 901/02	February 20, 2003	Bhavanlal Hirabhai Wanker	Company	MACP Court, Ahmedabad	Rs.1,50,000 with legal costs and interest	The complainant suffered injuries in an accident involving the defendant's vehicle. The complainant has filed the claim for compensation of Rs.1.50 lakhs with costs, interest and interim relief. The matter is still pending before the MACP Court.

Litigation By The Company

A. Criminal Cases

[NIL]

B. Sales Tax Proceedings

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	SA NO. 1202/2002	December 13, 2002	Company	State of Gujarat	Gujarat Sales Tax Tribunal	Rs.1,39,306 + interest of Rs. 1,39,306	The Assistant Commissioner of Sales Tax had raised a demand against the Company for the period 1994-1995 for the payment of sales tax amounting to Rs.1,39,306 in respect of the sale of its DEPB licenses. The Company contended that these licences do not fall within the classification of goods, and hence not liable to tax, and also that the benefit of Entry 254A of the notification issued under section 49 (2) of the Central Sales Tax Act, 1956 (the "CST Act") was available to it. However, the Assistant Commissioner of Sales Tax confirmed the demand for the sales

AIA ENGINEERING LIMITED

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							tax. Though the assessment order of the Assistant Commissioner did not levy interest, the Sales Tax Officer also levied interest on the said amount. The Deputy Commissioner of Sales tax in appeal upheld the levy of sales tax, but did not rule on the issue of payment of interest. The Company has preferred an Appeal to the Gujarat Sales Tax Tribunal against the levy.
2.		January 28, 2004	Company	Department of Central Sales Tax, Ahmedabad	Gujarat Sales Tax Tribunal	Rs.15,275 + Rs.1,45,146	The Company claimed interest on the refund amounts of Rs.33,210 and Rs.3,81,909 that it was entitled to for the period 1997-1998 and 1998 - 1999 respectively. These claims were rejected by the Deputy Commissioner of Sales Tax in the First Appeals on the ground that there was no provision for the payment of interest in the CST Act. The Company has however maintained that section 9(2) of the CST Act provides for payment of interest and preferred Second Appeals to the Gujarat Sales Tax Tribunal from the said two orders of the Deputy Commissioner of Sales Tax.
3.			Company	Department of Central Sales Tax, Ahmedabad	Gujarat Sales Tax Tribunal	Rs.97, 464	The Company has preferred an appeal to the Gujarat Sales Tax Tribunal against the order of the Deputy Commissioner of Sales Tax, Ahmedabad



S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							contending that it is not liable to pay sales tax of Rs.97, 463 on the royalty and erection and commissioning charges in its contract for the provision of services to the Gujarat Electricity Board as it is eligible for exemption given for divisible works contracts. Accordingly, the Company has claimed refund of the amount that it had wrongly collected from Gujarat Electricity Board as sales tax and paid to the Sales Tax Department.

C. Excise Proceedings

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Appeal No. 3996/99	November 29, 1999	Company	Central Excise Department, Ahmedabad	CESTAT	Rs.2,09,812	By order dated September 28, 1999 the Commissioner (Appeals), Central Excise, Ahmedabad upheld the notice of demand issued by the Department of Central Excise to the Company for the period April 1996 to August 1996 for the recovery of modvat credit of Rs.2,09,812 availed by the Company on Light Diesel Oil ("LDO") used for job work on goods, on the ground that it had been wrongly availed. Further, the goods were being cleared without paying excise duty on them. The Company has preferred an appeal before the CESTAT.

AIA ENGINEERING LIMITED

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
2.	Appeal No. 3998/99	November 29, 1999	Company	Department of Central Excise, Ahmedabad	CESTAT	Rs.123, 996 + Rs.1000	By order dated September 28, 1999 the Commissioner (Appeals), Central Excise, Ahmedabad upheld the notice of demand issued by the Department of Central Excise to the Company for the period September 1996 to February 1997 for the recovery of modvat credit of Rs.1,23,996 availed by the Company coupled with penalty of Rs.1000 on the ground that the Company had wrongly availed of modvat credit on LDO used for job work on goods, and was clearing the same without paying excise duty on it. The Company has preferred an appeal before the CESTAT.
3.	Appeal No. 3997/99	November 29, 1999	Company	Department of Central Excise, Ahmedabad	CESTAT	Rs.8,33,348 + Rs.8,33,348	By order dated September 28, 1999 the Commissioner (Appeals), Central Excise, Ahmedabad upheld the notice of demand issued by the Department of Central Excise to the Company for the period April 1994 to March 1996 for the recovery of modvat credit of Rs.8,33,348 availed by the Company coupled with penalty of Rs.8,33,348 on the ground that the Company had wrongly availed of modvat credit on LDO used for job work on goods, and was clearing the same



S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							without paying excise duty on it. The Company has preferred an appeal against this order before the CESTAT.
4.	E/2675/05/05-Mum	August 10, 2005	Company	Department of Central Excise, Ahmedabad	CESTAT	Rs.24,87,590 + Rs.22,00,000	The Commissioner of Central Excise, Ahmedabad confirmed the demand of the department for the reversal of modvat credit amounting to Rs.24,87,590 availed by the Company for the period June 2001 to February 2003 on the grounds that the dealer of the input had issued fraudulent invoices, and that the Company had availed of cenvat credit without actual receipt of the material. Further, a penalty of Rs. 22 lakhs was also imposed on the Company. The Company has preferred an appeal to the CESTAT and paid the amount of Rs. 24,87,590 under protest.
5.	167/Ahd-II/ 05	September 26, 2005	Company	Department of Central Excise, Ahmedabad	Commissioner (Appeals), Central Excise, Ahmedabad	2,63,040/- + penalty of Rs. 50,000/-	The Assistant Commissioner of Central Excise, Ahmedabad, by his order No. MP/31/DA 2005-06 dated August 30, 2005 confirmed the demand of Rs. 2,63,040 against the Company for the month May-2005 on the ground that erection and commissioning works carried out on the customer's premises involved the sale of goods, thereby being liable to be included in

AIA ENGINEERING LIMITED

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							the assessable value of goods. The Company has preferred an appeal to the Commissioner (Appeals), Central Excise, Ahmedabad.

D. Civil Proceedings

(i) Intellectual Property

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Civil Application No. 3391/2002	May 1, 2005	Company	M/s Balaji Industrial Products, Jaipur, Mr. Bharat Dand, Ahmedabad and M/s J.K. Foundry Engineering, Ahmedabad	Gujarat High Court	NA (Injunction has been sought)	The Company had filed a civil suit against M/s Balaji Industrial Products on the ground that it had copied designs of certain products like grinding media for zinc ore and of inserted rolls and ball sorting machine acting in concert with two former employees of the Company. On appeal, the High Court issued an interim injunction against the respondents ordering them to refrain from using the Company's confidential and proprietary information till the case is finally disposed of.

The Company has filed an application of opposition in the European Patent Office to the grant of Patent No. EP 0 998 353 B1 on December 22, 2004 to Magotteaux International S.A. in respect of 'broyeur tubulaire,' rotary mill having internal armour plating. The opposition was filed in the last week of September



(ii) *Civil Suit*

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Civil Suit No. 2345/2004 and Civil Suit No. 2347/2004 with stay application	September 6, 2004	Company	Ahmedabad Municipal Corporation	Civil court, Ahmedabad		The Ahmedabad Municipal Corporation had issued notice for the demolition of sheds at Plot Nos. 81, 82 and 271 owned by the Company. The Company has challenged the notice and filed the cases.

Pursuant to certain reports that the Company received of M/s Andhra Pradesh Power generation Corporation ("APGENCO") having called a representative of Northern Alloys Foundry, Bhavnagar to its unit to copy the design and technical details of the equipment provided to it by the Company, The Company through a letter dated Oct 11, 2004 has requested M/s APGENCO to refrain from using proprietary information supplied to them by the Company. The Company has not received any response from M/s APGENCO in this regard.

LITIGATION INVOLVING THE SUBSIDIARIES

RECLAMATION WELDING LTD. ("RWL")

A. Excise Proceedings

- RWL has received a show cause notice dated November 20, 2001 issued by the Deputy Commissioner of Central Excise, Ahmedabad in relation to the recovery of excess modvat credit of Rs. 59,021 availed by RWL for the period December 2000 to March 2001. RWL has filed a reply with the Deputy Commissioner of Central Excise, Ahmedabad on December 18, 2001.

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	E/ 2674 / 05/ Mum	August 10, 2005	RWL	Department of Central Excise	CESTAT	Rs. 28,91,240	The Additional Commissioner of Central Excise initiated proceedings against the Company for availing of cenvat credit of Rs. 28,91,240 on manufacturing inputs without physically receiving them in its factory premises. RWL has preferred an appeal to the CESTAT paying an amount of Rs.2891240/- under protest.

AIA ENGINEERING LIMITED

B. Civil Proceedings

(i) Labour proceedings

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Ref. LCA/589/04	May 31, 2004	Ajithbhai Dhanjibhai Patel C/o Active Lab Association	RWL and Contractor Shiva Fabrications	Labour Court, Ahmedabad	Rs.62,790	The complainant, a contract labourer has initiated proceedings for reinstatement, and for the payment of back wages and costs of Rs.5,000. RWL has filed its written statement in the matter.
2.	27/99	August 9, 1999	Employee State Insurance ("ESI") Corporation	RWL	ESI Court, Ahmedabad	Rs.1,16,103	The ESI Corporation has filed an appeal against RWL before the ESI Court, Ahmedabad for the payment of Rs.1,16,103 as production incentive to employees. RWL has already paid a sum of Rs.71,376 under protest. Presently, the matter is pending before the ESI Court.

PARAMOUNT CENTRISPUN CASTINGS LTD. ("PCCL")

A. Excise Proceedings

- PCCL has received a show cause notice dated February 10, 2005 issued by the Deputy Commissioner of Central Excise, Nagpur in relation to duty amounting to Rs.1,16,016 payable on the cost of transit of manufactured goods from the premises of PCCL to the buyer's premises for the period April 1, 2000 to March 31, 2002. The notice also raised a demand for the payment of penalty under section 11AC of the Central Excise Act, 1944 and interest on the said amount under section 11AB of the Central Excise Act, 1944. PCCL has filed its reply before the Deputy Commissioner of Central Excise stating that the decision in the Prabhat Zarda Factory Limited case on which the Department relied in issuing the show cause notice had been subsequently overruled by the Supreme Court.

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Central Excise Appeal No. E 3490/04 Mumbai 2004	December, 07, 2004	Paramount Centrispun Castings Private Limited	Commissioner of Central Excise Nagpur	CESTAT, Mumbai	Rs.50,000/- plus interest as applicable	PCCL received a show cause notice demanding interest on the short payment of excise duty amounting to Rs. 18,57,524 from the date of short payment till the date of



S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							<p>actual payment under section 11AB of the Central Excise Act, 1944 and the imposition of penalty under Rule 173Q of the Central Excise Rules, 1944 and under Rule 26 of the Central Excise Rules, 2002. This was confirmed by the Deputy Commissioner of Central Excise. Against this, the Company appealed to the Commissioner (Appeals), Customs and Central Excise, Nagpur. The Commissioner (Appeals) upheld the order of the Deputy Commissioner, and held that interest under S.11A of the Central Excise Act was recoverable up to May 10, 2001 on account of the late payment of duty after completion of three months from the date of detection/ determination of duty by the Department and under S.11B from May 11, 2001 on account of delayed payment of differential duty. However, the penalty imposed under Rule 173Q of the Central Excise Rules, 1944 was reduced to Rs.50,000. PCCL has preferred an appeal to the CESTAT, Mumbai.</p>

AIA ENGINEERING LIMITED

B. Civil Proceedings

(i) Consumer Dispute

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Complaint Case No. 137/04	October 20, 2004	M/s Sree Radhe Industries Ltd., Bilaspur	PCCL	District Consumer Dispute Redressal Forum, Chattisgarh	Rs.1,92,000	The complainant filed a complaint against PCCL alleging certain manufacturing defects in the feed tube supplied to it by PCCL. the complainant has also sought the replacement of the castings supplied or alternatively, the refund of Rs.1,92,000 paid by it to PCCL.

LITIGATION INVOLVING THE PROMOTER

The Government Labour and Reconciliation Officer, Ahmedabad has filed a complaint against the Company and Mr. Bhadresh Shah in his capacity as the Managing Director of the Company in the Court of the Metropolitan Magistrate, Ahmedabad. For details, please refer to the section on litigation against the Company.

LITIGATION INVOLVING OUR PROMOTER GROUP COMPANIES AND OTHER ENTITIES

WELCAST STEELS LTD. ("WSL")

A. Criminal Cases

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration (Rs.)	Nature of Case
1.	CC-3790/03	April, 28, 2004	State of Karnataka	VVR Mohana Rao, Occupier, WSL	Additional Chief Metropolitan Magistrate, Bangalore	Punishment to be decided by the Court	The Inspector of Factories has filed this case against WSL in relation to an industrial accident resulting in the death of a contract worker on May 27, 2003 alleging the violation of sections 21(1)(iv) and 7A(1) of the Factories Act, 1948 in failing to foresee the hazards associated with unguarded machinery in the factory and in failing to provide necessary measures to ensure safety of the worker.



S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration (Rs.)	Nature of Case
2.	CC-17878/03	May 31, 2004	Sub-Inspector of Police, Jahahalli Police Station	VVR Mohana rao, Director, WSL	Additional Chief Metropolitan Magistrate, Bangalore	To be decided by the Court	Case filed in relation to an industrial accident resulting in the death of a contract workman on May 27, 2003.

B. Income Tax Proceedings

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration (Rs.)	Nature of Case
1.	Income Tax Appeal-300/03	Not available	Department of Income Tax	WSL	High Court of Judicature at Bangalore	Rs. 1,23,761	WSL had claimed deduction of an amount of Rs.1,80,279 under section 80HHC of the Income Tax Act, 1961 read with section 80AB of the Income Tax Act for the Assessment Year 1992-1993, which claim was not allowed by the Assessing Officer. On appeal by WSL, the Commissioner of Income Tax, Bangalore confirmed the order of the Assessing Officer. In the appeal filed by WSL before the Income Tax Appellate Tribunal, the finding of the Commissioner of Income Tax was reversed. The Department has preferred an appeal.
2.	Income Tax Appeal NIL/2004	Not available	WSL	Department of Income Tax	Income Tax Appellate Tribunal, Bangalore	Rs. 15,55,936	WSL claimed a deduction under section 80HHC of the Income Tax Act, 1961 and consequently a difference in the assessable income for the year 2001-2002. This was rejected by the assessing officer. WSL has preferred an appeal.

AIA ENGINEERING LIMITED

C. Excise Proceedings

WSL was issued a show cause notice dated May 6, 2002 by the Commissioner of Central Excise, Bangalore for the reversal of excess credit of Rs.40,583 availed on inputs purchased from a 100% EOU in the period April 2000 to August 2001 and demanding payment of the said amount along with penalty under the provisions of rule 173Q of the Central Excise Rules, 1944 and section 11AC of the Central Excise Act, 1944 and interest under section 11AB of the Central Excise Act, 1944. WSL has filed its reply to the said show cause notice on June 5, 2002.

KEYUR FINANCIAL SERVICES LIMITED ("KFSL")

A. Income Tax

- KFSL was assessed to income tax under section 143(3) of the Income Tax Act, 1961 for the assessment year 1997-1998 whereunder the Additional Commissioner of Income Tax made a demand of Rs. 5,80,164. KFSL preferred an appeal against this assessment order. While the appeal was pending, the Income Tax Officer passed order under sections 220(2), 234B and 234C of the Income Tax Act, 1961 levying interest on the said demand. KFSL has filed a reply dated December 19, 2002 with the Commissioner of Income Tax requesting waiver of interest of Rs.5,25,17 charged under section 234B of the Income Tax Act, and of Rs.20,734 charged under section 234C. By letter dated January 17, 2003, KFSL has represented to the Recovery Officer, Ahmedabad that the of the total outstanding income tax of Rs.5,80,164, KFSL has already paid an amount of Rs.6,40,000 and that therefore, the interest may be waived.

GREYCAST FOUNDRY WORKS ("GCFW")

A. Criminal Proceedings

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Ref.3661/93, ref.3662/93 and Ref.3663/93	November 19, 1998	Government Factory Inspector	GCFW	Criminal court	Rs.10,000	The Government Factory Inspector initiated proceedings on the grounds of non-issue of identity cards and leave cards etc. to contract labourers.

B. Excise Proceedings

- GCFW received show cause notice V/73/15-103/OA/2005 dated January 18, 2005 issued by the Joint Commissioner of Central Excise and Customs for the reversal of modvat credit of Rs.6,31,091 availed by GCFW in the period Aug 2001- June 03 on the grounds that the dealer of the input had issued fraudulent invoices and that the Company had availed of cenvat credit without actual receipt of the material. GFW has filed its reply dated January 31, 2005 with the Joint Commissioner of Central Excise and Customs.

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Appeal No. E/3478/03	November 24, 2003	Department of Central Excise, Ahmedabad	GCFW	CESTAT	Rs.5,03,230	GCFW received five show cause notices for periods between 1998 and 1999 demanding the recovery of modvat credit amounting to Rs.503230 alleged to have been wrongly availed by them. The demand was made on the ground that as per the provisions of



S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							<p>Notification 5/94-CE (NT) issued by Department of Central Excise, credit of specified duty of inputs manufactured by a 100% EOU was to be restricted to 95% of the duty which is equal to the additional duty leviable on the like goods under S.3 of the Central Excise Tariff Act, 1985. However, the Assistant Commissioner of Central Excise, Ahmedabad vacated the said demands on the grounds that (1) under the proviso to S.3(1) of the Central Excise Act, duty can be levied on goods manufactured and cleared by a 100% EOU, and therefore, credit of such excise duty paid would be admissible, and (2) the same has been upheld by the decision in <i>Vikram Ispat v. CCE, Mumbai</i>, (2000 (120) ELT 800). Subsequently, the Department appealed to the Commissioner (Appeals). The Commissioner (Appeals) held in favour of GCFW and dismissed the appeal. Against this order, the Department has filed an appeal before the CESTAT.</p>

AIA ENGINEERING LIMITED

C. Civil Proceedings

(i) Labour related

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Ref. 2117/00	January 25, 2001	Zaverbhai Jakshibhai	GCFW	Labour Court, Ahmedabad	Rs.1,23,552	The complainant was a permanent worker of the Company who absented himself from work from March 28, 1999. Thereafter he filed the complaint for reinstatement as employee of the Company and payment of back wages of Rs.1,23,552.
2.	D. 50/02 and D.24/03	August 20, 2002	All the contract workers of GCFW	GCFW	Labour Court, Ahmedabad	Rs.4,10,880	A certain Mr. Kazi filed the demand case for increase in the wages of the contract labourers and to bring them on par with the wages of permanent workers of the Company.
3.	Ref. 639/04	June 7, 2004	Punaji Gandaji	GCFW	Labour Court, Ahmedabad	NA	The complainant has filed this complaint for his reinstatement as an employee of the Company. However, the Company has maintained that he was not an employee of the Company and that this is a bogus case.
4.	Ref. 1326/04 and Ref. 1794/04	August 6, 2004	Vijay Labhshanker	GCFW	Labour Court, Ahmedabad	Rs.2,57,564	The complainant has initiated these proceedings for his reinstatement as an employee of the Company and the payment of back wages. However, the Company has maintained that he was not an employee of the Company and that this is a bogus case.
5.	P/W 46/05	March 16, 2005	Mustaq Gulabkhan	GCFW	Labour Court, Ahmedabad	Rs.58,005	The complainant, a contractor's worker was undergoing treatment in ESI hospital following



S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							an accident at work, in the premises of the Company. He subsequently absented himself and filed the case for payment of Rs.58,005.
6.	W/C 30/05	March 16, 2005	Mustaq Gulabkhan	GCFW	Labour Court, Ahmedabad	Rs.1,10,000	The complainant in the abovementioned case filed this case for the payment of Rs.1,10,000 under the Workman's Compensation Act
7.	Ref.653/05	March 16, 2005	Mustaq Gulabkhan	GCFW	Labour Court, Ahmedabad	Rs.13,712	The complainant in the abovementioned case filed this case for his reinstatement as employee of the Company and payment of wages after absents himself from work subsequent to his treatment in the ESI hospital.
8.	Ref.71/2002	December, 2002	GCFW	ESI Corporation	ESI Court		GCFW has filed this case challenging the demand raised by the ESI Corporation for the contribution of 80% bill value of contractors.

CENTRICAST ENTERPRISES PRIVATE LIMITED ("CEPL")

A. Excise Proceedings

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.			Department of Central Excise, Ahmedabad	CEPL	Assistant Commissioner of Central Excise, Ahmedabad	Rs. 2,94,392 + penalty of Rs. 2,94,392	CEPL received a show cause notice issued by the Assistant Commissioner of Central Excise and Customs for the reversal of modvat credit of Rs.2,94,392 availed by CEPL in the period September 2001-January 2003 on the grounds that the

AIA ENGINEERING LIMITED

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							dealer of the input had issued fraudulent invoices and that CEPL had availed of cenvat credit without actual receipt of the material.. By order-in-original dated September 14, 2005, the Assistant Commissioner of Central Excise, Ahmedabad confirmed the demand of Rs. 2,94,392 and imposed penalty of Rs.2,94,392, as well as interest under Section 11AB of the Central Excise Act, 1944. The Company intends to prefer an appeal to the Commissioner (Appeals), Ahmedabad against the said order.

B. Civil Proceedings

(i) Labour related

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
1.	Ref. 1233/97	December 9, 1997	Bhupatbhai A Zala and 5 other contract labourers	CEPL	Labour Court, Ahmedabad	Rs. 6,28,241	The complainants, who were employed by the Company as contract labourers, absented themselves and filed the complaint for reinstatement and payment of back wages.
2.	Ref. 1238/97	December 9, 1997	Dolatsinh Shanabhai	CEPL	Labour Court, Ahmedabad	Rs.1,25,096	The complainant worked in the Company as a contract labourer in the contract of Bharat Lab. Contractor. The contract of the said contractor with the Company terminated on May 18, 1997. Thereafter, the complainant filed the



S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
							complaint for his reinstatement as an employee of the Company and payment of back wages.
3.	Ref. 1239/97	December 9, 1997	Fulsinh Andarsinh and Arvind Kalabhai	CEPL	Labour Court, Ahmedabad	Rs. 2,50,192	The complainants worked in the Company as contract labourers in the contract of Bharat Lab. Contractor. The contract of the said contractor with the Company terminated on May 18, 1997. Thereafter, the complainants filed the complaint for reinstatement as employees of the Company and payment of back wages.
4.	Ref. 541/01 and Ref. 1059/03	August 8, 2001	Ramesh Bhudarbai and 10 other contract labourers	CEPL	Labour Court, Ahmedabad	Rs. 12,22,012	The complainants worked in the Company for certain periods as contract labourers in the contract of Jay Ambe Carriers Contractor and then remained absent. Thereafter, the complainants filed the complaint for reinstatement as employees of the Company.
5.	Ref. 1059/03	June 12, 2003	Govind Chandubhai and 10 other contract labourers	CEPL	Labour Court, Ahmedabad	Rs.35,532	The complainants worked in the Company for certain periods as contract labourers in the contract of Jay Ambe Carriers Contractor and then remained absent. Thereafter, the complainants filed the complaint for reinstatement as employees of the Company and for the payment of back wages.

AIA ENGINEERING LIMITED

S. No.	Appeal No. / Case No.	Dated	Complainant/ Applicant/ Plaintiff	Respondent/ Defendant	Name and Address of Court/ Arbitration Tribunal	Amount under Consideration	Nature of Case
6.	32/2003	August 18, 2003	CEPL	ESI Corporation	ESI Court		CEPL has filed this case challenging the demand raised by the ESI Corporation for contribution amounting to 80% of the billing value of contractors

LITIGATION INVOLVING THE DIRECTORS**Litigation against the Promoter Director**

The Government Labour and Reconciliation Officer, Ahmedabad has filed a complaint against the Company and Mr. Bhadresh Shah Managing Director of the Company in the Court of the Metropolitan Magistrate, Ahmedabad. For details, please refer to the section on litigation against the Company.



REGULATORY APPROVALS

The Company has received all the necessary registrations, approvals, certifications, consents, licenses and permissions from the Government and various Government agencies / private certification bodies required for its present business and no further approvals are required for carrying on the present as well as the proposed business of the Company except as stated in this Red Herring Prospectus. It must, however, be distinctly understood that in granting the above registrations / approvals / certifications / consents / licenses and permissions, the Government does 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.

The Company has received the following Government approvals/licenses/permissions:

Item	Registration / Approval / Certificate / Consent / Licence / Permission
1.	Factory License No. 098677 dated May 12, 1979 issued under the Factories Act, 1948 in respect of the Unit No.1 at Odhav, valid in respect of 250 workers, and until December 31, 2005
2.	Factory License No. 098678 dated February 1, 1983 issued under the Factories Act, 1948 in respect of the Unit No.2 at Odhav, valid in respect of 250 workers, and until December 31, 2005
3.	Factory License No. 012692 dated November 1, 2000 issued under the Factories Act, 1948 in respect of the Unit No.3 at Odhav, valid in respect of 250 workers, and until December 31, 2005
4.	Factory License No. 095298 dated February 1, 2003 issued under the Factories Act, 1948 in respect of the Unit No.4 at Odhav, valid in respect of 250 workers, and until December 31, 2005
5.	Factory License No. 013144 dated October 20, 2001 issued under the Factories Act, 1948 in respect of the Unit No.5 at Odhav, valid in respect of 250 workers, and until December 31, 2005
6.	Factory License No. 085817 dated June 1, 1993 issued under the Factories Act, 1948 in respect of the Unit No.6 at Odhav, valid in respect of 250 workers, and until December 31, 2005
7.	Contract Labour Registration Certificate No. CL / 8 (2) I / CLA / CLR / 979 dated June 23, 1994 issued under the Contract Labour (Regulation and Abolition) Act, 1970
8.	Registration Certificate No. ABD 2102 issued under the Labour Welfare Fund Act, 1953
9.	Registration certificate No. GJ / 11270 / APP / 454 April 27, 1982 issued under the Employee's Provident Funds Act, 1952 and allotting Code No. GJ / 11270
10.	Letter from the Directorate General of Inspection, Custom and Central Excise allotting ECC number AABCA2777JXM002 dated February 24, 2000.
11.	Certificate dated June 13, 2001 from the Ministry of Commerce allotting IEC Number 0888003986
12.	Letter dated March 26, 2003 from the Office of the Deputy / Assistant Commissioner of Central Excise allotting Service Tax Code Number AABCA2777JST001
13.	Letter dated December 9, 1998 from the Office of the Deputy Commissioner of Income Tax allotting Permanent Account Number AABCA2777J
14.	Letter No. 0331 dated December 6, 1978 from allotting Central Sales Tax No. GUJ10B2726
15.	Form No. 2 dated July 1, 2002 from the Gujarat Sales Tax Authorities Gujarat Sales Tax No. 07510228631.
16.	Gujarat Pollution Control Board Consent Order No. 5520 dated March 14, 2005 under the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 permitting manufacture of up to 800 MT per month of steel castings (valid until December 31, 2005).
17.	Gujarat Pollution Control Board Consent Order No. 5521 March 10, 2005 under the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 permitting heat treatment and machinery of raw castings such as ring / tyre / table liner / hollow balls etc. and heat treatment of grinding media, liner, table liner and tyres of alloy steel, up to quantities of 416 MT and 1200 MT per month (valid until May 23, 2009)
18.	Gujarat Pollution Control Board Consent Order No. 3434 dated July 29, 2004 issued under Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 permitting heat treatment, machinery and inspection of inserted rolls up to a quantity of 200 MT per month., and fettling heat treatment and inspection of VSMS up to a quantity of 100 MT per month (valid until May 13, 2009)
19.	Gujarat Pollution Control Board Consent Order No. 3833 dated September 2, 2004 issued to Gray Cast Foundry Works under the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 conveying their consent for the manufacture of up to 150 MT per month of steel castings (valid until September 2, 2005)

AIA ENGINEERING LIMITED

Item	Registration / Approval / Certificate / Consent / Licence / Permission
20.	Letter No. GPCB / CCA / ABD / OD – 60 / 7119 dated March 11, 2005 issued by the Gujarat Pollution Control Board to the Company amending Consent Order No. 3833 to be in the name of the Company.
21.	Gujarat Pollution Control Board Consent Order No. 3335 dated July 23, 2004 issued to Centricast Enterprises Private Limited under the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 permitting the manufacture of up to 150 MT of steel castings (valid until January 31, 2009)
22.	Letter No. GPCB / CCA / ABD / OD – 62 / 6598 dated March 7, 2005 amending Consent Order No. 3335 to be in the name of the Company.
23.	No Objection Certificate No. GPCB / NOC / ABD / OD – 1026 / 13709 dated May 9, 2005 for the manufacture of Fabrication of flow control diaphragm and machining of vertical mill spares at Moraiya, Gujarat.
24.	Letter No. GJ / AMD / HP – 635 / B dated June 14, 2001 from the Department of Explosives according permission to store 41 KL of FO / LDO at Odhav
25.	Letter No. OM / COM / S / PG – 116 / P / 6758 dated September 3, 1993 from the Gujarat Electricity Board laying down conditions on which they will grant consent for use of a diesel generator set.
26.	Letter No. 20856 dated November 3, 2001 from the Office of the Chief Electrical Inspector and Collector of Electrical Duty conveying recognition of the Company as a continuous processing industry.
27.	Certificates No. 041, 044, 0065, 0066 and 0070 dated September 30, 2004 and issued under the Certified Weighment and Measurement (Regulation) Rules, 1985.
28.	Letter No. OD / TECH – 1 / HT / 76-A / 3870 dated April 10, 1996 from the Gujarat Electricity Board conveying release of 2400 KVA of power
29.	Acknowledgement No. 841 / SIA / IMO / 2005 dated February 25, 2005 from the Secretariat of Industrial Assistance acknowledging receipt of an industrial entrepreneur memorandum in respect of manufacture of “other cast articles of iron and steel falling under NIC description Casting of Iron or Steel” at GVMM Estate, Odhav, Gujarat
30.	Acknowledgement No. 1246 / SIA / IMO / 2005 dated March 17, 2005 acknowledging receipt of an industrial entrepreneur memorandum in respect of manufacture of “other cast articles of iron and steel falling under NIC description Casting of Iron or Steel” at Moraiya, Gujarat.
31.	Acknowledgement No. 4099 / SIA / IMO / 95 dated August 11, 1995 from the Secretariat of Industrial Assistance acknowledging receipt of an industrial entrepreneur memorandum in respect of manufacture of “other cast articles of iron and steel falling under NIC description Casting of Iron or Steel” at Moraiya, Gujarat.
32.	Acknowledgement No. 434 /SIA/IMO/2005 dated February 2, 2005 from the Secretariat of Industrial Assistance acknowledging receipt of an industrial entrepreneur memorandum in respect of manufacture of “other cast articles of iron and steel falling under NIC Casting of Iron and Steel “ at Moraiya, Gujarat.
33.	Certificate dated December 11, 1995 issued under the Karnataka Shops and Commercial Establishments Act, 1961 according registration no. 66A / CE / 0371 (valid until December 31, 2009)
34.	Certificate of Approval No. I 60783 dated August 14, 2002 from Lloyd’s Register Quality Assurance according BS EN ISO 9001:2000 recognition to the Company in relation to the design, development, manufacture, installation and service support of wear and heat resistant parts required for cement mining and thermal power generation industries.
35.	Registration-cum-Membership Certificate from the Engineering Export Promotion Council dated September 8, 2003 according registration number RCMC:B:MFG:4087:2003-04 in respect of steel and alloy castings (excluding ingots / billets / blanks), cast iron (excluding manhole covers, pipes and flanges) (valid until March 31, 2007)
36.	Certificate of Recognition dated November 10, 2004 issued to the Company by the Ministry of Commerce & Industry according two star export house status on the Company, valid for a period of five years until March 31, 2009.
37.	Letter Ref. No. Fe.CO.OID dated February 4, 2005 issued by the RBI allotting identification number AHWAZ20050026 in respect of the Company’s wholly owned subsidiary in Canada.
38.	Letter Ref. No. EC.CO.OID 4227 / 19.01.33 / 2002-2003 dated February 3, 2003 allotting identification number AHWAZ20030024 in respect of the Company’s wholly owned subsidiary in the UAE.
39.	Letter No. 37 43 / SIA / NFC / 2004 – NRI dated December 24, 2004 issued by the Secretariat of Industrial Assistance to the Company, conveying consent for the conversion of 1,913,324 non-repatriable preference shares issued to SNM Investments, Mauritius into 1,66,376 equity shares, and the balance into repatriable preference shares.
40.	RBI Letter No. FE.AH.FID.No.465 / 06.04.15A (A) / 2004-05 dated march 17, 2005 acknowledging AIA report in FC-GPR regarding issue of equity shares and preference shares to SNM Investments, Mauritius with repatriation benefits.



Item	Registration / Approval / Certificate / Consent / Licence / Permission
41.	Code no. 37-11241-57 granted by the Employees State Insurance Corporation allotting ESI Registration.
42.	Letter dated June 9, 2005 to the Regional Director, Employees State Insurance Corporation, Ahmedabad requesting a change in name from AIA Engineering Pvt. Ltd. to AIA Engineering Ltd.

Pending

The following approvals had been obtained by Gray Cast Foundry Works and Centricast Enterprises Private Limited. The Company has submitted applications for the mutation of such approvals to the name of the Company.

Item	Registration / Approval / Certificate / Consent / Licence / Permission
1.	Certificates Nos. 0036 and 0044 dated August 30, 2004 and issued under the Certified Weighment and Measurement (Regulation) Rules, 1985 to Gray Cast Foundry Works
2.	Certificates Nos. 0035 and 0043 dated August 30, 2004 issued under the Certified Weighment and Measurement (Regulation) Rules, 1985 to Centricast Enterprises Private Limited
3.	Letter No. 25959 from the Office of the Chief Electrical Inspector and Collector of Electricity Duty dated December 24, 2001 conveying recognition of Gray Cast Foundry Works as a continuous processing industry.
4.	Letter No. 25963 dated December 24, 2001 from the Office of the Chief Electrical Inspector and Collector of Electrical Duty conveying recognition of Centricast Enterprises Private Limited as a continuous processing industry.
5.	Letter No. 4995 dated July 31, 2005 from the Office of the Executive Engineer (O&M), Gujarat Electricity Board – for the release of 150 KVA additional load HT Power Supply to Centricast Enterprises Private Limited.
6.	Letter No. UGVCL?Corpt/Com/17033/5875 dated August 23, 2005 from the office of the Joint Managing Director, Uttar Gujarat Vij Company Limited – for reduction in contract demand from 550 KVA to 475 KVA, HT power supply to Gray Cast Foundry Works

RECLAMATION WELDING LIMITED (RWL)

Item	Registration / Approval / Certificate / Consent / Licence / Permission
1.	Factory License No. 15425 dated February 5, 1993 issued under the Factories Act, 1948 in respect of the Unit No.1 (Plot Nos. 127,128,129,129A,130,130E,130E1), valid in respect of 250 worker workers, and until December 31, 2005
2.	Registration certificate No. GJ / 37 –13259-67 / dated April 27, 1993, issued under the E S. I. C. Act, 1952 and allotting Code No. 37-13259-67
3.	Professional tax registration certificate No. R.234009950 dated March 30, 1993 issued under the Gujarat Sales Tax on Professions Trades Callings and Employments Act, 1976.
4.	Contract Labour Registration Certificate No. 458 / 93 dated April 19, 1993 issued under the Contract Labour (Regulation and Abolition) Act, 1970
5.	Registration Certificate No. ABD 2735 / 93 dated issued under the Labour Welfare Fund Act, 1953.
6.	Registration certificate No. GJ / 15987 dated October 5, 1993 issued under the Employee's Provident Funds Act, 1952 and allotting Code No. GJ / 15987-A
7.	Form RC. dated July 13, 2005 from the Directorate General of Inspection, Custom and Central Excise allotting ECC Number AAACR7383J/XM/001
8.	Weighment Certificate no. 026 dated December 12, 2004 under the Certified Weighment and Measurement (Regulation) Rules, 1985.
9.	Weighment Certificate no. 034 dated May 12, 2005 under the Certified Weighment and Measurement (Regulation) Rules, 1985.
10.	Registration certificate from the Engineering Export promotion Council dated January1, 2004 valid up to March 31, 2007 allotting registration no.RCMC:B:MFG.:4461:2003-04 for Ferrous Alloy Steel Casting.
11.	Certificate dated December 09, 2003 from the Ministry of Commerce allotting IEC Number 0803009461.
12.	Letter no. RWL/ST Application/2005-06 dated May 17, 2005 addressed to the Office of the Deputy / Assistant Commissioner of Central Excise applying for Service Tax Registration.
13.	Letter no. 912379/6/1484 dated June 13, 1999 from the Office of the Deputy Commissioner of Income Tax allotting a new Permanent Account Number AAAC
14.	Form KH dated January 28, 1993 allotting Central Sales Tax No. GUJ 11J 10662

AIA ENGINEERING LIMITED

Item	Registration / Approval / Certificate / Consent / Licence / Permission
15.	Form No.2 dated July 1, 2002 from the Gujarat Sales Tax authority allotting Gujarat Sales Tax No. 0751010944.
16.	Gujarat Pollution Control Board Consent Order No. 4950 dated January 1, 2005 under the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 permitting manufacture of up to 800 MT per month of steel castings (valid until December 31, 2005). The Company has vide letter No.GPCB/CCA/ABD/OD-81/10860 dated 13/04/2005 sought to extend the validity period up to 30/10/2009.
17.	Letter No. G-40 (GUJ) FO/P/2000 dated August 10, 2000 from the Department of Explosives according permission to store 15 KL of FO / LDO at the Odhav premises.
18.	Letter No. 20851 dated November 3, 2001 from the Office of the Chief Electrical Inspector and Collector of Electrical Duty conveying recognition of the Company as a continuous processing industry.

PARAMOUNT CENTRISPUN CASTINGS PRIVATE LIMITED (PCCL)

Item	Registration / Approval / Certificate / Consent / Licence / Permission
1.	Factory Licence no. 896/Nag/2(m)(i) dated January 10, 1996
2.	Central Excise registration certificate dated November 27, 2001 granting registration no. AABCP0023CXM001
3.	Contract Labour Registration Certificate No. 262 dated January 06, 1997 issued under the Contract Labour (Regulation and Abolition) Act, 1970
4.	Registration Certificate No. 41FP70045 dated [%] issued under the Labour Welfare Fund Act, 1953.
5.	Registration certificate No. 35678/MSD/570 dated [%] issued under the Employee's Provident Funds Act, 1952 and allotting Code No. GJ / 15987-A
6.	Certificate dated August 13, 2003 from the Ministry of Commerce allotting IEC no.0388114193.
7.	Letter dated January 12, 2005 from the Office of the Deputy/ Assistant Commissioner of Central Excise allotting Service Tax Code no. ST-61/CE-DN-I/NGP/GTA/2005
8.	Letter dated June 20, 2001 from the Office of the Deputy Commissioner of Income Tax allotting PAN AABCP0023C.
9.	Certificate of Registration No. 440016/S/255 dated April 1, 1996 issued by the Sales Tax Department, Maharashtra.
10.	Certificate of Registration No. 440016/C/213 dated April 1, 1996 issued by the Central Sales Tax (registration and Turnover) Rules, 1957.
11.	Maharashtra Pollution Control Board Consent Order No. BO/RONR/Nagpur-51/E/Wainganga/CC-236 dated May 25, 2000 under the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Hazardous Waste (Management and Handling) Rules, 1989 permitting manufacture of up to 500 MT per month of steel castings (valid until December 31, 2005).
12.	Sales Tax incentives by way of deferral under the Eligibility Certificates No. FINC (I)/1993/DEFERRAL/EC-3622 dated March 4, 1998 under the 1993 scheme of Sales Tax Department, Maharashtra and conversion of sales Tax incentives into interest free loan vide certificate No. PSI-2002/DC(I&E)ADM-13/ST Loan/R-31/./B-613 dated August 30, 2002.
13.	Letter No. CC230 dated July 18, 2005 issued by the Maharashtra Pollution Control Board amending consent order no. EIC No. 0260-05 in the name of PCCL.
14.	Certificates No. a) 46893 dated December 16, 2004 b) 13145 and 13146 dated January 28, 2005 c) 46809 dated May 18, 2005 and d) 25896 dated June 28, 2005 issued under the Certified Weighment and Measurement (Regulations) Rules, 1985.
15.	Acknowledgment no. 2598/SIA/IMO/97 dated August 29, 1997 from the Secretariat of Industrial Assistance acknowledging receipt of an industrial entrepreneur memorandum in respect of manufacture of "Grinding Media including Grinding Balls & Rolls of Iron" of Manufacture & Steel falling under the NIC description Casting of Iron or Steel at Nagpur.
16.	Certificate of Approval dated August 30, 2003 from the International Certifications Limited according BS EN ISO 9001:2000 recognition in relation to the design, development, manufacture, installation, and service support of wear and heat resistant parts required for cement mining and thermal power generation industries.
17.	Registration-cum-Membership certificate from the Engineering Export Promotion Council according registration no. RCMC:B:MFG.:3265:2002-03 dated March 14, 2003 in respect of steel and alloy castings.



OTHER REGULATORY & STATUTORY DISCLOSURES

Authority for the Offer

The Issue has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the extraordinary general meeting of the shareholders of the Company held on April 25, 2005.

Prohibition by SEBI

The Company, its Directors, its Promoter, other companies / entities promoted by its Promoter, and

companies/entities with which its Directors are associated with as directors, have not been prohibited from accessing the capital markets under any order or direction passed by SEBI. None of the Directors of the Company or the persons in control of the Promoter Company have been prohibited from accessing the capital markets or restrained from buying/selling/dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

The Company is eligible to make the Offer under Clause 2.2.1 (read with Clause 2.2.3) of the SEBI Guidelines since, based on the unconsolidated financial statements of the Company under Indian GAAP:

- The Company has net tangible assets of at least Rs. 3 crores in each of the preceding three full years of which not more than 50% is held in monetary assets;
- The Company has a track record of distributable profits in terms of Section 205 of Companies Act, for at least three of the immediately preceding five years;
- The Company has a net worth of at least Rs.1 crore in each of the three preceding full years; and
- The proposed Offer size, including all previous public issues in the same financial year, is not expected to exceed five times the pre-Offer net worth of the Company.

The net profit, dividend, net worth, net tangible assets and monetary assets derived from the auditor's report included in this Red Herring Prospectus under the section "consolidated Financial Statements under Indian GAAP (Including Subsidiaries)", as at and for the last five years ended March 31, 2005 is set forth below:

	(Rs in Mn)				
	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005
Net Tangible Assets *	768.17	1168.86	900.86	1193.42	1483.22
Monetary Assets **	156.47	116.65	102.98	126.65	123.39
Net Profits as restated	105.87	174.63	175.84	231.40	268.94
Net Worth	507.77	610.74	303.58	462.83	875.53

(*) *Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities)*

(**) *Monetary assets include cash on hand and bank and quoted investments including units in open ended mutual fund schemes at cost, net of provisions for diminution in value*

We undertake that the number of allottees, i.e., persons receiving Allotment in the Issue shall not be less than 1,000; otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY

RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE

DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED September 16, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- “1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID OFFER.**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT’S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

WE CONFIRM THAT:

- (A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;**
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID OFFER AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
- (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER.**
- (D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID**
- (E) WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS’ CONTRIBUTION SUBJECT TO LOCK-IN, 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 DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.”



THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

The Company and the BRLMs accept no responsibility for statements made otherwise than in the Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus or in the advertisements or any other material offered by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including the Company's website, www.aiaengineering.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into between the Underwriters and the Company and the Memorandum of Understanding among the BRLMs, and the Company.

The Company and the BRLMs shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

Company is obliged to update the Prospectus and keep the public informed of any material changes till the listing and trading of the Equity Shares offered in this Offer are commenced.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to NRIs, FIIs and other eligible foreign investors (viz. foreign venture capital funds registered with SEBI, multilateral and bilateral development financial institutions). This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the NSE

[As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter NSE/LIST/17679-9 dated October 17, 2005, 2005, permission to us to use NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 10 crores and the market capitalization shall not be less than Rs. 25 crores at the time of listing). The NSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

AIA ENGINEERING LIMITED

Disclaimer Clause of the BSE

[As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter no. List/Smg/sm/2005 dated October 20, 2005, permission to the Company to use BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. BSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
- (ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- (iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.]

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with The Registrar of Companies, Gujarat, Dadra and Nagar Haveli, Ahmedabad R.O.C Bhavan, Rupal Park, Near Ankur Bus Stand, Ahmedabad where the Company is registered.

Listing

Applications have been made to the NSE and the BSE for permission to deal in and for an official quotation of the Equity Shares of the Company. NSE will be the Designated Stock Exchange.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, the Company should forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after the date on which the Company become liable to repay it (i.e. from the date of refusal or within 70 days from the date of Offer Closing Date, whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the basis of allocation for the Offer.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

- (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."**

Minimum Subscription

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



Withdrawal of the Offer

The Company, in consultation with the BRLMs, reserve the right not to proceed with the Offer any time after the Bid/Offer Opening Date but before Allotment, without assigning any reason thereof.

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Auditors, Legal Advisor, Tax Auditor, Bankers to the Company, Escrow Collection Banks and Bankers to the Offer; and (b) Book Running Lead Managers to the Offer, Syndicate Members and Registrars to the Offer, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Gujarat, Dadra and Nagar Haveli, Ahmedabad 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 the Draft Red Herring Prospectus for registration.

M/s Talati & Talati, Chartered Accountants, the statutory auditors of the Company have given their written consent to the inclusion of their report in the form and context in which it appears in the Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Draft Red Herring Prospectus for registration to the Registrar of Companies, Gujarat, Dadra and Nagar Haveli at Ahmedabad. M/s Talati & Talati, Chartered Accountants, have given their written consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in the Draft Red Herring Prospectus and has not withdrawn the same up to the time of delivery of the Draft Red Herring Prospectus for registration to the Registrar of Companies, Gujarat, Dadra and Nagar Haveli, Ahmedabad.

Expert Opinion

Save as stated in the Business Overview of the Red Herring Prospectus, the Company has not obtained any expert opinions.

Expenses of the Offer

The expenses of the Offer payable by the Company inclusive of brokerage, fees payable to the BRLMs, Syndicate Members, other advisors to the Offer, fees of Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrars to the Offer, listing fees and other miscellaneous expenses is estimated to be approximately [●] % of the Offer size.

The details of fees payable to BRLMs, Registrar etc is as follows:

Particulars Rs. in Lacs	Rs in Million	As % of Total Issue Expenses	As % of Total Issue Size
Lead Management	[●]	[●]	2.0
Underwriting & Selling Commission	[●]	[●]	1.75
Fees payable to Registrar, Legal Advisors & Auditors	[●]	[●]	[●]
Printing, Stationery & Postage	[●]	[●]	[●]
Advertisement and Marketing	[●]	[●]	[●]
Other expenses	[●]	[●]	[●]
Total	[●]	[●]	[●]

Fees Payable to the Book Running Lead Managers

The total fees payable to the BRLMs will be as per the Terms of Engagement Letter, offered by the Company. A copy of the Engagement letter and the Memorandum of Understanding signed amongst the Company, and the BRLMs, is available for inspection at the Registered Office of the Company.

Fees Payable to the Registrar to the Offer

The fees payable to the Registrar to the Offer will be as per the Memorandum of Understanding signed with the Company, a copy of which is available for inspection at the Registered Office of the Company. The Registrar will be reimbursed for all relevant out-of-pocket expenses including such as cost of stationery, postage, stamp duty, communication expenses. Adequate funds will be provided to the Registrar to the Offer to enable them to send refund orders or allocation advice by registered post/ Speed Post. Refund Orders up to Rs. 1500/- would be sent under certificate of posting.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for the Offer is as set out in the Syndicate Agreement amongst the Company, the BRLMs and Syndicate Members. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Offer Price and amount underwritten

AIA ENGINEERING LIMITED

Previous rights and public issues during the last 5 years

The Company has not made any previous public or rights issues except as stated in the section entitled “Capital Structure of the Company” on page 10 of this Red Herring Prospectus.

Offers otherwise than for Cash

The Company has not issued any shares for consideration other than for cash except as mentioned in the section titled “Capital Structure” on page 10 of this Red Herring Prospectus.

Commission and Brokerage on Previous Offers

Except as stated in the Red Herring Prospectus, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares of the Company since its inception.

Companies under the Same Management

There are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956 other than subsidiaries of the Company and group companies of the Company as disclosed under para “Our Subsidiaries” under History and Corporate Structure and “Promoter Group Companies” under ‘Promoter’

Outstanding Debenture or Bond offers

As of date, the Company does not have any outstanding debenture or bond offers.

Outstanding Preference Shares

As of date, the Company does not have any outstanding preference shares.

Stock Market Data for the Equity Shares of the Company

This being the initial public offering of the Company, the Equity Shares of the Company are not 207 listed on any stock exchanges.

Investor Grievance

Mechanism Evolved for Redressal of Investor Grievances

The Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Company and the Registrar to the Issue , M/s Intime Spectrum Registry Pvt Ltd , will provide for retention of records with the Registrar to the Offer, for a period of at least six months 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 Offer for redressal of their grievances.

All grievances relating to this Offer may be addressed to the Registrar to the Issue , M/s. Intime Spectrum Registry Pvt Ltd, 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.

Disposal of Investor Grievances

The Company estimates that the average time required by them or the Registrar to the Offer for the redressal of routine investor grievances shall be fifteen 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. S N Jetheliya, Company Secretary, AIA Engineering Ltd as the Compliance Officer and he may be contacted in case of any pre-issue or post-issue related problems. He can be contacted at: 115, AIA Engineering Ltd, G.V.M.M Estate, Odhav Road, Ahmedabad- 382410, Gujarat, India, Tel: +91-79-22901078, Fax; +91-79-22901077. email : ipo@aiaengineering.com

Investor Grievance – Companies under same management

Kindly refer to the section titled “Group Companies” on page 105 of this Red Herring Prospectus.

Changes in Auditors during the last three years and reasons thereof

There has been no change in the statutory auditors of the Company in the last three years.

Capitalisation of Reserves or Profits

The Company has made a bonus issue of shares in the ratio of 4:1 on March 15, 2005. Subsequently the paid –up equity capital of the company has increased from Rs. 2,61,52,760 to Rs. 13,07,63,800



Revaluation of Assets

The Company has not revalued any of its assets since its inception.

Classes of Shares

The Company's authorised capital is Rs. 260 million equity shares of Rs. 10 face value and Rs. 200 million, Redeemable Preference Shares of face value Rs. 100.

Payment or Benefit to Promoters or Officers of the Company

Except as stated under Key Managerial Personnel of Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of the promoter or officers except the normal remuneration for services rendered as Directors, officers or employees.

OFFERING INFORMATION

TERMS OF THE OFFER

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

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles of Association and shall rank pari passu in all respects with the other existing shares of the Company including in respect of the rights to receive dividends. The allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of Allotment.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being offered in terms of this Red Herring

Prospectus at an Offer Price of Rs. [•] per share. The Floor Price is 275/- and the Price Band is between Rs. 275/- and Rs. 315/- . At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time. In this regards we have appointed Mr S N Jethaliya, Company Secretary as the Compliance Officer.

Rights of the Equity Shareholder

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

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

For a detailed description of the main provisions of the Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on “Main Provisions of our Articles of Association” on page 189 in this Red Herring Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of Equity Shares of the Company is in dematerialised mode, the tradable lot is one equity share. Allocation and allotment of Equity Shares through this Offer will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of 20 equity shares to the successful bidders. For details of allocation and allotment, see “Offer procedure – Basis of Allotment and Allocation”.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Ahmedabad, Gujarat, India.



Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered / Corporate Office or to our Registrar and Transfer Agents.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the equity shares; or
- to make such transfer of the equity shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would be applicable. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Subscription by NRIs/ FIIs/Foreign Venture Capital Funds registered with SEBI

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exist a general permission for the NRIs, FIIs and Foreign Venture Capital Investors registered with SEBI to invest in shares of an Indian company by way of subscription in an IPO. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and all NRI, FII and Foreign Venture Capital Funds registered with SEBI applicants will be treated on the same basis with other categories for the purpose of allocation.

The allotment of the Equity Shares to Non-Residents shall be subject to the conditions as may be prescribed by the Government of India/RBI while granting such approvals.

ISSUE PROCEDURE

Book Building Procedure

The Offer is being made through the 100% Book Building Process under clause 2.2.2 of SEBI(DIP) Guidelines, 2000, wherein at least not more than 50% of the net offer to the public shall be available for allocation on a proportionate basis to QIBs. Further, not less than 35% of the net offer to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the net offer to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Offer Price.

Bidders are required to submit their Bids through the members of the Syndicate. The Company, in consultation with the BRLMs reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason therefore from QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be transferred to all successful allottees only in the dematerialised form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Out of the Fresh issue of 47,00,000 shares, 4% of the issue size, i.e. 1,88,000 shares are being reserved for our permanent employees. The Issue is being made through the 100% book building scheme wherein not more than 50% of the Net Offer shall be allocated on a proportionate basis to Qualified Institutional Buyers, further, not less than 15% of the Net Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. We, in consultation with the BRLMs reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reasons thereof in case of QIBs. In case of Non Institutional Bidders, Retail Bidders and Employees we would have a right to reject the Bids only on technical grounds. We, in consultation with the BRLMs would have discretion to allocate to QIBs based on a number of criteria, which will typically include, but would not be limited to, the following: prior commitment, investor quality, price, earliness of bid, existing and continued shareholding of QIBs during the period prior to the Bid Opening Date and until the date of pricing. Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Eligible non-residents including NRIs or FIIs applying on a repatriation basis	Blue
Reservation for permanent employees	Pink

Who Can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity Shares;
4. Indian mutual funds registered with SEBI;



5. Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI permission, and SEBI guidelines and regulations as applicable);
6. Venture capital funds registered with SEBI;
7. Foreign venture capital investors registered with SEBI;
8. State Industrial Development Corporations;
9. Insurance companies registered with the Insurance Regulatory and Development Authority;
10. Provident funds with minimum corpus of Rs. 250 mn and who are authorized under their constitution to invest in Equity Shares;
11. Pension funds with minimum corpus of Rs. 250 mn and who are authorized under their constitution to invest in Equity Shares;
12. Multilateral and bilateral development financial institutions;
13. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their constitution to hold and invest in Equity Shares;
14. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws; and
15. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares.
16. Permanent Employees

Note: The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

OCBs are not eligible to apply in this Offer. Persons against whom there are prevailing restraint orders on buying, selling or dealing in securities are not entitled to apply in this issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

1. No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds.
2. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights.

As per current regulations, the following restrictions are applicable for investment by FIIs:

A single FII is not permitted to hold more than 10% of the post-issue paid-up capital of the Company (i.e. 10% of 17,77,638 Equity Shares of Rs. 10 each). In respect of an FII investing in Equity Shares of the Company on behalf of its sub accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital (post Offer) (or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual). Further, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. This limit can be further increased up to the applicable sectoral caps (in our case being 100% of our paid-up capital), provided a special resolution is passed by the shareholders. However, as of this date, no such resolution has been recommended to the shareholders of AIAE for adoption.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital

investors registered with SEBI. Accordingly, the investment by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 33.33% of the corpus of such venture capital fund or foreign venture capital investor. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go upto 100% of the Company's paid-up equity capital.

AIA ENGINEERING LIMITED

The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under applicable laws or regulations.

Maximum and Minimum Bid Size

An applicant in the net public category cannot make an application for securities more than the number of securities offered to the public.

For Retail Individual Bidders

The Bid must be for a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision or on exercise of Cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders category. The Cut-off option is an option given only to the Retail Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

For Non Institutional and QIB Bidders

The Bid must be for a minimum of Rs.100,001 and in multiples of 20 Equity Shares. All Individual Bidders whose maximum bid amount exceeds Rs.100,000 would be considered under the category of Non-Institutional Bidders. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them.

In case of revision in bids, the non-institutional bidders have to ensure that the bid amount is greater than Rs.100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids, the same would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed to bid at 'Cut off'

A QIB Bidder cannot withdraw its Bid after the Bid/Offer Closing Date.

For Employee Reservation Portion: The Bid must be for a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter.

Information for the Bidders

1. The Company will file the Red Herring Prospectus with the ROC at least three days before the Bid Opening Date/ Offer Opening Date.
2. The Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
3. Any investor (who is eligible to invest in the Equity Shares according to the terms of this Red Herring Prospectus and applicable law) who would like to obtain the Red Herring Prospectus along with the Bid cum Application Form can obtain the same from our registered / corporate office or from any of the members of the Syndicate.
4. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms that do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

1. The company and the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date and the Price Band in the Red Herring Prospectus filed with RoC and publish the same in two national newspapers (one each in English and Hindi) and a regional newspaper circulated at a place where the registered office of the company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The Syndicate Members shall accept Bids from the Bidders during the Offer Period in accordance with the terms of the Syndicate Agreement.
2. Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
3. The Bidding Period shall be open for at least 3 working days and not more than 7 working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and one regional newspaper and the Bidding Period shall be extended for a further period of three days, subject to the total Bidding Period not exceeding ten days.



4. During the Bidding Period, the Bidders may approach the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.
5. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices within the Price Band and specify the demand (i.e., the number of Equity Shares bid for). The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
6. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "Build up of the Book and Revision of Bids" on page 175 of the Red Herring Prospectus.
7. The members of the Syndicate will enter each option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
8. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account" on page 174 of the Red Herring Prospectus.
9. The Syndicate Members shall compulsorily take the bid form in writing from prospective investors.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 275/- to Rs. 315/- per Equity Share, Rs. 275/- being the floor of the Price Band and Rs. 315/- being the cap of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re.1
2. In case of the revision of Price Band during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten days. The cap on the Price Band should not be more than 20% above the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Red Herring Prospectus.
3. Any revision in the Price Band will be widely disseminated by informing the Stock Exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), and one regional newspaper circulated at a place where the registered office of the company is situated and also indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.
4. We, in consultation with the BRLMs can finalize the Issue Price within the Price Band without the prior approval of, or intimation, to the Bidders.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. The Retail Individual Bidders may bid at "Cut-off Price" However, bidding at "Cut-off Price" is prohibited for QIBs or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.

Retail Individual Bidders who bid at the Cut-off Price agree that they shall purchase the Equity Shares at the Issue Price, as finally determined which will be a price within the Price Band. Retail Bidders bidding at Cut-off Price shall deposit in the Escrow Account the Bid Amount based on the Cap of the price band. In the event the Bid Amount is higher than the Allocation Amount payable by the Retail Individual Bidders/Employees (i.e., the total number of Equity Shares allocated in the Offer multiplied by the Offer Price), Retail Individual Bidders/Employees shall receive the refund of the excess amounts from the Escrow Account.

6. In case of an upward revision in the Price Band announced as above, Retail Bidders who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band, with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at cut-off.

AIA ENGINEERING LIMITED

7. In case of a downward revision in the Price Band, announced as above, Retail Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
8. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall remain 20 Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs 5000/- to Rs 7000/-.
9. Any revision in the price band shall be widely disseminated including by informing the Stock Exchange.

Option to Subscribe

Equity shares being offered through this Red Herring Prospectus can be applied for in dematerialised form only. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Escrow Mechanism

The company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account for the Issue shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement with us. Payments of refund to the Bidders shall also be made from the Escrow Collection Banks as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions" on page 181 of this Red Herring Prospectus) and submit the same to the member of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account. The balance amounts after the transfer to the Public Issue Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to a refund. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Each category of Bidders (i.e., QIBs, Non Institutional Bidders and Retail Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable is mentioned under the section entitled "Terms of the Issue" on page 26 of this Red Herring Prospectus and will be available with the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 days from the date of communication of the allocation list to the Syndicate Members by the BRLMs.

QIB Bidders will be required to deposit a margin of 10% at the time of submitting of their Bids. After the Issue Closing Date/Bid Closing Date, the level of subscription in all categories shall be determined. Based on the level of subscription, additional margin money, if any, may be called for from the QIB.

If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Rate for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid Form.



The excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city where a stock exchange centre is located in India, and where Bids are accepted.
2. BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, we will upload the Bids until such time as permitted by the Stock Exchanges.
3. The aggregate demand and price for Bids registered on each of the electronic facilities of BSE and NSE will be uploaded on an half hourly basis and consolidated. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.
4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - (a) Name of the investor;
 - (b) Investor Category — Individual, Corporate, NRI, FII, or Mutual Funds etc.,
 - (c) Numbers of Equity Shares bid for;
 - (d) Bid price;
 - (e) Bid cum Application Form number;
 - (f) Whether payment is made upon submission of Bid cum Application Form; and
 - (g) Depository Participant Identification number and Client Identification number of the demat account of the Bidder.
5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or us.
6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind. Consequently, a member of the Syndicate also has the right to accept or reject a Bid without assigning any reasons in case of QIBs. In case of Non Institutional Bidders and Retail Bidders, their Bids shall not be rejected except on the technical grounds listed in this Red Herring Prospectus.
7. It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed that the compliance with various statutory and other requirements by us or the BRLMs are cleared or approved by BSE or NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for our financial or other soundness, management or any scheme or project.
8. It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by BSE or NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on an on-line basis. Data would be uploaded on a half-hourly basis .
2. The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten days. The cap on the Price Band should not be more than 20% above the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Red Herring Prospectus

AIA ENGINEERING LIMITED

3. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper and also indicating the change on the web site of the BRLMs and at the terminals of the members of the Syndicate.
4. During the Bidding Period, any Bidder who has registered an interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the printed Revision Form that is a part of the Bid cum Application Form.
5. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. The Bidder must complete the details of all the options in the Bid cum Application Form or earlier Revision Form and revisions for all the options as per the Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must still complete the details of the other two options that are not being revised in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate. It is the responsibility of the Bidder to ensure completeness, correctness and accuracy of the Bid cum Application Form.
6. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the earlier Bid, the Bidders will have to use the services of the same member of the Syndicate through whom the original Bid was placed. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.
7. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect additional payment, if any, in the form of cheque or demand draft for the incremental amount in the QIB Margin amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
8. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the member of the Syndicate. **It is the responsibility of the Bidder to request and obtain the revised TRS, which will act as proof of having revised the Bid.**
9. In case of discrepancy of data between the electronic book and the physical book, the decision of the BRLMs shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Issue Closing Date, the BRLMs shall analyse the demand generated at various price levels and discuss pricing strategy with us.
2. We, in consultation with the BRLMs shall finalize the Issue Price and the number of Equity Shares to be allotted in each investor category
3. The allocation to QIBs of upto 50% ,the allocation to Non Institutional Bidders and Retail Bidders of not less than 15% and not less than 35% of the Net Issue size, respectively, would be on a proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with the Designated Stock Exchange and subject to valid Bids being received at or above the Issue Price. QIB Bidders will be required to deposit a margin of 10% at the time of submitting of their Bids. After the Issue Closing Date/Bid Closing Date, the level of subscription in the various categories shall be determined. Based on the level of subscription, additional margin money, if any, may be called for from the QIB. The QIB shall pay such additional margin money within a period of two days from the date of the letter communicating the request for such additional margin money.
4. Undersubscription, if any, in any category would be allowed to be met with spill-over from any of the other categories, at our sole discretion, in consultation with the BRLMs.
5. Allocation to eligible Non Residents, NRIs, FIIs or Foreign Venture Capital Funds registered with SEBI applying on repatriation basis will be subject to the terms and condition stipulated by the FIPB and RBI while granting permission for issue/ allotment of equity shares to them, wherever applicable.
6. The BRLMs and we, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders where the full Bid Amount has not been collected from the Bidders.
7. We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reason therefore, but before allotment.
8. QIB Bidders shall not be allowed to withdraw their Bid after Bid/Issue Closing Date.



Signing of Underwriting Agreement and RoC Filing

1. We shall enter into an Underwriting Agreement with the BRLMs and Syndicate Members on reaching agreement upon the Issue Price and allocation(s) to the Bidders.
2. After the Underwriting Agreement is signed among us, the BRLMs and the Syndicate members, we will file the Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, size of the Issue, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

The Company shall at the time of filing the Red Herring Prospectus with the ROC publish in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated, a pre-issue advertisement which shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines.

Issuance of Letter for Additional Margin Money

In case of QIB Bidders, who have submitted their bids with the Margin Amount of 10%, additional margin Amount may be called for by the Bank, in consultation with the BRLMs. The amount of such additional Margin Amount called for shall depend on the level of subscription in various categories, as determined on the basis of the electronic registration of Bids. The allotment of shares to QIB bidders shall be finalized by the Bank, in consultation with the BRLMs and the Designated Stock Exchange.

Issuance of Confirmation of Allocation Note

1. The BRLMs or Registrar to the Issue shall send to the Members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
2. The BRLMs or Members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay the full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN.
3. Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allotted to such Bidder.

Designated Date and Allotment of Equity Shares

- (a) After the funds are transferred from the Escrow Account of the Company to the Issue Account on the Designated Date, we would ensure allotment of Equity Shares to the allottees within two days of the finalisation of the basis of allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so transferred, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

The company would ensure the allotment of Equity Shares within 15 days of Bid Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment. In case the company fails to make an allotment within 15 days of the Bid closing date, interest would be paid to the investors at the rate of 15% per annum.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

General Instructions

Dos:

- a. The investor should check if he/she is eligible to apply;
- b. The investor should read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), as the case may be;
- c. The investor should ensure that he/she bids only in the Price Band;
- d. The investor should ensure that the details about depository participant and beneficiary account are correct as there will be no allotment of Equity Shares in physical form;

AIA ENGINEERING LIMITED

- e. The investor should ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- f. The investor should ensure that you have collected a TRS for all your Bid options;
- g. The investor should submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- h. The investor should ensure that he / she mentions his / her Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. Copy of PAN card or PAN allotment letter or Form 60 or Form 61 as the case may be needs to submitted along with Bid-cum-Application form.
- i. The investor should ensure that the Demographic Details are updated, true and correct in all respects
- j. The investor should, wherever applicable, quote his / her Unique Identification Number as allotted under SEBI (Central Database of Market Participants), 2003. Kindly refer to the Unique Identification Number – Mapin on page 182 of this issue.

Don'ts:

- a. The investor should not bid if he /she is prohibited from doing so under the law of your local jurisdiction;
- b. The investor should not Bid for lower than the minimum Bid size;
- c. The investor should not Bid/ revise the Bid to a price that is less than the floor of the Price Band or higher than the cap of the Price Band;
- d. The investor should not Bid on another Bid cum Application Form after submitting the Bid to the members of the Syndicate;
- e. The investor should not pay the Bid Amount in cash;
- f. The investor should not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- g. The investor should not Bid at Cut-off Price (for Non Institutional and QIB Bidders);
- h. The investor should not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under applicable law.
- i. The investor should not submit a bid accompanied with stockinvest.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the syndicate.

Bids and revision of bids

Bids and revision of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and NRIs applying on non-repatriation basis and blue colour for NRIs or FIIs applying on repatriation basis).
2. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
3. For Retail Bidders, the Bids must be for a minimum of 20 Equity Shares and in multiples of 20 equity shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
4. For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.
5. In single name or in joint names (not more than three).
6. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.



Bids by Employees

Employees of the company, its subsidiaries during the period commencing from bid/offer opening date and the bid/offer closing date are eligible to apply in the category reserved for employees. Employee shall have the same meaning as defined in SEBI DIP Guidelines 2000. For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees/directors of the company and its subsidiaries as on September 15, 2005.

Bids under Employee Reservation Portion by Eligible Employees shall be:

1. Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour Form).
The Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
2. The sole/ first bidder should be Eligible Employee as defined above.
3. Only Eligible Employees would be eligible to apply in this Offer under this Reservation Portion.
4. Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Offer Price, would be considered for allocation under this category.
5. Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid amount exceeds Rs. 100,000.
6. Bid/ Application by Eligible Employees can be made also in the "Net Offer to the Public" and such bids shall not be treated as multiple bids.
7. If the aggregate demand in this category is less than or equal to 1,88,000 Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
8. Undersubscription in this category would be treated as part of the Net Offer to the public and Allotment will be in accordance with the description in "Basis of Allocation" as described in page 186 of this Red Herring Prospectus. In case of under-subscription in the Net Offer to the public, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
9. If the aggregate demand in this category is greater than 1,88,000 equity shares at or above the Offer Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para "Basis of Allocation" on page 186 of this RHP.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Offer will obtain from the Depository the Bidders bank account details. The name of the sole or first Bidder's bank, branch, type of account and account numbers must be completed in the Bid cum Application Form. This is required for the Bidder's own safety so that these details can be printed on the refund orders. These bank account details should be the same as those mentioned in the Bidder's depository account, as those details will be printed on the refund orders. Bid cum Application Forms without these details are liable to be rejected.

Bidders Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application

AIA ENGINEERING LIMITED

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/allocation advice and printing of bank particulars on the refund order.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

Refund Orders/allocation advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or by laws must be submitted with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney, copy of resolution, memorandum and Articles of Association or certificate from bidders regulatory authority as the case may be along with the Bid cum Application Form, subject to such terms and conditions that the Company and the BRLMs may deem fit.

Bids by NRIs

NRI Bidders to comply with the following:

- Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office, our Corporate Office, the BRLMs, members of the Syndicate or the Registrar to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non- Resident Ordinary (NRO) accounts shall use the Bid-cum-Application Form meant for Resident Indians (white in colour).

Individual NRIs applicants can obtain the application forms from Standard Chartered Bank Ltd, 90, MG Road branch, Fort, Mumbai

Bids by Non Residents, NRI's, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).



3. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non Institutional Portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of 20 shares] thereafter that the Bid Amount exceeds Rs. 100,000. For further details see “Maximum and Minimum Bid Size” on page 26 of this Red Herring Prospectus.
4. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals or their nominees.
5. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

The company shall open an Escrow Account with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form. The BRLMs and Syndicate Member(s) shall also open Escrow Accounts of the Syndicate with one or more of the Escrow Collection Banks for the collection of the Margin Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

- (i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the members of the Syndicate.
- (ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Offer Price multiplied by the equity shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- (iii) The payment instruments for payment into the Escrow Account should be drawn in favour of
 - a. In case of Resident bidders and non resident bidders applying on non-repatriation basis: **“Escrow A/c – AIA Engineering Ltd Public Issue”**
 - b. In case of Non Resident Bidder **“Escrow A/c – AIA Engineering Ltd Public Issue – NR”**
 - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been Offered by debiting to NRE or FCNR Account.
 - In case of Bids by Eligible non residents / FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been Offered by debiting to Special Rupee Account.
 - c. In case of Employee Bidder **“Escrow A/c – AIA Engineering Ltd Public Issue – Employee”**
- (iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.

AIA ENGINEERING LIMITED

- (v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Offer Account with the Bankers to the Offer.
- (vii) On the Designated Date and no later than 15 days from the Bid/Offer Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/ postal orders will not be accepted.

Payment by Stock invest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stock invest Scheme has been withdrawn with immediate effect. Hence, payment through Stock invest would not be accepted in this Issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid cum Application Form unless waived by a member of the Syndicate at its sole discretion. The collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder. No separate receipts shall be issued for the money paid on the submission of Bid cum Application Form or Revision Form.

Other Instructions

Joint Bids in the case of Individuals

Individuals may make bids in single or joint names (not more than three). In the case of joint Bids, all refund amounts will be made only in favour of the First Bidder. All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bids made by Retail Shareholders in the Net Issue to the Indian Public shall not be treated as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Employees both under the reservation for our Employees as well as in the Net Offer shall not be treated as multiple Bids.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in all or any categories.

Unique Identification Number - Mapin

Under the SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time ("MAPIN Regulations"), and SEBI notifications dated November 25, 2003, July 30, 2004 and August 17, 2004, and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed on any recognized stock exchange unless such specified investor and its promoters and directors have been allotted unique identification numbers or UINs, except (i) those promoters or directors who are persons resident outside India (such promoters or directors are required to obtain their UINs by December 31, 2005) and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until disposal of its application, or where it has filed an appeal, until disposal of the appeal, as the case may be.

The SEBI press release dated December 31, 2004, further clarified that wherever the President of India/Central Government/ State Government is a promoter, it is exempted from the requirement of obtaining a UIN under regulation 6(2) of the MAPIN Regulations.



Previously SEBI required that all resident investors not being bodies corporate who enter into any securities market transaction (including any transaction in units of mutual funds or collective investment schemes) of the value of Rs. 100,000 or more would be required to obtain a UIN by March 31, 2005. Subsequently, by a press release dated February 24, 2005, SEBI has announced that the date for obtaining the UIN has been extended from March 31, 2005, to December 31, 2005, for such specified investors. In terms of the above, it shall be compulsory for an investor being a body corporate making an application in this Issue to provide its UIN. In cases where a body corporate has made an application for such a number before December 31, 2004, but the number has not been allotted, or where an appeal has been filed but not disposed off, the investor shall provide such information in the Bid cum Application Form. A Bid cum Application Form from a specified investor being a body corporate that does not provide a UIN or UIN application status (in cases where an application for a UIN has been made before December 31, 2004, is liable to be rejected.

PAN Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. **Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or Form 61 (form of declaration 149 to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration.

It may be noted Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

Our Right to Reject Bids

The BRLMs and we reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non Institutional Bidders and Retail Bidders, we would have the right to reject Bids only on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
4. NRIs, except eligible NRIs and Non-Residents;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
6. PAN not stated if Bid is for Rs. 50,000 or more and GIR number given instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
11. Bids for number of Equity Shares, which are not in multiples of [•];
12. Category not ticked;

AIA ENGINEERING LIMITED

13. Multiple Bids as defined in this Draft Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLM, the Senior Co-BRLM, the Co-BRLMs or the Syndicate Members;
18. Bid cum Application Form does not have the Bidder's depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Form;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in section titled "Issue Procedure – Bids at Different Price Levels" at page 173, of this Red Herring Prospectus;
22. Bids by OCBs;
23. Bids by specified investors being body corporates who do not provide their UIN or UIN application status in cases where applications have been made for such UIN before December 31, 2004.

Equity Shares in Dematerialized Form with NSDL or CDSL

In terms of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in dematerialized form (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

In this context, two tripartite agreements have been signed between the Registrars to the Issue, NSDL and CDSL and us:

1. An agreement dated October 27, 2005 between NSDL, us and the Registrars to the Issue; and
2. An agreement dated October 26, 2005 between CDSL, us and the Registrars to the Issue.

Bids from any Bidder without the following details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the depository participants of NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and depository participant's identification number) appearing in the Bid cum Application Form or Revision Form.
3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the depository participant) of the Bidder.
4. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).
5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
6. The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her depository participant.
7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. The Stock Exchanges where our Equity Shares are proposed to be listed are connected to NSDL and CDSL.
8. The trading of our Equity Shares would only be in dematerialized form for all investors in the demat segment of the respective Stock Exchanges.



9. As this Offer comprises of Fresh Issue, Investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Offer. Investors should satisfy themselves that their demat account are active.

Communications

All future communications in connection with Bids made in the Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

PRE-ISSUE AND POST ISSUE RELATED PROBLEMS

We have appointed Mr. S.N. Jetheliya, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. S.N. Jetheliya
115, G.V.M.M Estate
Odhav Road
Ahmedabad 382 410
Tel: 91 79 22901078
Fax 91 79 22901077
E-mail: ipo@aiaengineering.com

The investors can contact the Compliance Officer in case of any pre-offer related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc.

DISPOSAL OF APPLICATIONS AND APPLICATION MONIES

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines we further undertake that:

- allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- dispatch of refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and
- we shall pay interest at 15% per annum (for any delay beyond the 15 days time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 days time prescribed above as per the guidelines issued by the MoF pursuant to its letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

No separate receipts shall be offered for the money payable on the submission of the Bid cum Application Form or Revision Form. However the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the record of the Bidder.

AIA ENGINEERING LIMITED

“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.”

Basis of Allocation

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 15,79,200 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 15,79,200 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,76,800 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 6,76,800 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allocation would be decided by us in consultation with the BRLM and the Senior Co-BRLM and would be at our sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- Except for any shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/or Non-Institutional Portion, the aggregate allocation to QIB Bidders shall not be more than 22,56,000 Equity Shares.

D. For Employees

- Bids received from Employee at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Bidders will be made at the Offer Price.
- If the aggregate demand in this category is less than or equal to 1,88,000 Equity Shares at or above the Offer Price, full allocation shall be made to the Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 1,88,000 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis up to a minimum of 20 Equity Shares and in multiple of one share thereafter. For the method of proportionate basis of allotment, refer below.
- In case of oversubscription in the reserved category, excess allotment shall be made from shortfall if any, in the Retail and Non- institutional category (i.e. shortfall in the retail or non-institutional category shall be first adjusted against excess demand in the non-institutional or retail category respectively and the balance shortfall if any, shall be available to the reserved category).



- In case of undersubscription in the reserved category, the same shall be added back to the net offer to the public. Undersubscription in the reserved category will be allocated first to Retail category and balance undersubscription if any, after allocating to retail category will be allocated to Non-institutional category

Procedure and Time Schedule for Transfer of Equity Shares

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non- Institutional Bidders and Retail Individual Bidders, the Company has a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid / Offer Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid / Offer Closing Date. The Company will ensure allotment / transfer of the Equity Shares within 15 days from the Bid / Offer Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and / or demat credits are not made to investors within two working days of the finalisation of basis of allotment.

Method of Proportionate basis of allocation in the Retail and Non Institutional categories

Bidders will be categorized according to the number of Equity Shares applied for by them.

- (a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 20 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 20 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and

If the proportionate allotment to a Bidder is a number that is more than 100 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off. If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date;

and

- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

AIA ENGINEERING LIMITED

Undertaking by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested; and
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign direct investment in NBFCs is permitted up to 100% under the automatic route.

Subscription by NRIs/FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation. As per the RBI regulations, OCBs cannot participate in this Issue.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

Under the present regulations, the maximum permissible investment by a single FII cannot exceed 10% of its total issued capital. The maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This limit of 24% of the total issued capital can be raised to 100% by adoption of a special resolution by the Company's shareholders; however, as of the date hereof, no such resolution has been recommended to the shareholders of the Company for adoption.



MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION

Increase in capital

4. The Company in General Meeting may, from time to time, by an ordinary resolution increase the capital by the creation of new shares, the increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or the increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Directors shall determine and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company in conformity with sections 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 the provisions of section 97 of the Act.

“Further Issue of Shares

- 4A. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:
- (a) Such further shares shall be offered to the persons who as at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
 - (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
 - (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
 - (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

New capital same as existing capital

5. Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the existing capital and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

Issue on Preferential Basis

- 5A Subject to the provision of Section 81 of the Companies Act, 1956 and rules prescribed under the unlisted Public Companies (Preferential Allotment) Rules, 2003 and any amendment or modification thereof or any other regulation specified by Government from time to time, the company and the Board of Directors may issue shares on preferential allotment basis to any person including promoters relatives, group companies, FIIs, FIs, NRIs or any other body corporate or employees of the company on such terms and conditions as may be prescribed under the aforesaid rules or such other regulation.

Reduction of Share Capital

8. The Company may (subject to the provisions of sections 78, 80 and 100 to 105 inclusive of the Act) from time to time by Special Resolution reduce its capital and any capital Redemption Reserve Account or Premium Account in any manner for the time being authorised by law, and in particular capital may be paid off the footing that it may be called upon again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.

Buy Back of Shares

- 8 (A) The Company may purchase its own Shares or other specified securities subject to and in accordance with the provisions of Section 77A of the Companies Act, 1956 and or any regulations or procedure made by the Securities and Exchange Board of India or Government of India in this behalf and in accordance with any other guidelines as may be prescribed for the time being in force.

Sub-division, consolidation and cancellation of shares

9. Subject to the provisions of section 94 of the Act, the Company in general meeting may, from time to time, consolidate all or any of its share capital into shares of larger amount than its existing shares or sub-divide its shares, or any of them into shares of smaller amount than is fixed by the Memorandum and the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantages as regards dividend, capital or otherwise over or as compared with the others or other. Subject to the aforesaid the Company in general meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Modification of rights

10. If at any time share capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound-up be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of the shares of that class. This Article shall not derogate from any power which the Company would have if these Articles were omitted. The provisions of these Articles relating to general meetings shall, mutatis mutandis, apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined above is not present, those persons who are present shall be the quorum.

Acceptance of shares

18. 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 accept any shares and whose name is on the Register shall for the purposes of these Articles be a member.

Liability of Members

20. Every member, or his heirs, executors or administrators, shall pay the Company the portion of the capital represented by his shares or shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times, and in such manner as the Company's regulations require or fix for the payment thereof.

Company to have lien on shares

40. The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures, and no equitable interest in any shares shall be created except upon the footing and upon the condition that this Article will have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

As to enforcing lien by sale

41. For the purpose of enforcing such lien the Board may sell the shares subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their members to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made unless a sum in respect of which the lien exists is presently payable nor until notice in writing of the intention to sell shall have been served on such member or his representatives 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

42. The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of the which the lien 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 amount in respect of which the lien exists.



Form of notice

44. The notice shall name a day (not being less than thirty 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 as the Directors shall determine from the day on which such 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 non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or installment, or such part or other money is or are payable will be liable to be forfeited.

Share to be forfeited in default of payment

46. If the requirements of any such notice as aforesaid shall not be complied with, every or any 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 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 the forfeited shares and not actually paid before the forfeiture.

Forfeited share to be the property of the Company and may be sold etc.

48. Any share so forfeited shall be deemed to be property of the Company and may be sold, re-allotted, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

Liability on forfeiture

49. Any member whose share has been forfeited shall cease to be a member in respect of the share, but shall notwithstanding such forfeiture, remain liable to pay, and shall forthwith pay to the company all calls, or installments, interest and expenses, owing upon or in respect of such share, at the time of the forfeiture, together with interest thereon, from the time of forfeiture until payment, at such rate as the Board may determine, and the Board may enforce payment thereof, or any part thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.

Effect of Forfeiture

50. The forfeiture of a share shall involve extinction, 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.

Validity of sale

52. Upon any sale after forfeiture, or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings nor to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

Cancellation of share Certificate in respect of forfeited shares

53. Upon any sale, re-allotment or other disposal under the provisions of the proceeding Articles, the certificates or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect and the directors shall be entitled to issue a duplicate certificate in respect of the said shares to the person or persons entitled thereto.

Power to annul forfeiture

54. The Board may at any time before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

Instrument of Transfer

56. The instrument of transfer shall be in writing and all provisions of Section 108 of the companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof and a common form of transfer shall be used for shares as well as debentures.

Directors may refuse to register transfer

59. Subject to the provisions of Section 111 and 111A of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or

AIA ENGINEERING LIMITED

acknowledge any transfer of shares whether fully paid or not and the right of refusal shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of 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 when the Company has a lien to the extent of unpaid capital on partly paid up shares. Transfer of shares / debentures in whatever lot shall not be refused.

Provided that nothing in section 108 and 110 of the Act shall prejudice this power to refuse to register the transfer of, or the transmission by operation of law of the right to any shares or interest of a member in, or debentures of, the Company.

Transfer of shares

60. (1) An application of registration of the transfer of shares may be made either by the transferor or the transferee provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected, unless the Company gives notice of the application to the transferee and subject to the provisions of clause (4) the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register of Members the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.
- (2) For the purpose of clause (1) notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of the transfer and shall be deemed to have delivered to him in the ordinary course of post.
- (3) It shall not be lawful for the Company to register a transfer of any shares unless the proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation of the transferee has been delivered to the Company along with the certificate relating to the shares and if no such Certificate is in existence, alongwith the letter of allotment of the shares, the Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer. Provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and transferee has been lost, the Company may, if the Directors think fit on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer, register the transfer on such terms as to indemnity as the Directors may think fit.
- (4) If the Company refuses to register the transfer of any shares, the Company within one months from the date on which the instrument of transfer is lodged with the Company send to the transferee and the transferor notice of the refusal as provided in Article 59.
- (5) Nothing in clause (3) above shall prejudice any power of the Company to register as shareholder any person to whom the right to any share has been transmitted by operation of law.

Transfer of shares in Dematerialised form

- 60A. The transfer/ transmission of shares held in dematerialized form shall be effected in accordance with the provisions of the Depositories Act, 1996 and any rules and regulations made thereunder

Custody of instrument of transfer

61. The instrument of transfer shall after registration be retained by the Company and shall remain to their custody. All instruments of transfer which the Directors may decline to register shall be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.

Notice of application when to be given

62. Where, in the case of partly paid shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

Death of one or more joint holders of shares

63. In 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 recognised 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 of shares of deceased Member

64. The executors or administrators or holders of a Succession Certificate or the legal representatives of a deceased member (not being one or two or more joint-holders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such member and the Company shall not be bound to recognise such executors or administrators or holders of a Succession Certificate or the legal representatives unless they have first obtained Probate 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, thinks fit, it may dispense with production of Probate or Letters of Administration or Succession Certificate upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary and 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.

Provided that notwithstanding anything contained in these Articles, every holder of shares in or debentures of the company may, at any time, nominate, in the prescribed manner any person to whom his shares or debentures shall vest in the event of his death, and the provisions of Sections 109A and 109B of the Act shall apply in respect of such nomination.”

No transfer to Insolvent, etc.

65. No share shall be transferred to any insolvent, person of unsound mind, or partnership firm.

Registration of persons entitled to share otherwise than by transfer

66. Subject to the provisions of the Act and Articles 60 and 62 any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member, or by any lawful means other than by a transfer in accordance with these Articles, may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the shares or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained, and until he does so, he shall not be free from any liability in respect of the shares.

Persons entitled may receive dividend without being registered as member

67. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends of money as hereinafter provided, be entitled to receive any and may give discharge for any dividends or other moneys payable in respect of the share.

Fee on registration of transfer probate, etc.

68. (a) No fee shall be charged for:
- (i) registration of transfer and transmission of the Company's shares and debentures;
 - (ii) sub-division and consolidation of shares and debenture certificates and for sub-division of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations corresponding to the market units of trading;
 - (iii) sub-division of renounceable letters of right
 - (iv) issue of new certificates in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfer have been fully utilised;
 - (v) registration of any power of attorney, succession certificate, certificate of death and marriage, probate, letters of administration or similar other documents.
- (b) Fees as agreed upon with the Stock Exchanges will be charged for :
- (i) issue of new certificates in replacement of those that are torn, defaced, lost or destroyed;
 - (ii) sub-division and consolidation of shares and debenture certificates and for sub-division of letters of allotment and split, consolidation, renewal and pacca transfer receipts into denominations other than those fixed for the market unit of trading.

Company not liable for disregard of a notice prohibiting registration of a transfer

69. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice or referred thereto, in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or to be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some book of the company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

Board may require evidence of transmission

70. Every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

BORROWING POWERS

Power to borrow

71. Subject to the provisions of sections 292 and 293 of the Act, the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposits from the members either in advance of calls or otherwise and generally from any source or rise, for the purpose of the Company, borrow or secure the payment of such sums as it thinks fit. Provided, however, where the money to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, the Board shall not borrow or raise such moneys without the consent of the Company in the General Meeting.

Payment or repayment of money borrowed

72. Subject to the provisions of Article 72 hereof, 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 Company in General Meeting shall prescribe including the issue of bonds, debentures, debenture-stock of the Company charge upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and the bonds, 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 Bonds, 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 privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at general meeting, appointment of Directors and otherwise. or debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting accorded by a Special Resolution.

Shares may be converted into stock

76. The Company in general meeting may convert any paid-up shares into stock, and when any share 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 and subject to the same regulations as and subject to the which shares from which the stock arose might have been transferred, as 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 denomination.

Right of Stockholders

77. The holder of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company, and other matters, as if they hold 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.



Quorum at General Meeting

87. 1) Five members present in person shall be a quorum for a General Meeting. No business shall be transacted at any General Meeting unless the requisite quorum be present at the commencement of the business.
- 2) If, at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, convened upon the requisition of members, shall stand dissolved, but in any other case 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 or town in which the office of the company is for the time being situate 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. If there be no Chairman or if at any meeting he shall not be present within 15 (fifteen) minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of themselves to be Chairman and in default of their doing so, the members present shall choose one of the Directors to be chairman and if no Directors present willing to take the chair, the members present shall choose one of themselves to be the Chairman.

Business confined to election of Chairman whilst chair vacant

90. No business shall be discussed at any General Meeting except the election of a Chairman whilst the chair is vacant.

Chairman with consent may adjourn meeting

91. The Chairman with the consent of the members may adjourn any meeting from time to time and from place to place in the city or town in which the office of the Company is for the time being situate but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Voting to be by show of hands in first instance

92. At any General Meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded under section 179 of the Act, be decided on a show of hands.
- (a) Subject to the provisions of the Act, upon show of hands every member entitled to vote, and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.
- No voting by proxy on show of hands
- (b) No member not personally present shall be entitled to vote on a show of hand unless such member is a body corporate present by proxy or by a representative duly authorised under section 187 of the Act in which case such proxy or representative may vote on a show of hands as if he were a member of the Company.

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.

Demand for poll

94. (1) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by the member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up.
- (2) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

Time of taking poll

- (3) a) A poll demanded on a question of adjournment shall be taken forthwith
- b) A poll demanded on any other question (not being a question relating to the election of a Chairman which is provided for in section 175 of the Act) shall be taken at such times not being later than 48 (forty eight) hours from the time when the demand was made as the Chairman may direct.

AIA ENGINEERING LIMITED

In what case Poll be taken without adjournment

96. Any poll duly demanded on the election of a Chairman of a meeting or any question of adjournment shall be taken at the meeting forthwith.

Members in arrears not to vote

98. No members shall be entitled to vote either personally or by proxy at any General Meeting or Meeting of 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 not exercised, any right of lien.

Number of votes to which member entitled

99. Subject to the provisions of these Articles and without prejudice to any special privileges, or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, 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 shall have one vote and upon a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. Provided, however, that if any preference shareholder be present at any meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only on resolution placed before the meeting which directly affect the rights attached to his preference shares.

Casting of vote 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 votes, use all his votes or cast in the same way all the votes he uses.

How members non-composment may vote

101. A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian, and any such committee or guardian may on poll vote, by proxy.

Votes of joint-members

102. If there be joint registered holder of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a member or not) as his proxy in respect of such shares, as if the he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting, and if more than one of such joint holders be present at any meeting, then one of the said person so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint holders shall be entitled to be present at meeting. Several executors or administrators of a deceased member in whose name shares stand shall be for the purpose of these Articles deemed joint holders thereof.

Voting in person or by proxy

103. Subject to the provisions of these Articles, votes may be given either personally or by proxy, body corporate being a member may vote either by a proxy or by a representative duly authorised in accordance with section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member.

Vote in respect of shares of deceased and insolvent member

104. Any person entitled under Article 64 to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty -eight hours at least before the time of holding the meeting or adjourned meeting as the case may be, at 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 on not) shall be appointed in writing under the hand of the appointment or his attorney, or if such appointer is a body corporate under the common seal of such corporation, or be signed by an officer of any attorney duly authorised by it, and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meeting.



Proxy either of specified meeting or for a period

106. An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every meeting of the Company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.

Proxy to vote only on a poll

107. A member present by proxy shall be entitled to vote only on a poll.

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 of attorney 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 proposed to vote, and in default the instrument or proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

Time for objections of votes

111. No objection shall be made to the validity of any vote, except at any meeting or poll at which such vote shall be tendered, and every vote whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

Chairman of the meeting to be the sole judge of validity of every vote

112. The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

MINUTES OF MEETINGS

Minutes of General Meeting and inspection thereof by Members

113. (1) The Company shall cause minutes of all proceedings of every General Meeting to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for the purpose with their pages consecutively numbered.
- (2) Each page of every such book shall be initialled or signed and the last page of the record or proceedings of each meeting in such book, shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.
- (3) In no case shall the minutes of proceedings of a meeting be attached to any such books as aforesaid by pasting or otherwise.
- (4) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (5) 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 be regarded as defamatory of any person; (b) is irrelevant or immaterial to the proceedings; or (c) is detrimental to the interests 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 grounds.
- (6) Any such minutes shall be of the proceedings recorded therein.
- (7) The book containing the minutes of proceedings of General Meetings shall be kept at the office of the Company and shall be open during business hours, for such period not being less in the aggregate than two hours in each day as the Directors determine, to inspection of any member without charge.
- (8) No documents purporting to be a report of proceedings of any General Meeting of the Company shall be circulated or advertised at the expense of the Company unless it includes the matters required by Section 193 of the Act to be contained in the minutes of the proceedings of such meeting.

DIRECTORS

Number of Directors

114. The number of Directors of the Company shall not be less than three and not to be more than twelve, excluding the Special Director, if any, and Debenture Director, if any, and Corporation Directors, if any.

First Directors

115. The following persons shall be the First Directors of the Company.

1. **Mr. Bhadresh K. Shah**
2. **Mr. Shailesh D. Shah**

Directors of the Company

116. Not less than two-thirds of total number of Directors of the Company shall:

- (a) be persons whose period of office is liable to determination by retirement of Directors by rotation; and
- (b) save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting.

Corporation Director

117. Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India Limited (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit and Investment Corporation of India Limited (ICICI), The Industrial Reconstruction Corporation of India Limited (IRCI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Insurance Company Limited (GIC), The Oriental Fire and General Insurance Company Limited (OFGI), The New India Assurance Company Limited (NIA), United Insurance Company (UI), Himachal Pradesh Mineral and Industrial Development Corporation Limited (HPMIDC) or a State Finance Corporation or any financial Institution owned or controlled by the Central Government or State Government or the Reserve Bank of India or by two or more of them or by Central Government or State Government by themselves (each of the above is hereinafter this Article referred to as "the Corporation" out of any loan/debenture assistance granted by them to the Company or so long as the Corporation holds or continues to hold Debentures/shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors whole-time or non whole-time (which Director or Directors, is/are hereinafter referred to as Nominee Directors) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person in his or their place/s.

The Board of Directors of the Company shall have no power to remove from the office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director's shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold or continues to hold Debentures/shares in the Company as a result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding and the Nominee Directors so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to Corporation are paid off or on the corporation ceasing to hold the debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished by the Corporation.

The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, monies or remuneration in any form is payable to the Director/s of the Company, the fees, commission monies or remuneration in the relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be, to such Nominee Director/s.

Provided that if any such Nominee Director/s is an officer of the Corporation, the sitting fees in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.



Provided also that in the event of the Nominee Director/s being appointed as whole-time Director/s, such Nominee Director/s shall exercise such power and duties as may be approved by the Corporation and have such rights as are exercised or available to whole-time Director in the management of the affairs of the company. Such whole-time Director/s shall be entitled to receive such remuneration, fee, commission, and monies as may be approved by the Corporation.

Power to appoint ex-officio Directors

118. Whenever the Directors enter into a contract with any government, central, state or local authority, institution or any person or persons for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or for underwriting or enter into any other arrangement whatsoever, the Directors shall have subject to the provisions of Section 255 of the Act, the power to agree that such government, authority, institution, person or persons shall have the right to appoint or nominate by a notice in writing addressed to the Company one or more Directors on the Board for such period and upon such conditions as may be mentioned in the agreement and that such Director/s may not be liable to retire nor be required to hold any qualification shares. The Director/s may also agree that any such Director or Directors may be removed from time to time by the government, institution, person or persons entitled to appoint or nominate them and such person or persons may appoint another or others in his or their place and also fill in any vacancy which occurs as a result of any such Director or Directors ceasing to hold that of his for any reason whatever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the Directors of the Company including the payment of remuneration and travelling expenses to such Director or Directors as may be agreed by the Company with such person or persons aforesaid.

Debenture Directors

119. It is provided by the Trust Deed securing or otherwise, in connection with any issue of debentures of the Company that any person or persons shall have power to nominate a Director of the Company, than in the case of any and every such issue of debentures, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be liable to retire by rotation.

Appointment of Alternate Director

120. The Board may in accordance with and subject to the provisions of Section 313 of the Act, appoint and Alternate Director to act for a Director during the latter's absence for a period of not less than three months from the state in which the meetings of the Board are ordinarily held. And Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the original Director in whose place he has been appointed and shall vacate office if and when the original Director returns to the state. If the time of office of the Original Director is determined before he so returns to state any provision in the Act or in these Articles for the automatic reappointment of a retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director.

Share qualification of Directors

123. A Director of the Company is not required to hold any qualification shares.

Remuneration of Directors

124. (a) Until otherwise determined by the Company in General Meeting, each Director other than the Managing Director and Whole-time Director shall be entitled to receive out of the funds of the Company for his services in attending meeting of the Board or committees thereof, such fee as may from time to time be determined by the Board but not exceeding such sum as may from time to time be prescribed by or under the Act and applicable to the Company.
- (b) Subject to the provisions of the Act, a Managing Director or Director in the whole-time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.
- (c) Subject to the provisions of the Act, a Director who is neither in the whole-time employment of the Company nor a Managing Director, may be paid remuneration either;
- (i) by way of a monthly, quarterly or annually payment with the approval of the Central Government: or
- (ii) by way of commission if the Company by special resolution authorised such payment.

Special remuneration of Directors performing extra services

125. If any Director be called upon to perform extra services or make special exertion of efforts (which expression shall include work done by a Director as a member of any committee of the Board), the Board may arrange with such Director for special remuneration for such service or exertions or efforts either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided.

Travelling expenses incurred by Director not a bona fide resident

126. The Board may allow and pay to any director, who is not a bona fide resident of the place where the meetings of the Board are ordinarily held and who shall come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation or for travelling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified; and if any Director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed any travelling or other expenses incurred in connection with business of the Company.

Director may act notwithstanding any vacancy

127. The continuing Director may act notwithstanding any vacancy in their body but if and so long as their number is deducted below the minimum, the continuing Directors not being less than two may act for the purpose of increasing the number of Directors to that number, or of summoning a General Meeting, but for no other purpose.

Directors may contract with the Company

129. (1) A Director or his relative, a firm in which such director or relative is a partner; or any other partner in such a 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 underwriting the subscription of any shares in or debentures of the Company, provided that in the case of the Company having a paid-up capital of not less than Rupee one crore, no such contract shall be entered into except with the previous approval of the Central Government and the sanction of the Board shall be obtained before or within three months of the date on which the contract is entered into in accordance with section 297 of the Act.
- (2) No sanction shall, however, be necessary for:
- (a) any purchase of goods and material 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 at prevailing market prices; or
- (b) 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 or 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 or the cost of such services does not exceed Rs.5000 (Rupees five thousand) in the aggregate in any year comprised in the period of the contract or contracts. Provided that in circumstances of urgent necessity, a director, relative, firm, partner or private company as aforesaid may, without obtaining the consent of the Board, enter into any such contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or cost of such services exceeds Rs.5,000/- in the aggregate in any year comprised in the period of contract, if the consent of the Board shall be obtained to such contract or contracts at a meeting within three months of the date on which the contract was entered into.

Disclosure of interest

130. 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 contract or arrangement entered into or to be entered into with any other company where any of the directors of the Company or two or more of them together holds or hold not more than two percent of the paid-up share capital in any such other company.

General notice of interest

131. A general notice given to the Board by the director to the effect that he is a director or member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any notice shall expire at the end of the financial year in which it shall be given but may be renewed for a further period of one financial year at a time by a fresh notice given in the last month of the 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 director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.



Interested Directors not to participate or vote in Board's Proceedings

132. No Directors 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 shall 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 for the Company;
 - (b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Directors consists 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 for appointment as a director thereof, he having been nominated as such director by the Company, or
 - ii) in his being a member holding not more than 2 percent of its paid-up share capital.

Register of contracts in which the Directors are interested

133. 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 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 Article 132. The Register shall be kept at the office of the Company and shall be open to inspection at such office and extracts may be taken and copies thereof may be required by any member of the Company to the same extent, in the same manner, 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 the Companies promoted by the Company

134. A Director may be or become a director of any company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise, and no such director shall be accountable for any benefits received as a director or shareholder of such company except in so far as section 309(6) or section 314 of the Act may be applicable.

Company may increase or reduce the number of Directors

140. 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 may alter their qualifications and the Company may (subject to the provision of section 284 of the Act) remove any Director before the expiration of his period of office and appoint another person in his stead. The person so appointed shall hold the office during such time as the Director in whose place he is appointed would have held the same if he had not been removed.

Register of Directors etc. and notification of change to Registrar

142. (1) The Company shall keep at its office a Register containing the particulars of its Directors, Manager, Secretary and other persons mentioned in section 303 of the Act and shall otherwise comply with the provisions of the said section in all respect.
- (2) The Company shall in respect of each of its Directors also keep at its office a Register, as required by section 307 of the Act, and shall otherwise duly comply with the provisions of the said section in all respects.

Disclosure by Director of appointment to any other body corporate

143. (1) Every Director including a person deemed to be a Director by virtue of the Explanation to sub-section (1) of section 303 of the Act, Manager, or Secretary of the Company shall within twenty days of his appointment to any of the above office 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 and debentures of the Company etc.

AIA ENGINEERING LIMITED

- (2) Every Director every person deemed to be a Director of the Company by the virtue of sub-section (1) 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.

Quorum

146. Subject to section 287 of the Act, the Quorum for a meeting of the Board shall be one third of its total strength (excluding Directors, if any, whose place 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 Director exceeds or is equal to two thirds of the total strength in 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.

Chairman and Vice Chairman

149. a) The Board shall appoint from amongst its members a Chairman, and a Vice Chairman.
- b) The Chairman of the Board shall be entitled to take the chair at every meeting of the Board. If any meeting of the Board the Chairman shall not be present within fifteen minutes of the time appointed for holding the same or if he be unable or unwilling to take the chair then the Vice Chairman shall be entitled to take the chair at such Board meeting, and failing him the Board may elect one of their members to act as the Chairman of the meeting.

Directors may appoint committee

152. Subject to the provisions of the Act and the restrictions contained in section 292 of the Act the Board may delegate any of their powers to committees of the Board consisting of such members or of its body as it thinks 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 persons or purposes, but every committee of the Board so formed shall in the exercise of the powers so delegated confirm to any regulations that may 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 fulfillment of the purposes of their appointment but not otherwise shall have the like force and effect as if done by the Board.

Acts of Board or Committee valid notwithstanding informal appointment

154. All acts done by any meeting of the Board or by a committee of the Board, or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there is some defect in the appointment of such Director or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director and had not vacated his office or his appointment had not been terminated, provided that nothing in this Article shall be deemed to give validity to Acts done by a Director after his appointment has been shown to be invalid or to have terminated.

POWERS OF DIRECTORS

Powers of Directors

156. 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 Board shall not, except with the consent of the Company in General Meetings:
- (a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking, the whole or substantially the whole of any such undertaking;
- (b) remit or give time for the repayment of any debt due by a Director.
- (c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertakings as is referred to in sub-clause (a) or of any premises or properties used for any such undertakings and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- (d) borrow money where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose,



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; or

- (e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of sections 349 and 350 of the Act, during the three financial years immediately preceding whichever is greater.

Certain powers of the Board

157. 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 conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power:

- (1) To pay the costs, charges and expenses, preliminary and incidental to the promotion, formation, establishment and registration of the Company.
- (2) To pay and charge to the capital account of the Company any commission or interest lawfully payable thereout under the provisions of sections 76 and 208 of the Act.
- (3) Subject to section 292 and 297 of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire at or for such price or 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 as the Directors may believe or may be advised to be reasonably satisfactory.
- (4) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company either wholly or partially in cash or in shares, bonds, debentures, mortgages, or other securities of the Company, and 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.
- (5) 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 think fit.
- (6) To accept from any member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.
- (7) To appoint any person 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 trust, and to provide for the remuneration of such trustee or trustees.
- (8) To institute, conduct, defend, compound, or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon.
- (9) To act on behalf of the Company in all matters relating to bankrupts and insolvents.
- (10) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.
- (11) Subject to the provisions of sections 292, 295, 360, 370 and 372 of the Act, to invest and deal with any money of the Company not immediately required for the purpose thereof upon such security (not being shares of this Company), or without security and in such manner as they may think fit and from time to time to vary or realise such investments, save as provided in section 49 of the Act, all investments shall be made and held in the Company's own name.
- (12) 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 mortgage of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements shall be agreed upon.
- (13) 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 the necessary authority for such purpose.

AIA ENGINEERING LIMITED

- (14) To distribute by way of bonus amongst the staff of the Company a share or shares in the profit of the Company, and to give to any officer or other persons employed by the Company a commission on the profits of any particular business or transactions and to charge such bonus or commission on the profits of any particular business or transactions and to charge such bonus or commission as part of the working expenses of the Company.
- (15) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company, and to give to any officer or other persons employed by the Company a commission on the profits of any particular business or transactions and to charge such bonus or commission as part of the working expenses of the Company.
- (16) Before recommending any dividend, to set aside out of the profits of the Company, such sum as they may think proper for depreciation fund or to an 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 special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purposes 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 section 292 of the Act to invest the several sums so set aside or so much thereof as require 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 and vary 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 matters to which the Board apply or upon which they expend the same or any part thereof may be matter to or upon which the capital moneys of the Company might rightly be applied or expended, to divide the reserve fund into such special fund as 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 to employ the assets constituting all or any of the funds including the depreciation funds or debentures or debenture stock 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 at such rate as the Board may think proper.
- (17) To appoint, and at their discretion remove or suspend such general managers, managers, secretaries, assistants, supervisors, clerks, agents and servants for 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 or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit; and the provisions contained in the four next following sub-clauses shall be without prejudice to the general powers conferred by this sub-clause.
- (18) To comply with the requirements of any local law which in their opinion it shall in interest of the Company be necessary or expedient to comply with.
- (19) From time to time and at any time to establish any local board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to be members of such local boards, and to fix their remuneration.
- (20) Subject to section 292 of the Act, from time to time and at any time to delegate to any person so appointed any powers, authorities and discretions for the time being vested in the Board, other than their power to make call or to make loans or borrow moneys, and to authorise the members for the time being of any such local board, or any of them, to fill up any vacancies and any such appointment or 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 annul or vary any such delegation.
- (21) At any time and 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 attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls and excluding also except in their limits authorised by the Board the power to make loans and borrow money) 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 thinks 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, or the shareholders, directors, nominee, or managers, of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such power of attorney may contain such powers for the protection or convenience of persons dealing with such attorneys as the Board may think fit and may 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.



(22) Subject to sections 294, 294-AA, 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 and 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.

(23) From time to time to make, vary and repeal by-laws for the regulation of the business of the Company, its officers and servants.

Division of Profits

167. 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 provisions of these Articles shall be divisible among the members in proportion to the amount of capital paid or credited paid-up on the shares held by them respectively.

The Company in General Meeting may declare a dividend

168. 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

169. No dividend shall be declared or paid otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both, provided that :

- (a) if the Company has not provided for depreciation for any previous financial year or years it shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years;
- (b) if the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the Company for the year which the dividend is proposed to be declared or paid or against the profits of any other previous financial year or years;
- (c) if the Company has incurred any loss in any previous financial year or years the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years which ever is less, shall be set off against the profits of the Company for the year for which the dividends is proposed to be declared or paid or against the profits of the company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of section 205 of the Act or against both.

Interim Dividend

170. The Board may, from time to time, pay to 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

171. Where capital is paid in advance of calls, such capital may carry interest but shall not in respect thereof confer a right to dividend or participation in profits.

Dividends in proportion to amount paid-up

172. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividends is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

Transfer of share must be registered

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 cheques or warrant or by a pay slip 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 holdings. Every such cheque for warrant so

AIA ENGINEERING LIMITED

sent shall be made payable to 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 transmission, 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 payslip or receipt or the fraudulent recovery of the dividend by any other means.

Interest on unpaid dividend

175. Subject to the provisions of sections 205 to 208 of the Act, no unpaid dividend shall bear interest as against the Company.

176. (A)

Unpaid or Unclaimed dividend

176. (a) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the Company shall within seven days from the date of expiry of the said period of thirty days, open a special account in that behalf in any scheduled bank called 'Unpaid Dividend of the Company' and transfer the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted within the said period of thirty days, to the said account

(b) Any money transferred to the unpaid dividend account of the Company in pursuance of Clause (a) hereof which remains unpaid or unclaimed for a period of three years from the date of such transfer shall be transferred by the Company to the general revenue account of the Central Government, or such other fund or account as may be specified under the Companies Act, 1956 or by the Central Government from time to time. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.

(c) No unclaimed or unpaid dividend shall be forfeited by the Board.

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 dividend may, if so arranged between the Company and the member, be set off against the calls.

CAPITALISATION

178. (a) The Company in General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund, or any capital redemption reserve accounts, or in the hands of the Company and available for dividend (representing premium received on the issue of shares and standing to the credit of the share premium account) be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares of the Company which shall be distributed accordingly or in or towards payment shall be accepted by such share holders in full satisfaction of their interest in the said capitalised sum provided that a share premium account and a capital redemption reserve account may, for the purpose of this Article, only be applied in the paying of any unissued shares to be issued to members of the Company as fully paid bonus shares.

(b) A General Meeting may 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 subject to charge for income tax be distributed among the members on the footing that they receive the same as capital.

(c) For the purpose of giving effect to any resolution under the preceding paragraphs of this Articles the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates.

WINDING UP

Liquidator may divide assets in specie

196. The liquidator on any winding-up (whether voluntary, under supervision of the Court or compulsory) may, with the sanction of Special Resolution, but subject to the rights attached to any preference share capital, 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 contributories as the liquidator, with the like sanction shall think fit.



INDEMNITY AND RESPONSIBILITY

Directors' and others' right of indemnity

197. Subject to section 201 of the Act, every officer or an agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under section 633 of the Act in which relief's is granted to him by the Company.

SECRECY CLAUSE

198. (a) Every Director, Auditor, 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 his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company and all matters relating 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 presents contained.
- (b) No member shall be entitled to visit or inspect any works of the Company, without the permission of the Directors or to require discovery of or any information respecting any details of the Company's trading or any matters which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matters which may relate to the conduct of the business of the Company and which, in the opinion of the Director, it would be inexpedient in the interest of the Company to disclose.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus have been delivered to the Registrar of Companies, Gujarat Dadra & Nagar Haveli at Ahmedabad for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered office of the Company from 10.00 a.m. to 4.00 p.m. on working days from the date of this Red Herring Prospectus until the date of closure of the Issue.

MATERIAL CONTRACTS

1. Engagement letters dated May 05 , 2005 to SBI Capital Markets Limited and ENAM Financial Consultants Pvt Ltd from our Company appointing them as the BRLM
2. Memorandum of Understanding between our Company and the Book Running Lead Managers, SBI Capital Markets Limited and Enam Financial Consultants Private Limited dated September 8, 2005 .
3. Memorandum of Understanding between the Company and the Registrar to the Issue dated [*]
4. Appointment and Consent of BRLM's and Registrar to the Issue.
5. Escrow Agreement dated October 31, 2005 between the Company, the BRLMs,the Escrow Collection Banks and the Registrar to the Issue.
6. Syndicate Agreement dated October 31, 2005 between the Company, the BRLMs, and the Syndicate Members.
7. Underwriting Agreement dated [*] between the Company, the BRLM, and the Syndicate Members.

MATERIAL DOCUMENTS

1. Our Memorandum and Articles of Association of the Company, as amended till date.
2. Copy of the resolution of Board of Directors of the Company at the Board Meeting held on April 14, 2005 for the IPO.
3. Copy of the Shareholders resolution passed in the EGM held on April 25, 2005 authorising the issue.
4. Copies of the resolution passed at the board meeting held on April 14, 2005 and September 13, 2005for appointing the lead managers to the issue and registrars to the issue respectively.
5. Documents pertaining to appointment and compensation of our Managing Director and other Directors.
6. General power of attorney executed by the Directors of our Company in favour of person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
7. Copies of annual reports of our Company and our subsidiaries for the past five financial years
8. Auditors Report dated May 16, 2005 prepared as per Indian GAAP and mentioned in this Red Herring Prospectus and consent of the auditor for inclusion of their report on accounts in the form and context in which they appear in the RHP.
9. Tax benefit report dated September 12, 2005 from, Chartered Accountants and their consent for inclusion of the tax benefit report in the offer document.
10. Consents of the Bankers to the Company, the BRLM, the Syndicate Members, the Registrar to the Issue, the Escrow Collection Bank(s), the Bankers to the Issue, the Legal Counsel to the Issue, the Directors of our Company, the Company Secretary and Compliance Officer, as referred to, in their respective capacities.
11. Copy of Initial Listing Applications dated September 19, 2005 made to the Stock Exchanges at , BSE Mumbai, and NSE for listing of equity shares of the Company.
12. Copy of the letter dated October 20,2005 from the BSE and letter dated October 17, 2005 from NSE granting In-principle listing approval.
13. Copy of SEBI observation letter No. CFD/DIL/NB/JAK/52306/2005 dated October 21, 2005 issued in respect of this Prospectus.
14. Tripartite Agreement dated October 26, 2005 and October 27, 2005 between the Company, the Registrars to the Issue and CDSL and NSDL respectively for dematerialisation of shares.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.



DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. Further we certify that all the disclosures made in the Red Herring Prospectus are true and correct.

Signed by the Directors of the company

Mr. Vinod Narain

Mr. Bhadresh K Shah

Mr Jules Spede

Mr Rajendra S Shah

Mr Samakulam R Ganesh

Signed by the Senior Manager Accounts

Mr. P. R. Shah

Signed by the Compliance Officer/Company Secretary

Mr. S. N. Jetheliya

Place: Ahmedabad

Date: November 2, 2005

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