RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated November 17, 2004
100% Book Building Issue

BHARATI SHIPYARD LIMITED

(Incorporated on June 22, 1976 as M/s Bharati Shipyard Private Limited at Mumbai, Maharashtra 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: Saheb Building, 4th Floor, D. N. Road, Fort, Mumbai – 400 001, India
Tel: +91-22-22679090; **Fax:** +91-22-22654044; **E-mail:** ipo@bharatishipyard.com; **Website:** www.bharatishipyard.com

Corporate Office: 19, Bombay Mutual Building, Sir P.M. Road, Fort, Mumbai-400 001. **Tel:** +91-22-22661194; **Fax:** +91-22-22660601
(For changes in registered office, see "History and Other Corporate Matters" on page no 33 of this Red Herring Prospectus)

Public Issue of 1,25,00,000 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 55.56 % 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 5.5 times of the face value at the lower end of the price band and 6.6 times of the face value at the higher end of the price band.

Employee Reservation 12,50,000 equity shares. Net offer to the public shall be 1,12,50,000 equity shares

PRICE BAND: Rs. 55 TO Rs. 66 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 discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% 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 Bharati Shipyard 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

Bharati Shipyard Limited having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to Bharati Shipyard 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 Stock Exchange, Mumbai 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 08, 2004 and October 12, 2004 respectively. The Stock Exchange, Mumbai is proposed to be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
SBI CAPITAL MARKETS LIMITED 202, Maker Tower 'E', Cuffe Parade, Mumbai – 400 005. Tel: +91 – 22 – 2218 9166 Fax: +91 – 22 – 2218 8332 Email: bsl.ipo@sbicaps.com	**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: bharatiship@intimespectrum.com

ISSUE PROGRAMME

BID / ISSUE OPENS ON: THURSDAY, DECEMBER 02, 2004	BID / ISSUE CLOSES ON: WEDNESDAY, DECEMBER 08, 2004

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DEFINITIONS AND ABBREVIATIONS

Definitions

Term	Description
"Bharati" or "the Company" or "our Company" or Bharati Shipyard" or "Bharati Shipyard Limited" or "we" or "us" or "our" or "Company"	Unless the context otherwise requires, refers to, Bharati Shipyard Limited, a public limited company incorporated under the provisions of the Companies Act, 1956 with its registered office at Saheb Building, 4th Floor, D.N. Road, Fort, Mumbai – 400 001

Issue Related Terms

Term	Description
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
Articles / Articles of Association / AoA	Articles of Association of the Company
Auditors	The statutory auditors of the Company: Shantilal Mehta & Co., Chartered Accountants
Banker(s) to the Issue	State Bank of India and HDFC Bank
Bid	An indication to 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
Board of Directors	The Board of Directors of the Company or a committee thereof
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 Stock Exchange, Mumbai
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
Companies Act	The Companies Act, 1956, as amended from time to time
Compliance Officer	In this case being Ms. Arti Shetty, our Company Secretary
Corporate Office	Corporate Office of our Company situated at 19, Bombay Mutual Building, Sir P.M. Road, Fort, Mumbai-400 001
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
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful bidders
Designated Stock Exchange	Designated Stock Exchange shall mean BSE
Director(s)	Director(s) of the Company unless otherwise specified
Draft Red Herring Prospectus	Means this Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the RoC at least three days before the opening of the Issue. It will become a Prospectus after filing with the RoC after the pricing and allocation
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 and HDFC Bank
Face Value	Face Value of equity shares of our Company being Rs. 10 each
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under
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
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
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 1,25,00,000 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
I.T. Act	The Income-Tax Act, 1961, as amended from time to time
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
Non Institutional Portion	The portion of the Issue being a minimum of 28,12,500 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders
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
NSE	National Stock Exchange of India Ltd.
Net Offer/ Net Issue	Shares offered through this issue less allocation to employees.
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 as on 31st August 2004.
Pinky	Pinky Shipyard Private Limited
Price Band	Being the price band of a minimum price (Floor Price) of Rs. 55 and the maximum price (Cap Price) of Rs. 66 and includes revisions thereof.

Promoters	Mr. P.C. Kapoor, Mr. Vijay Kumar and M/S Bharati Shipping & Dredging Co. Pvt. Ltd.
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, *inter alia,* 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 Issue being 56,25,000 Equity Shares of Rs.10 each available for allocation to QIB's
Registered Office of the Company	Registered Office of our Company situated at Saheb Building, 4th Floor, D. N. Road, Fort, Mumbai – 400 001
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited 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. 50,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being minimum of 28,12,500 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, Maharashtra at Mumbai.
Red Herring Prospectus	Means this Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. The Red Herring prospectus will be filed with the RoC at least three days before the opening of the Issue. It will become a Prospectus after filing with the RoC after the pricing and allocation
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
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
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 Private Limited
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
ASD	Azimuthal Stern Drive
Amps	Ampere
BHP	Break Horse Power
CAGR	Compounded Annual Growth Rate
CAD	Computer Aided Design
CAM	Computer Aided Machinery
CDSL	Central Depository Services (India) Limited
CGT	Cumulative Gross Tonnage
CNC	Computerised Numerically Controlled
D/E Ratio	Debt Equity Ratio
DP	Depository Participant
DGTD	Director General of Technical Development
DG	Diesel Generator
DWT	Dead Weight Tonnage
EEPC	Engineering Export Promotion Council
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
FIs	Financial Institutions
FY / Fiscal	Financial year ending March 31
GHRSSIDC	Goa Handicrafts Rural Small Scale Industries Development Corporation Ltd.
GIR Number	General Index Registry Number

GoI	Government of India
GT	Gross Tonnage
GRT	Gross Registered Tonnage
GESCO	Great Eastern Shipping Corporation Limited
HUF	Hindu Undivided Family
HP	Horse Power
HT	High Tension
INR/ Rs.	Indian National Rupee
IPO	Initial Public Offering
IT	Information Technology
IIT	Indian Institute of Technology
IRS	Indian register of shipping
ISPS	International Ship and Port Facility Security
JNPT	Jawaharlal Nehru Port Trust
Kgs.	Kilogram
KVA	Kilo Volt Ampere
Mtrs, mts	Meter
Mm	Millimeter
MoU	Memorandum of Understanding
MW	Mega Watt
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depositories Limited
NAV	Net Asset Value
OHSAS	Occupational Health and Safety Assessment Series
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
RoC	Registrar of Companies, Maharashtra at Mumbai.
RoNW	Return on Net Worth
Rpm	Rounds per minute
SBICAPS	SBI Capital Markets Limited
SDFC	Shipping Development Fund Committee
USD/$/US$	United States Dollar
VCF	Venture Capital Funds

Glossary of Technical and Industry terms

Term	Description
Azimuthal	Capable of being turned continuously
Barge	A floating structure for carrying cargo as load.
Bitumen Tanker	A vessel carrying Bitumen (Asphalt) at a particular Temperature.
Bow Ramp	A ramp provided at the forward end of the vessel to take in and take out vehicles from the ship.
Bulk Carriers	A vessel carrying only bulk cargo- like grains, minerals etc.
Bar	Unit for measuring pressure
Bollard pull testing	Test to ascertain the pulling power of the tug in tons
Container ships	A vessel carrying only containers of standard sizes.
Craft	Any Vessel floating is called a craft.
Cruise ships	A vessel used for commercial cruising.
Dead Weight Tonnage	Total Tonnage Carried in the vessel (cargo) + oil/water.
Dispatch Vessel	A Vessel generally operating at ports to carry dispatch/ Cargo to floating stations
Diving Support Vessel	A vessel, which meets all the requirements of divers at sea.
Dredgers	A vessel that is engaged in dredging silt, sand, pebbles etc…
Dry Dock	A dock where vessel can be rested in total dry condition.
Dynamometers	A measuring equipment to test the Bollard Pull capacity of the vessel
Feeder Container	A small container vessel that takes short trips from container terminal to ports not served by mother ships.
Ferries	A vessel that takes passengers on a short run.
Gantry Crane	A crane which moves on rails and can span a large area.
Grab hopper Dredger	A vessel which dredges with the help of grabs
Grit	Material for blast cleaning of steel plates
Handy Size	A medium sized vessel whose capacity ranges from 5,000 DWT to 25,000 DWT
Hull	A steel body of the vessel from the keel up to the main deck.
Jetty	A place where a vessel can be tied up.
Maneuverable	A vessel, which can be easily moved in any direction.
Mooring Dolphin	An object lying in waters, held with the help of an anchor grounded in the seabed, to which the vessel near the jetty is tied so that it does not move from the jetty.
Mouldloft Service Board	The section of the Design Office where steel plate developments are made.
Micron	Unit of measurement, that is 1/1,000 of a millimeter
Massey Fergusson 35	Name of the tractor being used in the shipyard
Offshore Supply Vessel	A vessel, which services offshore oil and gas installations.
Out fitting Jetty	A place where the hull of the vessel is tied up for carrying out further outfitting work.
Pug cutting machines	A Semi-automatic Gas Cutting Machine

RoRo vessel	A vessel where cars and trucks etc roll on and roll off the vessel.
Sand Blasting Activity	Process of glass cleaning the steel plates.
Ship Handling Tugs	A small size very powerful vessel that helps bigger vessels to tow and berth.
Sill Level	Floor level of the entrance gate to the dock.
Slipway	An inclined way on which ships are taken up for repairs or lowered in the water.
Stern Tugs	A tug, which has the propulsion units at the rear side.
Skids	Support base to build panels / blocks for the hull.
Tankers	A vessel that carries liquid cargo like oil/water and petroleum products.
Tractor Tugs	A tug that has a propeller at the bottom of the hull.
Wet Basin	An enclosed area where adequate water is impounded to keep the vessel floating.
Wire Line Support Vessel	A vessel that supports drilling operations at the oil well.

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 elsewhere in this 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 II 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

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.

Internal Factors

1. Litigation against our Promoter filed under Indian Penal Code

One of our promoters, Mr. P. C. Kapoor is a defendant in a legal proceeding incidental to the business and operations, filed under the Indian Penal Code. For more information regarding litigations against our Promoter, please rerfer to "Outstanding Litigations and Material Developments" on page 80 of this Red Herring Prospectus.

2. Our profitability has not been consistent over the years and there has been a decline for the year ended March 31, 2002 and March 31, 2003. Further in one out of the last five years, i.e. year ended March 31, 2003, we have not paid any dividend.

(Rs in mn)

Particulars	**6 months ended Sep 30, 2004**	**FY 2004**	**FY 2003**	**FY 2002**	**FY 2001**	**FY 2000**
Total Income	989.40	1217.40	613.20	595.56	882.44	717.53
Net Profit	144.51	59.96	11.63	11.90	20.21	14.93
Dividend %	-	17	-	12.5	7.5	20

Over the years the financial performance of our company has been inconsistent. The net profit of Rs. 59.96 mn for the financial year ended March 31, 2004 is more than the combined net profits for the previous four years ended March 31, 2003.

Management Perception:

The turnover for the year ended March 2002 and March 2003 were low as compared to the earlier years mainly because of overall economic recession worldwide and due to the cyclical nature of the shipping industry. The cyclical nature of the Industry can be observed from the following data relating to world shipbuilding deliveries of all self-propelled commercial vessels over 100 GT:

Year	***Total 000GT***	***Year***	***Total 000GT***	***Year***	***Total 000GT***	***Year***	***Total 000GT***
1964	9,724	1974	33,541	1984	18,334	1994	19,669
1965	11,763	1975	34,203	1985	18,157	1995	22,652
1966	14,105	1976	33,922	1986	16,845	1996	25,837
1967	15,157	1977	27,532	1987	12,259	1997	25,537
1968	16,845	1978	18,194	1988	11,312	1998	25,464
1969	18,739	1979	14,289	1989	14,482	1999	27,822
1970	20,980	1980	13,101	1990	16,054	2000	31,696
1971	24,388	1981	16,932	1991	16,810	2001	31,292
1972	26,749	1982	16,820	1992	18,928	2002	33,383
1973	30,409	1983	15,911	1993	20,538	2003	36,131

(Source: Lloyd's Register's "World Fleet Statistics")

Further, in the year 2002, there was a war in Afghanistan, because of which some orders from Middle East could not materialize. In the year ended March 31, 2004 we have achieved a turnover of Rs. 1217.40 mn, which shows increase of approximately 100% over the previous year. At present, we are having orders valued at Rs. 4226.06 mn on hand, of which work amounting to Rs. 100.14 mn. and Rs. 1018.17 mn. has been accounted in F. Y. 2002 – 03 and F. Y. 2003 – 04 respectively as we are following percentage completion method for recognition of revenue. Thus, our order book position pending execution as on March 31, 2004 is Rs. 3107.75 mn.

3. **An increase in Labour Costs may affect our production cost and in turn affect our profitability.**

Shipbuilding has traditionally been a labour-intensive activity. A lot of shipbuilding activity has been shifted to Asia because of cheap labour. Amongst the Asian countries, the labour costs are lower in India and China as compared to Korea, Japan and Singapore. However, with the Indian shipbuilding industry taking on more and more complex assignments, there could be a dearth of qualified and experienced personnel resulting in an increase in manpower cost.

Management Perception:

One of our shipyards is located at Ratnagiri where trained and skilled manpower are easily available since it is the District Headquarters. Further, the labour costs in India are considerably lower than the labour costs in the shipyards of US, Western Europe, Japan, Korea and Singapore. Hence, any increase in the manpower costs will not affect our performance significantly as we expect that the same will still be lower than the labour costs in most of the other countries.

4. **We may face competition from increased automation in the global shipbuilding industry.**

Ship builders in developed countries such as US, Europe, Japan, etc. are finding it extremely difficult to compete in the global market due to high labour costs. They are looking at more and more ways of automating the labour-intensive tasks. This will not only help them cut labour costs significantly but also improve the health and safety of workers. This increase in automation may affect our business adversely in the long run.

Management Perception:

Countries like Western Europe, Japan and Korea have already reached a high degree of automation.

Internationally, there are 5 levels of automation. Level 1 represents the basic level of automation whereas level 5 represents highest level of automation. For details on the Levels of Automation refer to Industry Overview on page 29 of this Red Herring Prospectus.

None of the Indian shipyards are at level 4 and 5 as it is not justified for the tonnage type of vessels on order with Indian shipyards and prevailing labour rates. Japan and Korea have high wage rates and they are predominantly involved in construction of large ship market segments. Hence, the heavy investments in automation and facilities required at this level are justified in their cases. In India, Cochin Shipyard Ltd. is at level 3. Our Company is at present at level 2 and we are aiming to achieve level 3 automation after the proposed expansion.

Further, even at present we are able to compete with these countries due to lower labour cost and other competitive advantages such as technical excellence and better quality of products.

5. **We expect competition domestically and internationally**

The four major shipyards under the Ministry of Shipping are Cochin Shipyard Ltd. (CSL), Cochin, Hindustan Shipyard Ltd. (HSL), Vishakhapatnam, Central Inland Water Transport Ltd. (CIWTC), Kolkata, Hooghly Dockyard and Port Engineers Ltd. (HDPE), Kolkata. Similarly, the major shipyards under the Ministry of Defence are Mazagaon Dock Ltd. (MDL), Mumbai, Garden Reach Shipbuilders and Engineers Limited, Calcutta (GRSE) and Goa Shipyard Ltd. (GSL), Goa. Government of India is taking an active interest in the development of these shipyards. We also face competition from various private sector shipyards.

Internationally China poses a big threat to our business. China currently has 13% of the shipbuilding market and is expanding rapidly. There has been a significant increase in capacity both through the construction of new facilities and the upgradation of existing shipyards. China is emerging as one of the major players in shipbuilding industry. Japanese and South Korean shipbuilders presently dominate major segments of the ship construction industry, including tankers and bulk carriers. Taken together, Japan and South Korea at present are constructing more than 60 percent of the ships on order worldwide in terms of deadweight tonnage. This dominance in ship construction is likely to continue since tankers and bulk carriers are expected to constitute the major growth areas in world shipbuilding.

Management Perception:

The public sector shipyards are mainly engaged in production of vessels for defence and larger vessels, which are different from our product range and thus we do not face any significant competition from these shipyards. The Chinese shipyards pose a stiff competition in case of comparatively simple ships. However,in the case of the Offshore Supply vessels where a high degree of engineering is required, the quality of ships manufactured by the Company is better and is priced competitively.

As far as the shipyards in the private sector are concerned, there are only a few such private sector yards, which are engaged in production of the types of vessels manufactured/proposed to be manufactured by the Company. Further the demand for the type of vessels manufactured by the Company and its other competitors is expected to grow considerably in the light of circumstances mentioned on page 27 and 30 of this Red Herring Prospectus under the Chapter “Industry Overview”. Therefore, the Company expects that there will be a sufficient flow of work to engage the private sector shipyards including the Company.

6. Shipbuilding subsidy

Shipbuilding subsidy of 30% has been announced by the Government of India for a period of 5 years ending on August 14, 2007. The Government of India had issued a press note dated 25th October, 2002 vide Ministry of Shipping’s letter no. SY-12025/3/98-SBR dated 25-10-2002 announcing the Shipbuilding Subsidy Scheme. Detailed procedures/guidelines for the same were issued vide press note dated 7th March, 2003 issued by Shipbuilding and Shiprepair Division, Ministry of Shipping, Government of India.

The subsidy is currently restricted to ocean-going merchant vessels that are over 80 meters in length if they are manufactured for the domestic market and ships of all types are eligible for the subsidy if they are manufactured for export subject to fulfillment of conditions. The benefit of subsidy to us is dependent on the Company getting orders for ships that are eligible for subsidy.

Management Perception:

The Company has been able to compete in international market even before the subsidy was introduced. The provision of subsidy, if the conditions are satisfied, will further improve the Company’s competitiveness and profit margin.

As the shipbuilding subsidy was announced recently, we have not received any subsidy under the said scheme so far. However, we are eligible for subsidy on the vessels exported by us after the announcement of the scheme and we are in the process of making application for claiming the same.

7. Shipbuilding is a cyclical industry and due to this there is an uneven workflow at our shipyards.

Ship owners tend to order most new ships when freight rates and market expectations are on the ascendancy. Due to the cyclical nature of the industry, we may get excess orders when there is a boom and may have few orders when there is a downturn in the Industry.

Management Perception:

Due to diversified nature of our product line this factor has a minimum impact on our business. For further details on our product lines and impact of the various industry cycles please refer to ‘Our Product line v/s

Industry cycles' under the Business Overview chapter on page 42 of this Red Herring Prospectus. Further, the cyclical nature of industry will not have any adverse impact on our activities in the near future because our order book position pending execution as on March 31, 2004 is Rs. 3107.75 mn. These projects will keep our facilities actively engaged in the coming years.

8. **Our business is linked to the freight rates and our inability to predict the movement of the same may affect our business.**

Increasing freight rates give a boost to our business. When the freight rates are on the rise, ship owners place orders for new ships. This will generate additional capacity and in turn will result in overcapacity. The over-capacity will exert a downward pressure on freight rates. The falling freight rates will reduce the demand for new ships, which will have two effects – (i) a shrinking fleet because of reduced new buildings and (ii) increased scrapping. The shrinking fleet will create a short capacity, which will lead to an increase in freight rates. The increasing freight rates will again result in increase in orders for new ships. We face the challenge of predicting these cycles accurately and our business might get affected if we are not able to predict these cycles properly.

Management Perception:

Due to diversified nature of our product line i.e Tugs, offshore supply vessels, offshore patrol vessels, etc., this factor may not have a significant impact on our business.

9. **Our inability to manage growth could result in disruptions in our business and performance.**

Our revenue grew at a rate of 98.53% in the FY 2003-04 over FY 2002-03, which is far in excess of 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 be achievable in the future. Further, rapid growth could place significant demand on our management team and other resources and would require us to continuously develop and improve our operational, financial and other controls none of which can be assured. 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 outlook.

10. **We depend on our management team and the loss of team members may adversely affect our business.**

We believe that we have a team of professionals to oversee the operations and growth of our business. We have a number of technically qualified people in each area of our activity. If one or more members of our management team are unable or unwilling to continue in their present positions because of various factors, such persons would be difficult to replace and our business would be adversely affected. We may lose members of our key management team to our clients or competitors.

Management Perception:

The key members of our management team are associated with us on an average for 10 years. In the last 3 years only two of our Key Managerial Personnel have resigned from the organization.

11. **We are dependent on our promoters and any inability on their part to contribute to the business may affect our performance.**

We are dependent on the experience and the continued efforts of our promoters who are the first generation entrepreneurs and have been associated with our company since inception. They have been involved with critical functions like design, marketing, development and operations of our Company.

Management Perception:

We also have a qualified team of Naval Architects, Engineers and other professionals who are involved in the day–to–day operations of our company. This reduces our dependence on the promoters to manage the operations of the company.

12. **There are a number of legal proceedings against us, which if finally decided against us, may have impact on our business.**

We are defendants in a number of legal proceedings central and incidental to our business and operations. We are also subject to claims against us by the Income Tax and Sales Tax authorities in India.

(Rs in mn)

Nature of the case	Number of cases	Amount involved*	
		Payable	Recoverable
Income Tax			
Filed by the Company	2	2.48*	-
Filed against the Company	1	1.80	-
Sales Tax			
Filed by the Company	2	*	0.13
Labour Cases			
Filed against the Company	52	10.25 *#	-
Other civil suits			
Filed against the Company	5	5.36	-
Filed by the Company	2		
Arbitration			
Filed by the Company	1	-	13.00
Cases against the promoters	2	N. A.	

*Of the above, the amount could not be ascertained in 1 Income tax case, 1 sales-tax case, 27 labour cases, 2 civil suits and the litigation against the promoter.

This does not include interest, if any, payable by the Company.

The aforesaid claims, if determined against us will result in outflow of funds to the extent of such claims and the interest chargeable thereon. For more information regarding litigations involving our promoters and us please refer to “Outstanding Litigations and Material Developments” on page 77 of this Red Herring Prospectus.

13. **Litigation against ventures of our Promoters.**

There is an outstanding litigation pending against one of the partnership ventures of our promoters i.e. Bharati Offshore Services. For more information regarding litigations against ventures of our Promoters, please rerfer to “Outstanding Litigations and Material Developments” on page 80 of this Red Herring Prospectus.

14. **As at September 30 2004, we had contingent liabilities as disclosed in our adjusted statement of assets and liabilities under Indian GAAP.**

The break up of contingent liabilities is as follows:

a) **Claims against the company, which have not been acknowledged as debt**

Particulars	Amount (Rs. in million)
Litigation by Company	
The Company has filed a suit against MSEB against notice claiming arrears of electricity dues from August 1994 to February 2001.	3.08
Litigation Against Company	
Travancore Cements Ltd. filed a suit on 02/09/1993 for Rs. 22,79,730.30 comprising of interest of Rs. 21,71,730/- on excise duty of Rs. 11,43,016/-, Rs. 1,00,000 towards Loss on Reputation & the balance of Rs. 8,000 towards payment made to Excise Authority.	2.27
Total	**5.35**

b) **Contingent liabilities in respect of Taxes / Duties that may arise in respect of which appeals are pending**

Particulars	Amount (Rs. in million)
Appeals filed against the Company before Income Tax Appellate Tribunal	
Assessment Year 1998-99	1.50
Block Assessment Period 1-4-1990 to 18-1-2000	1.80
Appeals filed by the Company before Commissioner of Income Tax (Appeals) Assessment Year 2001-02	2.48
Appeal filed before Customs, Excise and Gold (Control) Appellate Tribunal	1.19
Total	**6.97**

For further details on the aforesaid litigations refer "Outstanding Litigations, Material Developments and Other Disclosures" on page 77 of the Red Herring Prospectus.

The aforesaid claims, if determined against us will result in outflow of funds to the extent of such claims and the interest chargeable thereon.

15. Invocation of performance guarantee by our clients could impact our result of operations.

As per the normal practice in the business, we are required to give performance guarantee and rectify any defects that may arise in the operation of the ship during the period of performance guarantee. This is to assure clients of satisfactory performance of the vessels after delivery. The performance guarantee is normally for 5% to 10% of the Contract Price of the ship and is usually issued for a period of 12 to 18 months. If we fail to make good the defect in the vessel within the period of performance guarantee, the client can invoke the performance guarantee and recover his losses.

Management Perception:

There has been no invocation of performance guarantee in the past.

16. Our Ship design blue prints are not protected by Intellectual Property Rights and hence we face the risk of unauthorized access to our designs.

Our designs are not protected by Intellectual Property Rights and hence are subjected to unauthorized use by our competitors. This may affect our business and our position in the shipbuilding industry.

Management Perception:

The practice of not protecting the designs of ships by way of Intellectual Property Rights is a normal business practice in the Indian shipbuilding industry. The designs of ships are mostly prepared in-house. Further, the exact costs involved in developing such designs are not ascertainable as it is integral part of the process of construction of a ship. Normally, the ship design cost is 2% to 3% of the contract price of the ship in our case.

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

We have signed a Memorandum of Understanding dated March 03, 2004 for the proposed acquisition of Pinky Shipyard Pvt. Ltd. at Goa. We propose to fund the acquisition from our internal accruals. However, there is a possibility that our expectations and strategy with this acquisition may not be achieved. Additionally, such acquisitions will pose integration issues as well as expose our business to additional risks, litigations and potential liabilities. Pinky Shipyard Limited is a loss making company, not carrying on any operations for the past few years. If we decide to acquire Pinky, we may have to discharge its liabilities without any commensurate benefit accruing to us. In case we fail to acquire Pinky, the expenditure incurred by us as on date towards discharging liabilities of Pinky may not yield any benefit.

For further details on our proposed acquisition please refer to the para “Proposed acquisition of Pinky Shipyard Pvt. Ltd.” on page 48 of this Red Herring Prospectus.

18. We are required to obtain additional Government approvals for expanding our operations

We have not yet applied for and received the following government approvals required with regard/consequent to the proposed expansion:

a) The Joint Director, Industrial Health & Safety, Kolhapur for the proposed expansion of the shipyard

b) The Director, Ministry of Environment, Government of India under the Water (Prevention and Control of Pollution) Act, 1974.

In case of non receipt or delayed receipt of the same, we may not be able to implement our proposed expansion plan as scheduled, which may lead to cost overrun and have an impact on our growth and financial performance.

Management Perception:

As per the governing laws, the approvals are granted by the concerned authorities as per the procedure laid down under the relevant Acts and Regulations. The company has obtained such approvals for its existing facilities and operations in the past which have been mentioned under the Chapter “Government Approvals” on page 75 of the Red Herring Prospectus.

In view of the liberalisation policies followed by the Government, the number of approvals to be obtained from various authorities have reduced considerably. Hence, we are of the opinion that there would not be any major difficulties in obtaining the necessary approvals.

19. List of approvals applied for but not received

We have applied for the following approvals

- The Port Officer, Ratnagiri, Maharashtra Maritime Board for the proposed expansion of the Shipyard.

  The Port Officer, Ratnagiri had carried out inspection of our Ratnagiri yard on September 30, 2004 and has issued directions for extension of the existing jetty.

- The Sarpanch, Gram Panchayat, Sadamirya, Ratnagiri for constructing Administrative Building at the yard.
- Our application no. 1307077 dated Sep.6, 2004 for registration of our trade mark with Trade Marks Registry is still pending.
- Application dated September 14, 2004 for amendment in Consent no. RO/KOP/KON-COA/RAT/E-22/R-102/1002 dated June 26, 1995 under the Maharashtra Pollution Control Board.

The initial consent by the Maharashtra Pollution Control Board was granted in 1995 valid till 2010. We have vide our application as stated above requested for modification in the consent relating to the number of ships that can be manufactured by us every year at our Ratnagari yard.

Management Perception:

As per the governing laws, the approvals are granted by the concerned authorities as per the procedure laid down under the relevant Acts and Regulations. We have obtained such approvals for its existing facilities and operations in the past which have been mentioned under the Chapter "Government Approvals" on page 75 of the Red Herring Prospectus.

In case of non receipt or delayed receipt of the same, we may not be able to implement our proposed expansion plan as scheduled, which may lead to cost overrun and have impact on our growth and financial performance.

20. We have entered into an agreement with a consortium of banks for the purpose of working capital. Restrictive covenants placed in such agreements could influence our decision-making affecting the business operations of our company and interests of shareholders.

In 2004, our working capital finance facility from a Consortium of bankers lead by State Bank of India has been enhanced from Rs.1480 mn to Rs.2560 mn to meet our increased working capital requirements. There are restrictive covenants under the terms and conditions of the loan agreement we have entered into with the Consortium of banks. Some of these restrictive covenants require the prior permission of the said banks for the following:

a) Effect any change in the company's capital structure

b) Formulate any scheme of amalgamation/ reconstruction

c) Implement any scheme of expansion/ acquire fixed assets

d) Enter into borrowing arrangements with any bank, financial institution, company or otherwise accept deposits.

e) To obtain bank's prior approval before declaring dividends.

f) To make any drastic change in the management set up.

In addition, the company has taken a Hire Purchase Loan from ICICI Bank for purchase of cars. The outstanding balance of the same as on September 30, 2004 is Rs. 0.91 mn. There are no restrictive covenants in the said Hire Purchase Loan agreements.

Management Perception:

State Bank of India, the lead bank of the consortium has on behalf of the consortium given us a no objection certificate for public issue of 12.5 million shares dated September 16, 2004 subject to a maximum of Rs. 1000 millions.

21. The fund requirements of the project are as per our own estimates and the project has not been appraised by any financial institution / bank.

M/s. Larsen & Toubro Ltd., Technology Centre, Baroda has carried out the feasibility study of our expansion plans. MEC Consultants have worked out the requirement of funds in consultation with Larsen & Toubro Limited and us. 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 in addition to our working capital requirements. In the absence of any appraisal, sanction and monitoring by a bank or a financial institution, the deployment of funds is left entirely at our discretion. The project is subject to various variables such as possible cost overruns and delays in implementation.

22. We are yet to place major orders or enter into any definitive agreements for planned investments to utilize the proceeds of this Fresh Issue

We have incurred an expenditure of Rs. 20.91 mn. for expansion of our Ratnagiri yard upto September 30, 2004. For details please refer to Objects of the Issue on page 22 of this Red Herring Prospectus. We have not yet entered into agreements or placed orders for the balance machinery, the value for which is estimated at Rs 145.12 mn and for the balance planned expansions and upgradations of our facilities, which we propose to fund from the proceeds of this fresh issue. We have only estimated our total fund requirements and signed a Memorandum of Understanding with M/s MEC Consultants for technical and related services for planning and implementation of proposed expansion plan of our shipyard at Ratnagiri.

23. Our promoter, Bharati Shipping & Dredging Co Pvt. Ltd., has incurred losses.

One of our promoters M/S Bharati Shipping & Dredging Co. Pvt. Ltd. has incurred losses in recent years as set forth in the table below:

(Rs in mn)

Particulars	Year Ending March		
	2004	2003	2002
Net Profit/ (Loss)	(0.0033)	(0.0011)	(0.0009)

Management Perception:

M/s. Bharati Shipping & Dredging Co. Pvt. Ltd. does not carry out any business activities and the loss is on account of administrative and legal expenses.

For financial highlights of M/s. Bharati Shipping & Dredging Co. Pvt. Ltd. please refer to the Chapter on “Our Promoters” on page 52 of this Red Herring Prospectus.

24. Our promoters, promoter group and others have been issued shares at face value within the last 12 months, details of which are as follows:

(Figures in Rupees)

Name	No. of Shares	Face Value	Issue Price	Amount	Share-holding (%)
Promoters					
P. C. Kapoor	5,95,000	10	10	59,50,000	5.95
Vijay Kumar	5,95,000	10	10	59,50,000	5.95
Bharati Shipping & Dredging Co. Pvt. Ltd.	28,10,150	10	10	2,81,01,500	28.10
Promoter Group					
Ashraf Geeta Kumar	100	10	10	1000	0.001
Sukriti Gayatri Kumar	100	10	10	1000	0.001
Radhika C Mehra	100	10	10	1000	0.001
Madhu P Kapoor	100	10	10	1000	0.001
Others					
Sherali M Sheikh	100	10	10	1,000	0.001
J.M. Gandhi	100	10	10	1,000	0.001
Aruna Shushil Puri	100	10	10	1,000	0.001
Shamshad Begam	100	10	10	1,000	0.001

25. Foreign Exchange Risk.

We face foreign exchange risk as a significant portion of our revenue is in foreign currency and some of our borrowings are in foreign currency. Hence, our financial performance is vulnerable to fluctuations in the foreign exchange rates.

Management Perception:

We are engaged in the construction of vessels for various domestic and foreign clients. The contract value in the case of foreign clients is determined in foreign currency. Further, some of the machineries installed in the vessels are imported machinery, the payment for which is determined in foreign currency. Hence, we have an in-built hedge against fluctuation in dollar-rupee parity.

Further, we obtain quotations from the suppliers of major machineries before negotiating with the buyers of the ships. These quotations are obtained for a period of four to six months and the exchange rate risk flowing from such imports is considered while negotiating the contract price with the customers.

26. Our business is prone to accidents.

Improper handling of our shipbuilding processes like lifting of heavy materials by cranes, launching of ships, etc. may result in accidents which could cause injury to our employees, other persons on the site and could also damage our properties thereby affecting our operations.

We transport hull from our Ghodbunder shipyard to Ratnagiri shipyard at times, which is pulled by a tug and is thus exposed to accidents, which may affect our profitability.

Management Perception:

The management lays great stress on adoption of adequate safety measures in the work places and in the course of the operations of the Company's business to minimize risks of accidents. The towage of hulls is done by qualified and experienced personnel in accordance with the rules and regulations of maritime authorities classification societies and other government agents. Further such towage is also covered by insurance. For details of the insurance covers taken by us please refer to the para on Insurance cover taken by the Company on page 41 of this Red Herring Prospectus under the Chapter "Business Overview".

27. 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 this IPO. However, the actual amount and timing of future capital requirements may differ from our estimates due to 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 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. If we decide to raise additional funds through the issuance of Equity, your shareholding in the Company will be diluted.

28. 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 vessels 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.

29. In the absence of any company listed on the stock exchange from the shipbuilding sector, comparision with domestic companies engaged solely in similar business is not possible

EXTERNAL FACTORS

1. A fall in Oil Prices may affect our business adversely.

Oil prices affect the shipbuilding industry indirectly. An increase in the oil prices is associated with considerable growth in deepwater and sub-sea activity. The oil companies ramp up exploration and develop fields that were unviable earlier. Similarly a decrease in oil prices decreases the demand for such activities, which in turn affects the demand for ships. Thus a fall in oil prices might affect our business adversely.

Management Perception:

We are presently manufacturing various kinds of ships including ships required for oil exploration industry. After the proposed expansion, we will be able to increase the capacity and the range of ships that can be manufactured which will help to reduce dependence on any one sector.

2. Our performance is linked to the stability of policies and the political situation in India.

There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and the deregulation. The rate of economic liberalization could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt our business and economic conditions in India.

South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries. Military activity or terrorist attacks in the future could have an impact on the Indian companies, including the Equity Shares and the market for the Company's offering.

Management Perception:

The Government of India has pursued the economic liberalization policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced polices and taken initiatives that support the continued economic liberalization.

3. After this Issue, the prices of our Company's equity shares may be volatile, or an active trading market for our Company's equity shares may not develop.

The price of our Company's equity shares in Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- 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 Indian shipbuilding companies;
- Performance of our Company's competitors in the Indian shipbuilding industry and market perception of investments in the Indian shipbuilding sector;
- Significant development in the regulation of shipbuilding market;
- Adverse media reports on our Company or on the Indian shipbuilding industry;
- 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.

There has been no public market for our Company's equity shares till now and the prices of our Company's equity shares may fluctuate after this Issue. There can be no assurance that an active trading market for the equity shares will develop or be sustained after this Issue, or that prices at which our Company's equity shares are initially offered will correspond to the prices at which our Company equity shares will trade in the market subsequent to this Issue. Our Company's share price could be volatile and may also decline.

NOTES TO RISK FACTORS

1. Public issue of 1,25,00,000 Equity Shares of Rs. 10 each comprising employee reservation of 12,50,000 equity shares and net offer to the public of 1,12,50,000 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 Promoters, is Rs. 5.36 per share for Mr. P. C. Kapoor and Mr. Vijay Kumar and Rs. 10 per share for M/s. Bharati Shipping and Dredging Co. Pvt. Ltd. The above figures have been arrived at as under:

Mr. P. C. Kapoor

No. of shares acquired for cash	19,25,149
Consideration paid @Rs 10 per share (A)	Rs 1,92,51,490
Total No. of shares held	35,94,426
Cost per share (A/B)	**Rs.5.36**

Mr. Vijay Kumar

No. of shares acquired for cash	19,25,149
Consideration paid @Rs 10 per share (A)	Rs 1,92,51,490
Total No. of shares held	35,94,426
Cost per share (A/B)	**Rs.5.36**

M/s. Bharati Shipping & Dredging Co. Pvt. Ltd.

No. of shares acquired for cash	28,10,168
Consideration paid @Rs 10 per share (A)	Rs. 2,81,01,680
Total No. of shares held	28,10,348
Cost per share (A/B)	**Rs.10**

3. The net asset value per Equity Share as of March 31, 2004 was Rs. 27.39 per share and as of September 30, 2004 was Rs. 40.51 per share based on financial statements. The Net worth of our Company (as restated), as on March 31, 2004 was Rs. 252.93 million and as on September 30, 2004 was Rs. 405.08 mn. For details please refer to Chapter on 'Financial Statement' on page 85 of this Red Herring Prospectus.
4. Investors can contact the compliance officer for any clarifications/ complaints. The Compliance Officer will be available at the following address: Saheb Building, 4th floor, Sir P.M.Road, Fort, Mumbai – 400 001, Ph. No. +91-22-22679089/90, Fax No. +91-22-22654044, Email *ipo@bharatishipyard.com*.
5. For Related Party Transactions, please refer to the section entitled "Related party Transaction" on page 73 of this Red Herring Prospectus.
6. 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.
7. Investors may contact the BRLMs and Syndicate Members for any complaints pertaining to the Issue.
8. Investors are advised to refer to the para titled "Basis of Issue Price" on page 83 of the Red Herring Prospectus.
9. 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 124 of this Red Herring Prospectus.

SUMMARY

You should read the following summary with the Risk Factors included from page numbers II to XIII and the more detailed information about us and our financial statements included elsewhere in this Red Herring Prospectus.

Indian Shipbuilding Industry

India has a long history and tradition of shipbuilding that can be traced back to the Harappan civilisation. Indian shipbuilding market is growing in response to high growth rates of trade and industrial activity in the country. 95% of Indian export trade by volume and 75% by value is carried by sea. As India has significantly smaller short sea fleet for domestic trade than what would be expected for an economy of its size, there is a latent and significant demand from the domestic market. In the past, the lack of commitment, cost overruns, poor quality constructions, delayed delivery, etc. have restrained the Indian shipyards from getting significant volume of orders.

The increasing labour costs in the yards of South Korea and Japan, one of the major determinants in this cost competitive industry, is expected to lead to a gradual shift of the shipbuilding activities to the other developing nations like China, India and Brazil. With sound engineering, operational efficiencies and cost effective environment, Indian shipbuilding industry is poised for growth.

Further, recent Government of India policy to introduce 30% subsidy for Ocean going merchant vessel above 80 m length sold domestically and for all ships exported for a period of 5 years ending on August 14, 2007 is likely to boost demand for container feeder ship, product tankers, etc. in a significant way.

Indian Ship Repair Industry

Ship repair in India started long back when the first dry dock was built at Bombay port in 1750 and second at Calcutta port in 1781. The Indian ship repair industry consists of repairs required by Indian and foreign vessels calling at Indian ports.

In India, major shipyards carry out both shipbuilding and ship repair activities. The industry is controlled by 10 large and 30 to 40 medium and small sized shipyards apart from Naval Dock yards and Defence shipyards. With the growing fear of pollution and stricter norms and regulations, Ship repair services are in demand. Indian shipyards have the competitive advantages like low labour costs, availability of trained and skilled labour force and proximity to international shipping routes.

The Ship repair industry worldwide has been characterized by relatively low return in recent times. There are however some significant exceptions to this generalization – the examples are Persian Gulf, United Kingdom, Singapore and China. However, the rising costs in Singapore would push the market towards India and China.

Long steaming distance to Chinese yards for ships from South Asia would make India a better destination for ship repair for the region. The Ship repair industry in India is small, and an opportunity exists for a new player who can offer low cost, reliability and service for ship repairs.

Business Overview

We are a private sector Indian shipyard engaged in design and construction of various types of Sea Going, Coastal, Harbour, Inland Crafts and vessels. Our product range has been upgraded from the simple inland cargo barges, through deep-sea trawlers and dredgers, to maneuverable and power packed Ocean Going Tractor Tugs, Cargo Ships, Tankers and vessels required for offshore industry. From an output of only one small ship on inception, we have achieved an output of 6 vessels in a year. We have constructed and delivered 50 maneuverable vessels till date. Out of this, 35 vessels were delivered in the period starting from 1997. Currently, 12 vessels are undergoing construction out of which two are scheduled to be delivered in November / December 2004. We also carry out ship repair activities at our shipyards. Some of the ships that we can deliver with our present capacities are as follows:

Type of vessels

The various types of vessels manufactured by us are as follows:

- Stern Tugs–Azimuthal/Conventional
- Tractor Tugs–Azimuthal/ Cycloidal
- Offshore Supply Vessels
- Cargo Ships
- Tankers
- Dredgers
- Special Purpose Vessels
- Ferries/Passenger Vessels

In addition to the above, we can also manufacture Offshore Patrol Vessels, Container Ships & Chemical Carriers

The administration, design, planning, purchase, marketing and various other activities are carried out from our corporate and registered offices at Mumbai. The shipbuilding and ship repair activities are carried out at our shipyards at Ratnagiri (Maharashtra), Ghodbunder (Thane, Maharashtra). We also have an administrative office in Goa and we hire workshops in Goa as and when required. Presently, our company is capable of fabricating and erecting upto 14 vessels of various sizes having maximum length upto 120 meters and breadth upto 18 meters simultaneously.

We construct and deliver ships for both domestic and foreign customers. Our domestic customers include port trusts, inland water transport authorities and India’s leading companies like Reliance Industries Limited, Great Eastern Shipping Corporation Limited (GESCO). On export front, we supply wide range of vessels to Europe, Middle East, Singapore, etc.

We construct ships to suit the customer’s specific requirements. We have experience in the construction of large vessels and have successfully constructed and delivered many vessels, few of which are the following.

- Four 80-metre long mini bulk carriers, two of which were exported to Singapore.
- 65-meter long Grab Hopper Dredger and 68-meter long multi purpose vessel supplied to Calcutta port trust.
- 100 M long Bitumen Tanker-cum-RoRo Vessel with Bow Ramp supplied to Al Jabar, Abu Dhabi.
- 2 maneuverable tugs to Reliance Industries Limited.
- 5 maneuverable tugs to Qatar Shipping Company, Qatar.
- 1 Wire Line Support Vessel to Halul Offshore Services Company, Doha.
- 1 Diving Support Vessel to Reliance Industries Limited.

Our Key Strengths

We have the following advantages to enhance our position as a manufacturer of sophisticated vessels and emerge as leading shipyard in the domestic and global shipbuilding industry:

- **Promoters**:

  Our promoters, viz. Mr. P. C. Kapoor and Mr. Vijay Kumar are qualified Naval Architects from IIT Kharagpur. They have over 35 years of experience in shipbuilding and management.

- **Technical Expertise:**

  We have a number of technically qualified people employed with us and we use modern techniques for designing and construction of vessels.

- **Infrastructure & Equipments**

  Our shipyard at Ratnagiri is located in a sheltered lagoon i.e. it is covered by mountains from 3 sides and is slightly away from the open sea and is well accessible by rail, road and sea. Our shipyard is well equipped with modern machines and tools.

- **Facilities**

  Our Ratnagiri yard is capable of fabricating and erecting vessels of various sizes simultaneously and the wet basin can be used for outfitting. The shipyard has its own captive power plant of 250 KVA supplied by diesel generating sets. The shipyard has an in-house training facility for the employees and its own full-fledged computerized centre. The company has sound mechanical, electrical and civil engineering abilities besides in-house CAD skill sets.

- **Quality Control**

  We have constructed vessels to stringent quality requirements of organizations such as Lloyds Register of Shipping – U. K., Bureaus Veritas Quality International – France, American Bureau of Shipping, Cyprus Bureau of Shipping and the Indian Register of Shipping. Our shipyard is certified under ISO 9001: 2000 Standards with respect to construction, supply and repair of inland and ocean going steel ships and vessels. Our shipyard is also undergoing certification for International Ship and Port Facility Security (ISPS) code and Occupational Health and Safety Assessment Series (OHSAS) certification.

- **Adherence To Delivery Commitments**

  A study of our track record will reveal that by and large we have been committed to timely delivery of vessels. However in some cases due to modifications in the design of vessels proposed by the client or some similar factor, the contracted delivery gets extended.

- **After Sales Service**

  We have a separate department of technically qualified people for providing after sales service to our customers.

Our Strategies

Our growth strategy focuses on capitalizing on our capabilities, competencies, knowledge and qualifications. The Company, by utilizing its optimum capabilities, the knowledge and vast experience of its promoters, Mr. P. C. Kapoor and Mr. Vijay Kumar, both IIT degree holders, along with the quality manpower, plans to lead the way towards better Ship Building.

Our strategy is

- to establish ourselves as a leading Ship builder, domestically as well as internationally;
- to concentrate on building of large sized vessels while continuing building of small and medium sized vessels;
- to establish ourselves as reliable and economical service provider for repairs of highly technical nature;
- to make use of modern practices to achieve good productivity and throughput.

SELECTED FINANCIAL DATA (AS PER INDIAN GAAP)

Historical Financials of Bharati Shipyard Limited

Statement of Profits and Losses as Restated

(Rs. in mn)

	6 months ended September 30, 2004	Year ended 31st March, 2004	Year ended 31st March, 2003	Year ended 31st March, 2002
Income				
Turnover	987.88	1,216.56	611.13	593.57
Other income	1.52	0.84	2.07	1.99
Total Income	**989.40**	**1,217.40**	**613.20**	**595.56**
Expenditure				
Raw Material Consumed	564.20	747.68	386.08	334.23
Manufacturing and Other Expenses	76.98	156.78	67.32	88.79
Employees Emoluments	74.43	137.50	80.23	94.86
Financial Charges	48.45	78.31	59.81	57.05
Depreciation	2.34	3.98	4.25	4.23
Total Expenditure	**766.40**	**1,124.25**	**597.69**	**579.17**
Profit before tax & other adjustments	**222.99**	**93.16**	**15.50**	**16.40**
Provision for taxation				
Current Tax	78.49	33.14	3.70	3.86
Deferred Tax	-	0.06	0.18	0.64
Net profit as per audited statements of accounts	**144.51**	**59.96**	**11.63**	**11.90**
Carried forward from previous year	94.52	51.29	39.67	33.99
Profit available for appropriation	**239.03**	**111.25**	**51.29**	**45.89**
Appropriations				
Transfer to General Reserve		4.50	-	-
Transfer to Capital Reserve		-		
Interim Dividend on Equity		9.00		
Proposed Dividend on Equity		1.85	-	6.23
Corporate Dividend tax on Equity		1.39	-	-
Balance carried forward to Balance Sheet	**239.03**	**94.52**	**51.29**	**39.67**

The accompanying significant accounting policies and notes are integral part of this statement

Statement of Assets and Liabilities as Restated

(Rs. In mn)

	6 months ended September 30, 2004	As on 31st March, 2004	As on 31st March, 2003	As on 31st March, 2002
Assets				
A. Fixed Assets				
Gross Block	229.78	227.74	225.05	224.84
Less: Depreciation	102.77	97.31	87.65	77.18
Net Block	**127.01**	**130.43**	**137.39**	**147.66**
Total	**127.01**	**130.43**	**137.39**	**147.66**
Less : Revaluation reserve	79.41	82.52	88.73	94.95
Net Block after adjustment of Revaluation reserve	**47.60**	**47.91**	**48.66**	**52.71**
B. Capital Work-in-Progress	20.91			
C. Investments	**0.01**	**0.01**	**0.01**	**0.01**
D.Current assets, loans and advances				
Inventories	612.04	436.32	363.42	348.94
Sundry Debtors	278.61	113.35	119.33	116.62
Cash and bank balances	3.03	3.08	5.55	5.33
Loans and advances	313.52	302.75	105.74	108.10
Total	**1207.20**	**855.50**	**594.03**	**579.00**
E. Liabilities and Provisions				
Secured Loans	316.18	221.95	205.93	210.05
Deferred Tax Liability	7.94	7.94	7.88	7.71
Current liabilities and provisions	546.53	420.50	257.05	260.85
Total	**870.65**	**650.49**	**470.87**	**478.61**
E. Net worth (A+B+C+D-E)	**405.08**	**252.93**	**171.84**	**153.12**
F. Represented by:				
Paid up Share Capital:				
Equity Shares	100.00	92.36	58.99	51.89
Reserves and Surplus	384.49	243.10	201.58	196.17
Less: Revaluation Reserve	79.41	82.52	88.73	94.95
Reserves and Surplus (Net of Revaluation reserve)	**305.08**	**160.57**	**112.85**	**101.23**
Total	**405.08**	**252.93**	**171.84**	**153.12**
G. Misc. Expenditure upto the extent not W/ off.	-	-		
H. Net Worth (F-G)	**405.08**	**252.93**	**171.84**	**153.12**

The accompanying significant accounting policies and notes are integral part of this statement

THE ISSUE

Equity Shares offered:	
Total Equity Shares	1,25,00,000 Equity Shares
Of which:	
Reservation for our permanent employees	12,50,000 Equity Shares (allocation on a proportionate basis)
Therefore,	
Net Offer to the Public	**1,12,50,000 Equity Shares**
● Qualified Institutional Buyers portion	Not more than 56,25,000 Equity Shares (allocation on a discretionary basis)
● Non-Institutional portion	Minimum of 28,12,500 Equity Shares (allocation on a proportionate basis)
● Retail portion	Minimum of 28,12,500 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 or QIB 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	1,00,00,000 Equity Shares
Equity Shares outstanding after the Issue	2,25,00,000 Equity Shares
Use of proceeds	We intend to use the net proceeds of the issue after meeting issue related expenses to finance the capital expenditure program at our Ratnagiri shipyard and to finance the working capital margin. Shortfall if any will be met out of our internal accruals. Excess if any will be utilized towards business purposes including acquisations. Please see the section entitled "Objects of the Issue" on page 19 of this Red Herring Prospectus for additional information.

Corporate Information

Our Company was incorporated on June 22, 1976 as M/s Bharati Shipyard Private Limited under the Companies Act, 1956. We became a Deemed public company and the word Private was deleted on October 1, 1996. On December 13, 2000 our company got converted to a private company due to omission of the provisions regarding deemed public companies and subsequently to a public limited company on April 22, 2004. For details on change in status of the Company please refer to History and Other Corporate Matters on page 33 of this Red Herring Prospectus. Our Registered Office is located at Saheb Building, 4th floor, D. N. Road, Fort, Mumbai – 400 001, Ph. +91-22-22679090; Fax; +91-22-22654044; Email: ipo@bharatishipyard.com; Website: www.bharatishipyard.com

BHARATI SHIPYARD LIMITED

(Incorporated on June 22, 1976 as Bharati Shipyard Private Limited at Mumbai, Maharashtra 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: Saheb Building, 4th Floor, D. N. Road, Fort, Mumbai – 400 001, India
Tel: +91-22-22679090; **Fax;** +91-22-22654044; E-mail: ipo@bharatishipyard.com;
Website**:** www.bharatishipyard.com

Corporate Office: 19, Bombay Mutual Building, Sir P.M. Road, Fort, Mumbai-400 001.
Tel: +91-22-22661194; **Fax:** +91-22-22660601

(For changes in registered office, see "History and Other Corporate Matters" on page no 33 of this Red Herring Prospectus)

GENERAL INFORMATION

Authority for the Issue

The current Issue of 12.50 million equity shares has been authorized vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Annual General Meeting of the Company held on July 12, 2004.

Prohibition by SEBI

We, our Directors, our Promoters, other companies /entities promoted by our Promoters, and companies/entities with which our 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 our Directors or the persons in control of our Promoter companies 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

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI DIP Guidelines as explained under, with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- Our Company has net tangible assets of at least Rs.30 mn in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;
- Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;
- Our Company has a net worth of at least Rs. 10 mn in each of the three preceding full years; and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;
- The change in the name of our Company in the last one year was on account of our conversion from private limited company to a public limited company;
- The proposed Issue size is not expected to exceed five times the pre-Issue net worth of our Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines;
- The Company undertakes that the number of allottees in the Issue shall be at least 1000. Otherwise, the entire application money shall be refunded forthwith.

Our net profit, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Red Herring Prospectus under the section "Financial Statements under Indian GAAP", as at, and for the last five years ended FY 2004 is set forth below:

(Rs. in mn)

Particulars	Year ending March 31, 2000	Year ending March 31, 2001	Year ending March 31, 2002	Year ending March 31, 2003	Year ending March 31, 2004
Net tangible assets[1]	256.60	275.24	370.87	385.65	482.83
Monetary assets[2]	25.37	13.56	5.34	5.56	3.09
Net profits, as restated	14.93	20.21	11.90	11.63	59.96
Net worth, as restated	138.62	154.51	153.12	171.84	252.93
Distributable profits as per Sec 205 of the Companies Act	86.73	102.62	108.93	120.73	160.57

(1) 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)

(2) Monetary assets include cash on hand and bank and quoted investments

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE 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 ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS 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 17, 2004 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

1. **"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

   WE CONFIRM THAT:

   (A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

   (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

   (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID**
4. **WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."**

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE 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 ISSUE 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 RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, FOR ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

Caution

The Company and the BRLMs accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information 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 among the Underwriters and us and the Memorandum of Understanding among the BRLMs and us dated September 13, 2004.

All information shall be made available by the BRLMs and us 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.

Disclaimer in respect of jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs, FIIs ,Foreign Venture Capital Funds Registered with SEBI, State Industrial Development Corporation, Insurance Companies registered with Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs 250 mn and Pension funds with minimum corpus of Rs 250 mn. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform him or her self 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 Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations on October 29, 2004 and the Red Herring Prospectus has been filed with RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be issued, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer regarding name of the Company

"We or our promoter Bharati Shipping & Dredging Co. Pvt. Ltd. have no relationship with Bharti Enterprises and any of its group companies.

We are engaged in the business of Shipbuilding and Ship repair under the name of 'Bharati Shipyard' since the year 1976 and are supplying vessels to various Indian and foreign customers. We are a private sector Indian shipyard and are known as Bharati Shipyard limited domestically as well as internationally in the Shipbuilding business."

Disclaimer clause of The Stock Exchange, Mumbai

The Stock Exchange, Mumbai ("the Exchange") has given, vide its letter no. DCS/SG/SM/2004 dated October 08, 2004, permission to this Company to use the exchange's name in this Offer Document as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinised this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner–

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or
2. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Offer Document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer clause of the National Stock Exchange of India Limited

As required, a copy of this Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter NSE/LIST/6844-E dated October 12, 2004, permission to the Issuer to use the exchange's name in this Red Herring Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed subject to the issuer fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation (i.e. the paid up capital shall not be less than Rs. 10 crores and market capitalisation shall not be less than Rs.25 crores at the time of listing). The Exchange has scrutinised this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the 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 Red Herring Prospectus, nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under 60B of the Companies Act, will be delivered for registration to the RoC, Maharashtra at Mumbai and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC. A copy of the Red Herring Prospectus has been filed with SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to The Stock Exchange, Mumbai and National Stock Exchange of India Limited for permission to deal in and for an official quotation of the Equity Shares of our Company. The Stock Exchange, Mumbai shall be the Designated Stock Exchange.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this

Red Herring Prospectus. If such money is not repaid within eight days after the date on which we become liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then we 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.

Our 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 Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(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 net offer to public including devolvement of Underwriters, if any, within 60 days from the date of closure of the issue, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest @ 15% p.a. as per Section 73 of the Companies Act, 1956. If there is any delay in refund of the amount collected, we and the Directors shall be jointly and severely liable to refund the amount due with interest @ 15% p.a. as per Section 73 of the Companies Act, 1956.

If the number of allottees in the proposed issue is less than 1,000, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after we become liable to pay the amount, we shall pay interest @ 15% p.a. for the delayed period.

Withdrawal Of The Issue

We in consultation with the BRLMs, reserve the right not to proceed with the Issue anytime after the Bid / Issue Closing Date, without assigning any reason thereof.

Letters Of Allotment Or Refund Orders

We shall give credit to the Beneficiary Account with Depository Participants within two working days from allotment of Equity Shares. We shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall despatch refund orders above Rs.1,500 if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI DIP Guidelines, we further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the 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 refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time period specified above.

We will provide adequate funds required for despatch of refund orders or allocation advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us, as a Refund Banker and payable at par at places where bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the bidders.

Issue Programme

Bidding Period / Issue Period

BID / ISSUE OPENS ON	**:**	**THURSDAY, DECEMBER 02, 2004**
BID / ISSUE CLOSES ON	**:**	**WEDNESDAY, DECEMBER 08, 2004**

Bids and any revision in bids shall be accepted only between **10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted only between **10 a.m. and 1 p.m**. (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE on the Issue Closing Date. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days. Any revision in the Price Band and the revised Bid/Offer period, if applicable, will be duly disseminated by notification to the BSE and NSE by issuing a press release and also by indicating the change on the website of BRLMs and at the terminals of the Members of the Syndicate.

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: bsl.ipo@sbicaps.com

ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED
801/802, Dalamal Towers,
Nariman Point
Mumbai - 400 021
Tel: +91 – 22 – 5638 1800
Fax: +91 – 22 – 2284 6824
Email: bharatiipo@enam.com

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:

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	SBICAPS	SBICAPS
Due diligence of the Company's operations / management / business plans/legal etc.	SBICAPS	SBICAPS
Drafting & Design of Draft Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	SBICAPS	SBICAPS
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	SBICAPS, ENAM	ENAM
Appointment of Registrar, Bankers, Printer and Ad agency	SBICAPS, ENAM	ENAM
Marketing of the Issue, which will cover *inter alia,* • Formulating marketing strategies, preparation of publicity budget • Finalize Media & PR strategy • Finalizing centres for holding conferences for brokers, etc. • Finalize collection centres • Follow up on distribution of publicity and Offer material including form, prospectus and deciding on the quantum of the Offer material	SBICAPS, ENAM	ENAM
Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	SBICAPS, ENAM	ENAM
Managing the Book	SBICAPS, ENAM	SBICAPS
Finalizing the Pricing and Allocation	SBICAPS, ENAM	SBICAPS
The post bidding activities including management of escrow accounts, co-ordinate non institutional allocation, intimation of allocation and despatch of refunds to bidders etc.	ENAM	ENAM
The post issue activities of the Issue will involve essential follow up steps, which must include finalization of listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. BRLM 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.	ENAM	ENAM

Syndicate Members

Enam Securities Private Ltd.
2nd Floor, Khatau Building,
44, Bank Street,
Off. Shaheed Bhagat Singh Road,
Fort, Mumbai - 400 001.

Registered Office of the Company

Saheb Building, 4th Floor,
D.N. Road, Fort
Mumbai - 400 001
Tel: +91-22-22659090
Fax: +91-22-22654044
E-mail: ipo@bharatishipyard.com,
Website: www.bharatishipyard.com

Corporate Office

19, Bombay Mutual Building,
Sir P.M. Road, Fort,
Mumbai 400 001
Tel: +91-22-22661194
Fax: +91-22-22660601

Compliance Officer and Company Secretary

Ms. Arti Shetty
Company Secretary
Bharati Shipyard Limited
4th Floor, Saheb Building,
D. N. Road, Fort,
Mumbai – 400 001
E-mail: ipo@bharatishipyard.com
Tel: +91-22-2267 9090/ 22679089
Fax No.: +91-22-22654044

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

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: bharatiship@intimespectrum.com

Legal Advisors to the Company

Kanga & Co.
Advocates & Solicitors
Ready Money Mansion,
43, Veer Nariman Road,
Mumbai – 400 001Tel: +91-22-5633 2288
Fax +91-22-5633 9656

Auditors

Shantilal Mehta & Co.
Chartered Accountants
6, Kermani Bldg.,
4th Floor, 27, Sir P.M.Road,
Fort, Mumbai – 400 001

Tax Consultant

Bhuta Shah & Co.
601, Dalamal Chambers,
New Marine Lines,
Behind Aaykar Bhavan,
Mumbai 400 020

Banker to the Issue and Escrow Collection Bankers

State Bank of India
(New Issue Division)
Mumbai Main Branch,
Mumbai Samachar Marg, Fort,
Mumbai 400 001

HDFC Bank
HDFC Bank House,
Senapati Bapat Marg,
Lower Parel (W),
Mumbai 400 013

Bankers to the Company

State Bank of India
Industrial Finance Branch,
World Trade Centre, Cuffe Parade,
Mumbai 400 005

Andhra Bank
Nanavati Mahalaya,
18, Homi Modi Street,
Fort, Mumbai 400 023

State Bank of Hyderabad
11-C, Mittal Towers,
210, 1st Floor, Nariman Point,
Mumbai 400 021

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.

Book Building Process

Book Building refers to the process of collection of bids from investors, on the basis of the Red Herring Prospectus including the Price Band. The Issue Price is fixed after the 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 SBI Capital Markets Limited, and Enam Financial Consultants Private Limited

(3) Syndicate Members who are intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs. In this case being Enam Securities Private Limited.

(4) 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 discretionary basis to QIBs (ii) not less than 25% 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. 50,000/- and (iii) not less than 25% 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.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company have appointed SBI Capital Markets Limited & Enam Financial Consultants Private Limited 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 shares	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 108 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	62,49,900	[•]
Enam Financial Consultants Private Ltd. 801/802, Dalamal Towers, Nariman Point Mumbai - 400 021	62,49,900	[•]
Enam Securities Private Ltd. 2nd Floor, Khatau Building, 44, Bank Street, Off. Shaheed Bhagat Singh Road, Fort, Mumbai - 400 001.	200	[•]

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 [•], 2004 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 discretionary as per the terms of the Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

CAPITAL STRUCTURE OF THE COMPANY

Share Capital	(In Rs.)	
	Face Value	Total Value Including Premium
A. Authorized Capital		
2,50,00,000 Equity Shares of Rs.10 each	25,00,00,000	25,00,00,000
B. Issued Subscribed and Paid-Up Capital before the Issue		
1,00,00,000 Equity Shares of Rs. 10 each fully paid-up	10,00,00,000	10,00,00,000
C. Present Issue in terms of this Red Herring Prospectus		
Issue of 1,25,00,000 Equity Shares of Rs. 10 each	12,50,00,000	[•]
Out of which		
(I) Reserved for our permanent employees		
12,50,000 Equity Shares of Rs. 10 each	1,25,00,000	[•]
(II) Net Offer to the Public		
1,12,50,000 Equity Shares of Rs. 10 each	11,25,00,000	[•]
D. Equity Capital after the issue		
2,25,00,000 Equity Shares of Rs. 10 each fully paid-up	22,50,00,000	[•]
E. Share Premium Account		
Before the Issue		NIL
After the Issue		[•]

Changes in Authorised Share Capital

(Rs in mn.)

Date	Increased from		Increased to	
	Number of shares	Amount (Rs)	Number of shares	Amount (Rs)
June 1, 1982	0.05	0.50	0.30	3.00
Oct 20, 1986	0.30	3.00	1.25	12.50
March 22, 1996	1.25	12.50	6.00	60.00
Jan 21, 2004	6.00	60.00	10.00	100.00
April 22, 2004	10.00	100.00	21.00	210.00
July 12, 2004	21.00	210.00	25.00	250.00

10% of the issue size i.e. 12,50,000 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 on our payroll as on August 31, 2004 are eligible to apply in this category.

Notes To The Capital Structure:

1. Share Capital History of our Company

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
June 22, 1976	3,030	10	10	Cash	Initial Subscription	-
June 18, 1982 *	45,000	10	10	Consideration other than cash	For acquiring business	-
June 29, 1983 *	22,011	10	10	Consideration other than cash	For acquiring business	-
June 29, 1983	9	10	10	Cash	Further issue of shares	-
April 9, 1985	30,000	10	10	Cash	Further issue of shares	-
June 27, 1985	60,000	10	10	Cash	Further issue of shares	-
June 28, 1986	60,000	10	10	Cash	Further issue of shares	-
March 11, 1991	27,000	10	10	Cash	Further issue of shares	-
March 22, 1996	9,88,200	10	-	Non cash	Bonus shares in the ratio of 4 equity shares for every 1 equity share	-
June 30, 1996	39,52,800	10	-	Non cash	Bonus shares in the ratio of 16 equity shares for every 5 equity share	-
October 11, 1999	1,000	10	10	Cash	Further issue of shares	-
May 27, 2002	1,50,000	10	10	Cash	Further issue of shares	-
August 09, 2002	2,00,000	10	10	Cash	Further issue of shares	-
March 31, 2003	3,60,000	10	10	Cash	Further issue of shares	-
June 30, 2003	1,00,000	10	10	Cash	Further issue of shares	-
March 25, 2004	800	10	10	Cash	Further issue of shares	-
March, 31 2004	32,36,100	10	10	Cash	Further issue of shares	-
July 12, 2004	7,64,050	10	10	Cash	Further issue of shares	-
Total	**1,00,00,000**					

Our company came into existence on 22nd June 1976. On 24th July 1973, a partnership firm, namely M/s. Bharati Shipyard was constituted with Mr. P. C. Kapoor, Mr. Vijay Kumar and Mr. Suresh Jagtiani, as partners. In April 1979, Bharati Shipyard

Pvt. Ltd., our company, was admitted as a partner. On 31st December 1979, our company took over the running business of the firm i.e. it acquired all the assets, liabilities, trade name, goodwill etc. Statutory reserves were credited to all partners in the existing profit sharing ratios. Final Balance thus derived at was discharged by way of issue of equity shares in our company.

In all 67,011 shares were issued which were divided equally among the three partners. 45,000 shares were issued on June 18, 1982 and the remaining 22,011 shares were issued on June 29, 1983.

2. Promoters Contribution And Lock-In:

a) P. C. Kapoor

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	
June 22, 1976	Initial Subscription	1,010	10	10	0.01	0.00	1
June 18, 1982	Non cash	15,000	10	10	0.15	0.07	1
June 29, 1983	Non cash	7,337	10	10	0.07	0.03	1
April 09, 1985	Cash	10,000	10	10	0.10	0.04	1
June 27, 1985	Cash	20,000	10	10	0.20	0.09	1
June 28, 1986	Cash	20,000	10	10	0.20	0.09	1
March 11, 1991	Cash	9,000	10	10	0.09	0.04	1
March 22, 1996	Bonus	3,29,388	10	-	3.29	1.46	1
June 30, 1996	Bonus	3,37,196	10	-	3.37	1.50	1
June 30, 1996	Bonus	9,80,356	10	-	9.80	4.36	3
October 04, 1999#	Cash	8,64,644	10	10	8.65	3.84	3
October 11, 1999	Cash	495	10	10	0.00	0.00	1
May 27, 2002	Cash	75,000	10	10	0.75	0.33	3
August 09, 2002	Cash	1,00,000	10	10	1.00	0.44	3
March 31, 2003	Cash	1,80,000	10	10	1.80	0.80	3
June 30, 2003	Cash	50,000	10	10	0.50	0.22	3
March 31, 2004	Cash	5,95,000	10	10	5.95	2.64	1
Total		**35,94,426**			**35.94**	**15.98**	

b) Mr. Vijay Kumar

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	
June 22, 1976	Initial Subscription	1,010	10	10	0.01	0.00	1
June 18, 1982	Non cash	15,000	10	10	0.15	0.07	1
June 29, 1983	Non cash	7,337	10	10	0.07	0.03	1
April 09, 1985	Cash	10,000	10	10	0.10	0.04	1
June 27, 1985	Cash	20,000	10	10	0.20	0.09	1
June 28, 1986	Cash	20,000	10	10	0.20	0.09	1
March 11, 1991	Cash	9,000	10	10	0.09	0.04	1
March 22, 1996	Bonus	3,29,388	10	-	3.29	1.46	1
June 30, 1996	Bonus	3,37,195	10	-	3.37	1.50	1
June 30, 1996	Bonus	9,80,357	10	-	9.80	4.36	3
October 04, 1999#	Cash	8,64,643	10	10	8.65	3.84	3
October 11, 1999	Cash	496	10	10	0.00	0.00	1
May 27, 2002	Cash	75,000	10	10	0.75	0.33	3
August 09, 2002	Cash	1,00,000	10	10	1.00	0.44	3
March 31, 2003	Cash	1,80,000	10	10	1.80	0.80	3
June 30, 2003	Cash	50,000	10	10	0.50	0.22	3
March 31, 2004	Cash	5,95,000	10	10	5.95	2.64	1
Total		**35,94,426**			**35.94**	**15.98**	

c) **Bharati Shipping & Dredging Co. Pvt. Ltd.**

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	
June 29, 1983	Cash	9	10	10	0.00	0.00	1
March 22, 1996	Bonus	36	-	10	0.00	0.00	1
June 30, 1996	Bonus	144	-	10	0.00	0.00	1
October 11, 1999	Cash	9	10	10	0.00	0.00	1
March 31, 2004	Cash	20,46,100	10	10	20.46	9.09	1
July 12, 2004	Cash	7,64,050	10	10	7.64	3.40	1
Total		**28,10,348**			**28.10**	**12.49**	

Mr. Suresh Jagtiani resigned from directorship and his shares were acquired for cash by Mr. P.C. Kapoor and Mr. Vijay Kumar equally.

10% post issue shareholding of both Mr P.C. Kapoor and Mr Vijay Kumar aggregating to 20 % of our post – issue capital would 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. Lock in of shares has been finalised on LIFO basis after determining the shares that are eligible for promoters contribution.

The promoters may pledge their Equity Shares with banks or financial institutions as additional security for loans whenever availed by them from banks or financial institutions.

The Promoters Mr. P. C. Kapoor, Mr. Vijay Kumar and M/s. Bharati Shipping & Dredging Co. Pvt. Ltd. have given their approval for lock – in of their shareholding as specified above, for vide their letter dated September 07, 2004.

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

Shares held by promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI (DIP) Guidelines, may be transferred to and amongst promoter/ 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.

Participation in the present issue by the promoters shall be locked-in for a period of one year from the date of allotment in the current issue.

d) 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	99,99,600	99.99	99,99,600	44.44
Promoters				
P. C. Kapoor	35,94,426	35.94	35,94,426	15.98
Vijay Kumar	35,94,426	35.94	35,94,426	15.98
Bharati Shipping & Dredging Co. Pvt. Ltd.	28,10,348	28.10	28,10,348	12.49
Promoter Group	400	0.01	400	0.00
Others	400	0.01	1,25,00,400	55.56
Total	**1,00,00,000**	**100.00**	**2,25,00,000**	**100.00**

e) Particulars of top ten shareholders as on the date of and 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	P. C. Kapoor	35,94,426
2	Vijay Kumar	35,94,426
3	Bharati Shipping & Dredging Co. Pvt. Ltd	28,10,348
4	Ashraf Geeta Kumar	100
5	Sukriti Gayatri Kumar	100
6	Radhika C Mehra	100
7	Madhu P Kapoor	100
8	Sherali M Sheikh	100
9	Aruna Sushil Puri	100
10	J. M. Gandhi	100

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	P. C. Kapoor	26,69,426
2	Vijay Kumar	26,69,426
3	Bharati Shipping & Dredging Co. Pvt. Ltd	198

f) The total number of members of the Company as on August 31, 2004 is 11.

g) The Company has not availed any bridge loan against the proceeds of this Issue.

h) The Promoters, 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 the Company's shares in the last six months.

i) 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 discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% 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.

j) A total of 10% of the issue size, i.e 12,50,000 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 as on the Cut-Off Date i. e. August 31, 2004 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 meet through over subscription in any other category including reservation.

k) There are no outstanding warrants, options or right to convert debentures, loans or other instruments into our Equity shares.

l) There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI 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.

m) 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 the 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.

n) We have revalued our Building, Plant and Machinery and Shed in the year 1994-95 and total reserves of Rs.144.31 mn has been created. The depreciation on the assets revalued is charged to revaluation reserve every year and the balance in revaluation reserve account as on 31st March 2004 was Rs. 82.52 million.

o) We have not issued any Equity Shares out of revaluation reserves. For details of issue of shares for consideration other than cash please refer to the para on "Issues otherwise than for Cash" under the Chapter "History and Other Corporate Matters".

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

q) 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 RoC.

Name	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Amount (Rs.)
Promoters				
P. C. Kapoor	5,95,000	10	10	59,50,000
Vijay Kumar	5,95,000	10	10	59,50,000
Bharati Shipping & Dredging Co. Pvt. Ltd.	28,10,150	10	10	2,81,01,500
Promoter Group				
Ashraf Geeta Kumar	100	10	10	1000
Sukriti Gayatri Kumar	100	10	10	1000
Radhika C Mehra	100	10	10	1000
Madhu P Kapoor	100	10	10	1000
Others				
Sherali M. Sheikh	100	10	10	1,000
J. M. Gandhi	100	10	10	1,000
Aruna Sushil Puri	100	10	10	1,000
Shamshad Begam	100	10	10	1,000

r) On April 22, 2004 the face value per share was reduced from Rs. 10 to Rs. 5. On July 12, 2004 the face value per share was increased from Rs. 5 to Rs. 10.

s) A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, i.e., 1,25,00,000 Equity Shares, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

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

u) In 2004, we have enhanced our banking facility to Rs. 2560 mn. (Fund based as well as non-fund based, which earlier was Rs 1480 mn) from a consortium of banks where the Lead Bank is the State Bank of India financing the working capital requirements of the Company.

State Bank of India, the lead bank of the consortium has on behalf of the consortium given us a no objection certificate for public issue of 12.5 million shares dated September 16, 2004 subject to a maximum of Rs. 1000 millions.

There are restrictive covenants under the terms and conditions of this loan agreement executed with the consortium of banks. Some of these restrictive covenants require the prior permission of the said banks for the following:

a. Effect any change in the company's capital structure
b. Formulate any scheme of amalgamation/ reconstruction
c. Implement any scheme of expansion/ acquire fixed assets
d. Enter into borrowing arrangements with any bank, financial institution, company or otherwise accept deposits.
e. To obtain bank's prior approval before declaring dividends.
f. To make any drastic change in the management set up. Further, the bank has a right to appoint a nominee director on our Board of Directors.

OBJECTS OF THE ISSUE

The net proceeds from the Issue i.e Rs. [•] mn after meeting issue expenses of Rs. [•] mn will be used for expansion of the Ratnagiri Yard and for providing additional working capital margin. Any shortfall will be met through our internal accruals. In case of surplus, the same will be used for business purposes including acquisations. The other object of the Issue is to achieve the benefits of listing and to provide liquidity to our existing shareholders.

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.

Funds requirement	**(Rs in mn)**
Expansion of Ratnagiri Yard	650.00
Working Capital Margin	100.00
Total	**750.00**
Of the above:	
Funds to be raised through the proposed issue	[•]

The break-up of the Cost of Expansion of Ratnagiri Yard is as under:

M/s. Larsen & Toubro Ltd., Technology Centre, Baroda has carried out the feasibility study of our expansion plans. MEC Consultants have worked out the requirement of funds in consultation with Larsen & Toubro Limited and us. 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.

Sr. No.	**Proposed Expenditure Program**	**Amount (Rs in mn)**
1.	Dredging & Reclamation	66.00
2.	Construction of Jetties for fit out of ships	63.10
3.	Dry Dock	170.50
4.	Cranes, Machineries and Other Equipments	149.80
5.	Repair of Slipway	12.80
6.	Fabrication and Assembly Sheds	69.20
7.	Administrative Block	18.40
8.	Engineering Design and Drawings	11.50
9.	Outfitting Sheds	3.60
10.	Miscellaneous Structures	2.40
11.	Research & Development Centre	47.50
12.	Contingencies	35.20
	Total	**650.00**

Source: MEC Consultants Report

Dredging and Reclamation

We intend to construct and repair large vessels having deeper draft. For this purpose, dredging activity needs to be carried out for removing the earth from the seabed in the area of approach channel and turning circle. The sand removed by dredging will be used for reclamation of land from the sea for constructing Dry Dock and Jetty.

Construction of alongside jetties for fit out of ships and extension of an existing jetty

As per the proposed plan, our existing jetty will be extended by increasing its length to 35 meters from the present length of 18 meters. It is also proposed to construct a new jetty of the size of 120 mts. x 15 mts. in addition to the existing jetty. Since the new jetty will be constructed at some distance in the waters, an approach bridge needs to be built of the size of 40 mts. x 4 mts. A mooring dolphin of the size 6 mts. x 6 mts. for vessels to be tied to the jetty is proposed to be installed.

Dry Dock

As per the proposed plan dry-dock of the size 176 mts. x 33 mts. x 5 mts. in place of the existing wet basin will be constructed. This will help us to construct bigger ships upto 170 mts. length, which we are unable to construct at present. Further, sill level of the new caisson gate will be deepened further to accommodate bigger vessels. The provision of Dry Dock will also facilitate repairs at the bottom of the vessel, which are not possible in the wet basin at present.

Machinery and Other Equipments

As per the proposed plan, additional cranes and other equipments that will enable us to manufacture and repair larger vessels will be acquired. The details of major machineries are as follows:

Sr.	Description	Capacity/Size	Nos.
1	Goliath Crain Over drydock	125/40 T x 36M rail centres x 29M lift	1
2	Semigoliath	5T x 10M span x 6M lift	1
3	EOT	5T x 24M span x 10M lift	1
4	Semigoliath	5T x 10M span x 5M lift	2
5	EOT	40T x 20M span x 18M lift	2
6	EOT	15T x 20M span x 10M lift	2
7	EOT	65T x 20M span x 10M lift	2
8	EOT	10T x 15M span x 10M lift	1
9	Crains hoists for out fit shops	2T	6
10	Tyre mounted mobile crane		1
11	Fork lift trucks	5T	2
12	Blasting and painting shed		1
13	CNC profile cutting machine	12M x 3M	2
14	Flanging Press		1
15	Gap Press	250 T x 2.5 M wide plate	1
16	Pyramid rolls	6M x 2.5 M , 16mm thk	1
17	Frame bending machine		1
18	Flat panel assembly area skid	To suit Shop Area	1
19	Pin jig Assembly Station	To suit Shop Area	1
20	Submerged weilding sets		6
21	Tools, grinders etc.		
22	Compression bending machine		1
23	Pipe profile cutting machine		1

Source: MEC Consultants Report

Repairs of Slipway

As per the proposed plan, repairs will be carried out to our existing slipway. Existing Slipway is 18 mts. wide and 200 mts. long with 3 rail lines.

Fabrication and Assembly Sheds

For serving increased capacity of construction, we would need to construct additional process shops such as Steel fabrication and assembly shop, Plate treatment shop, Painting shop, Pipe shop, Equipment stores, X-ray room, Internal road, canteen and some miscellaneous structures.

Administrative Block

This expansion will require us to build a two storey administrative office building.

Engineering Design and Drawings

For the purpose of expansion of our facilities, we would need to carry out detailed engineering and prepare working drawings for execution purpose.

Outfitting Sheds

For meeting increased needs of construction and repairs, we need to construct some outfitting sheds such as electrical shop, machine shop, carpentry shop, staging shop and rigger shop, module shops, etc.

Miscellaneous Structures

We plan to create more general utilities and amenities at our shipyard. We plan to provide for dock office, first aid rooms, offices near dry docks, sewage systems, rest rooms, etc. throughout the yard.

Research and Development Centre

As per the proposed plan, a research and development centre will be established, which will cater to the needs of designing new vessels. This centre will be equipped with latest software of CAD and CAM and hardware required for designing modern ships.

Contingencies

We plan to keep aside some portion of the net proceeds from the issue towards meeting contingent expenses and/ or cost overruns in carrying out our above-proposed activities.

Year wise break up of expenditure on the project and Schedule of Implementation

(Rs in mn)

Sr. No.	Particulars	Oct '04-Mar '05	Apr '05-Mar '06	Apr '06-Sep-06	Total
1	Dredging & Reclamation	-	60.00	6.00	66.00
2	Construction of jetties for fit out of ships	18.00	42.00	3.10	63.10
3	Dry Dock	6.50	149.50	14.50	170.50
4	Cranes, Machineries and other equipments	-	137.00	12.80	149.80
5	Repair of slipway	7.80	5.00	-	12.80
6	Fabrication & Assembly Sheds	3.50	60.10	5.60	69.20
7	Administrative Blocks	0.30	15.80	2.30	18.40
8	Engineering Designs and Drawings	6.00	5.50	-	11.50
9	Outfitting Sheds	-	3.30	0.30	3.60
10	Miscellaneous Structures	-	2.00	0.40	2.40
11	Research & Development Centre	20.00	27.50	-	47.50
12	Contingencies	3.20	29.50	2.50	35.20
	Total	**65.30**	**537.20**	**47.50**	**650.00**

Source: MEC Consultants Report

Schedule of Implementation

Particulars	Commencement Date	Completion Date
Dredging and reclamation	October 2005	September 2006
Construction of jetties	November 2004	August 2006
Dry dock	January 2005	August 2006
Slipway repair	October 2004	May 2005
Fabrication & Assembly sheds	January 2005	September 2006
Outfitting sheds	May 2005	August 2006
Administrative blocks	February 2005	August 2006
Miscellaneous Structures	July 2005	September 2006
Cranes, Machinery, Equipments	May 2005	September 2006
Engineering design and drawing	October 2004	November 2005
New Design & Research Centre	January 2005	September 2005

Source: MEC Consultants Report

Amount spent for expansion of Ratnagiri yard till September 30, 2004.

We have incurred the following expenses for expansion of Ratnagiri yard till September 30, 2004.

Sr.	Description	Amount (Rs. in mn.)
I	Slipway Repairs	6.60
II	Dredging	2.62
III	Extension of Existing Jetty	3.69
IV	Dry Dock	1.03
V	Engineering / Design	2.30
VI	Machinery / Equipment	4.68
	Total	**20.91**

Details of calculation of Working Capital Margin

The total working capital requirement excluding margin has been estimated by the Company at Rs. 2560 mn. (Fund based as well as Non-Fund based). The Company has also obtained sanction from the consortium banks to this effect. The requirement of working capital margin is as follows.

(Rs in mn)

	Existing limits	Increase in limits	New Limits	Required margin (%)	Required margin on the increase (Rs)
Cash Credit	260.00	150.00	410.00	25%	37.50
Letter of Credit	360.00	320.00	680.00	10%	32.00
Bank Guarantee	860.00	610.00	1,470.00	5%	30.50
Total	**1,480.00**	**1,080.00**	**2,560.00**		**100.00**

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

(Rs in mn)

Particulars	State Bank of India	State Bank of Hyderabad	Andhra Bank	Total
Cash Credit	260	100	50	410
Letter of Credit	560		120	680
Bank Guarantee	1160	100	210	1470
Total	**1980**	**200**	**380**	**2560**

Means of Finance

The net proceeds of the Issue after meeting issue expenses would be used to meet uses of the funds described above. The project is proposed to be financed from the proceeds of the issue. 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 acquisations. The future requirement of Working Capital Margin would be met out of internal accruals.

We have signed a Memorandum of Understanding dated June 30, 2004 with M/s MEC Consultants for technical and related services for planning and implementation of proposed expansion plan of our Shipyard at Ratnagiri. Broad terms and Conditions of this MoU are described below:

i. Bharati Shipyard Limited will give the functional and operational requirements and other technical inputs for preparation of expansion/mordernisation plan.

ii. MEC will prepare the alternative layouts of the shipyard considering the requirements given in para i above following the stipulations given in the Indian/International codes and taking into account the functional requirements, normal engineering practices and economic considerations.

iii. Bharati will give their comments/suggestions on the various alternative plans submitted by MEC and after mutual discussions MEC will prepare the finally accepted alternative plans on the basis of which the preliminary engineering, cost estimates and implementation schedule will be submitted to Bharati for approval.

iv. The entire assignment will be completed in 630 days and consideration payable will be as per mutual agreement.

v. The scope of consultancy will be extended to detailed engineering and project monitoring at the stage of the implementation on mutually agreeable terms.

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.

INDUSTRY OVERVIEW

Introduction

Global Shipbuilding Industry

Global market environments in ship building industry have undergone fundamental changes over the last two decades. For nearly three decades in the post World War - II era, ship building industry was dominated by European countries and United States of America. However, high labour cost in the yards of Europe and USA, one of the major determinants in this cost competitive industry, has led to a gradual shift of the centre of shipbuilding to the Asian countries. The international shipbuilding market, which dominated by South Korea, Japan and China, which together account for around 78 per cent of the world output.

[Source: Commission of the European Communities – 7th Report from the commission to the council on the situation in world shipbuilding, Brussels, 6-5-2003 COM (2003) 232 Final]

Shipping plays a vital role in the world economy. Close to 80% of international trade is moved by sea, and in the year 2000 the international commercial fleet carried over 5,000 mn tonnes of cargo of all types.

In the last two decades world seaborne trade has increased on an average by 1.8 % per annum. Seaborne trade can be split into three principal commodity groups, with further subdivisions within each group. The breakdown being as follows:

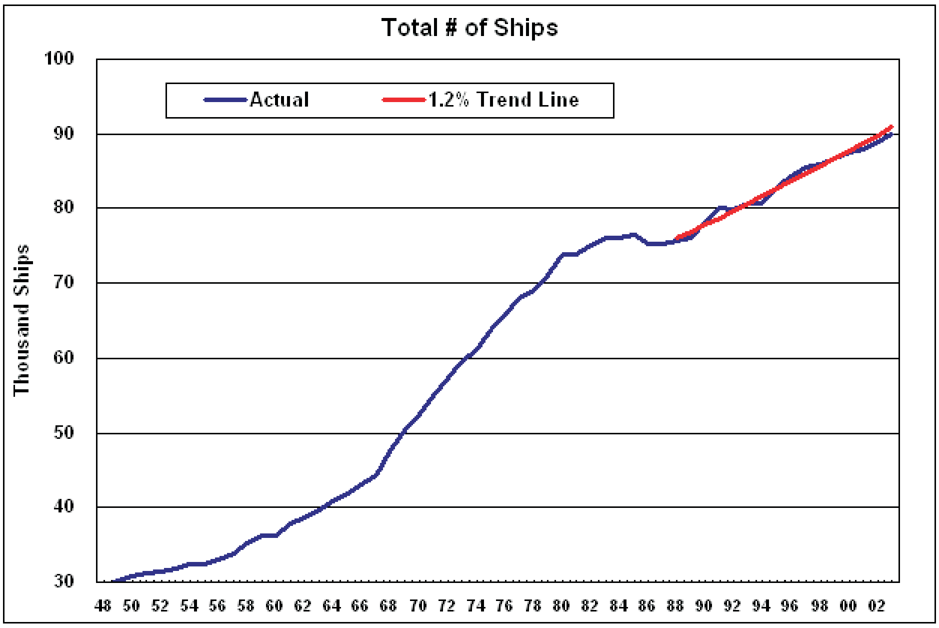
- **Bulk Liquids**: Comprising Crude Oil; Refined Petroleum Products; Bulk Liquid Chemicals; Liquefied Petroleum Gas (LPG); Liquefied Natural Gas (LNG); Vegetable Oils and Fats and Chemical Gases. Total bulk liquid movements are now close to 2.3 billion tonnes per annum. On average bulk liquid trades have grown by approximately 1% per annum in the period 1980-1999, although in sectors such as LNG annual growth rates are near to 7.5%.
- **Dry Bulks**: Comprising Major Bulks such as Coal, Iron Ore and Grain, and Minor Bulks such as Steel Products, Fertilizers and Minerals. Total dry bulk movements are now close to 1.9 billion tonnes, with trade growth in the period 1980- 1999 averaging 2.0% per annum.
- **General Cargo**: Comprising all other non-bulk cargo, including refrigerated cargo such as meat and fruit and manufactured goods. An increasing proportion of this trade is being containerized, as opposed to being carried in conventional general cargo ships. Total general cargo trade is now over 1.0 billion tonnes a year, and has grown at the rate of around 4% per annum in the period 1980-1999. The average increase in the container sector is, however, close to 9%, which has created an enormous demand for new ships, and for absolute increase in vessel size.
- Apart from cargo, it is worth noting that in the cruise sector passenger demand has been growing at some 8% per annum, although unlike the other sectors of shipping which is demand led, the cruise market has been supply driven. That is, operators have stimulated demand by adding increasing numbers of larger cruise ships.

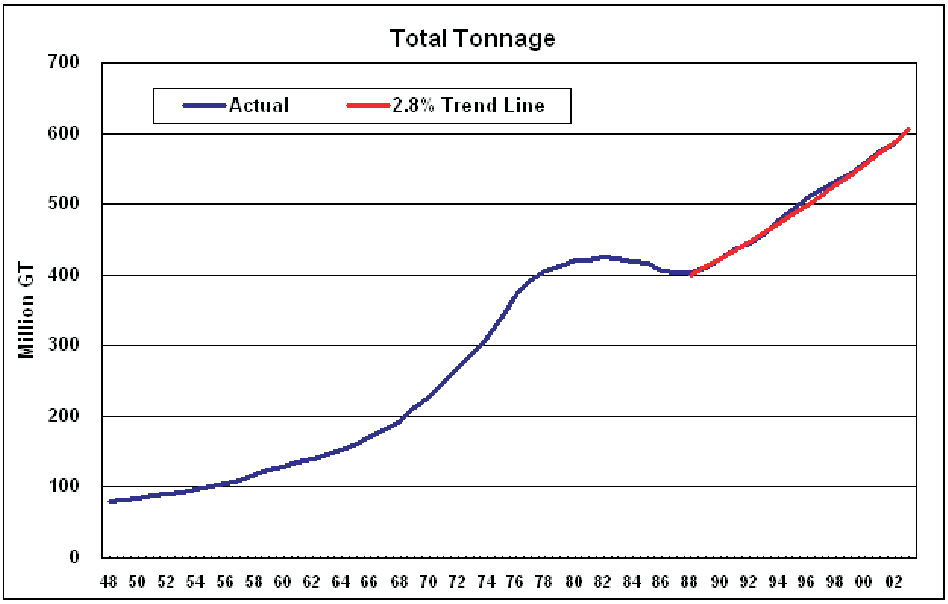
  (Source: The European and Worldwide Shipbuilding Market & economic analysis on the comparative strengths and weaknesses of European Union & Korean Shipyards, prepared by: Drewry Shipping Consultants Ltd. & Prof. Aubrey Silberston CBE, London Economics & Imperial College, University of London)

Growth Of The World Fleet Since World War II

(Source: Lloyd's Register of Shipping "World Fleet Statistics")

These two charts show the explosion in the size of the world fleet in the 1970s that is driving the current demand for replacement, 30 years later. The trend lines superimposed on the past 15 years of these two charts illustrate the fact that the number of ships in the world fleet grows at less than half the rate that the tonnage in the world fleet grows.





Year	Number of Ships	'000 GT	Year	Number of Ships	'000 GT
1950	30,852	84,583	1978	69,020	406,002
1955	32,492	100,569	1983	76,106	422,590
1960	36,311	129,769	1988	75,680	404,406
1965	41,865	160,392	1993	80,655	457,915
1970	52,444	227,490	1998	85,258	531,893
1975	63,724	342,162	2003	89,899	605,218

The Sectors of International Shipping

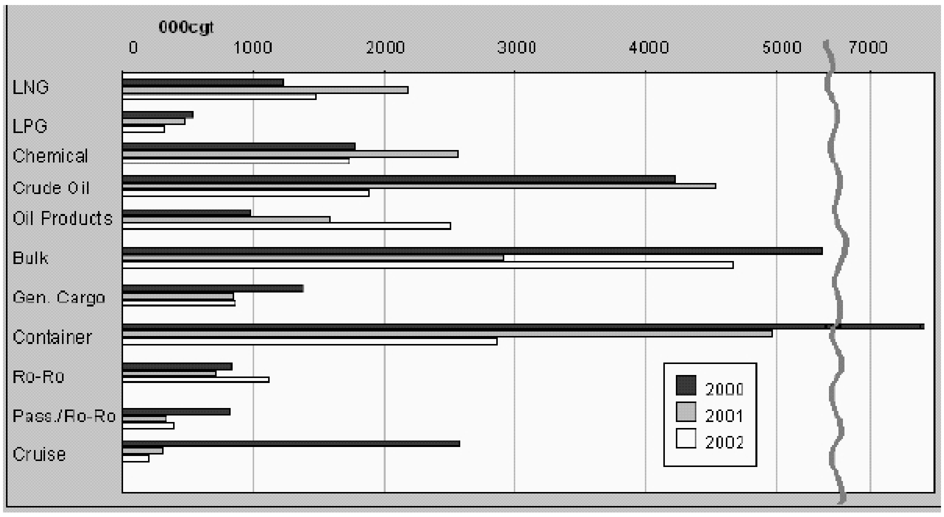
The different types of cargo require different types of ship. In broad terms the principal segments in the deep-sea commercial sector are:

- Oil Tankers: carry crude oil, refined petroleum products and in some cases bulk liquid chemicals.
- Chemical Tankers: carry bulk liquid chemicals, vegetable oils and fats and refined petroleum products.
- LPG Carriers: carry liquefied petroleum gas and chemical gases
- LNG Carriers: carry liquefied natural gas
- Dry Bulk Carriers: carry all major and minor dry bulk cargoes
- Refrigerated Ships (reefer ships): carry cargoes such as meat and fruit.
- Container Vessels: carry all types of general cargo that has been containerized.
- General Cargo Vessels: carry all types of general cargo that has not been containerized
- Ro-Ro: roll-on/roll-off vessels carry trucks and cars.
- Cruise ships: carry people.
- Passenger ferries / ro-pax: carry people, cars and trucks

In addition, there are other specialist sectors, such as car carriers, but in the main these are small both in terms of the volume of cargo moved by the sea and the size of the respective fleets.

(Source: The European and Worldwide Shipbuilding Market & economic analysis on the comparative strengths and weaknesses of European Union & Korean Shipyards, prepared by: Drewry Shipping Consultants Ltd. & Prof. Aubrey Silberston CBE, London Economics & Imperial College, University of London)

The development of new orders by major ship types during the period 2000 to 2002 is as under:



[Source : EUROPA-European Union – 7th Report- Document COM(2003) 232 final of 06.05.2003]

Demand for shipbuilding

On the export front, the world trade is now poised for a higher growth rate of the order of 3%. In addition to growth-initiated demand, the following factors will contribute to the higher demand of ships globally.

- New regulations regime banning single hull tankers.
- Scrapping of old ships specially bulk carriers due to introduction of higher structural standards.
- Increasing containerization would have higher demand of container ships. It is expected that this segment will grow by 11% as against the general growth of trade of 3%.

The world shipbuilding markets are in a phase of expansion. As a result, one estimate has placed the requirement for new ship construction at 40/45 mn deadweight tonnes for the first half current decade. The deadweight ton is the total weight a ship can carry, including cargo, provisions, fuel, stores, crew and spares.

(Source: Global Markets for Marine Technology, John Westwood, Douglas –Westwood Limited as from Larsen & Toubro Report)

The shipping market cycle and shipbuilding

The shipbuilding market in theory should follow the shipping freight trends. However, in practice, various distortions exist which affect this linkage. Many Interlinked factors as described hereunder drive shipbuilding

Market Factors

- Subsidies by the Government
- Scrapping of old vessels
- Charter rates
- Vessels on order

Macro Factors

- Oil Prices
- Economic Stability
- Political stability
- Global GDP
- World seaborne trade

These factors lead to an uneven workflow for shipyards, Firstly, ship owners tend to order (possibly over-order) most new ships when freight rates and market expectations are in the ascendancy. Normally when the freight rates are falling, investment by ship owners in new ships is uncommon. Further, there is a lead-time between ordering and delivery due to time taken for construction of ships. Reversals in global economic direction and/or the fortunes of particular key industries (e.g. steel making) during this period can have significant impact and ship owner's decisions can end up being seemingly misguided. Moreover, it also suggests that shipbuilders have to work out ways to deal with "feast and famine" situations in their workloads.

Secondly, falling freight rates will reduce the demand for new ships, which will have two effects – a shrinking fleet (as new orders are reduced and scrapping increased), and falling new shipbuilding prices. The shrinking fleet will lead to reduction in tonnage, thereby exerting upward pressure on freight rates. This, combined with the falling supply price, will encourage owners to increase their demand for new ships, thereby driving up new shipbuilding prices. The rising new shipbuilding prices encourage yards to increase the available capacity either by increasing productivity or by introducing new facilities.

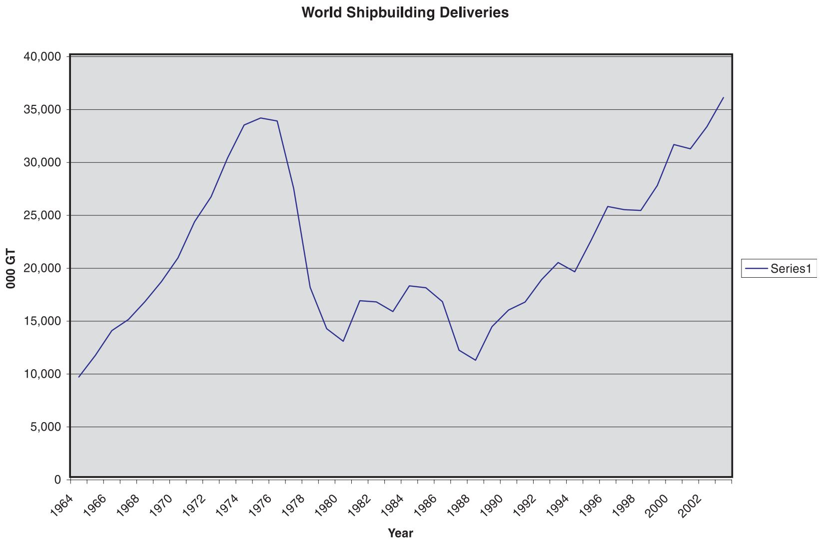
This increase in shipbuilding capacity eventually leads to excess capacity coupled with the speculative ordering, which will be encouraged by a rising freight rates, eventually lead to over-ordering by speculators and bargain-hunters. This will cause an over-supply of tonnage to appear on the market. When the market is once again characterized by over tonnage, the cycle will begin again.

The cyclical nature of the shipping market means that, not only do yards have highly variable workloads, but also the level of new building prices in the market may fluctuate significantly according to market conditions.

(Source: Global Markets for Marine Technology, John Westwood, Douglas –Westwood Limited as fro Larsen & Toubro Report)

The cyclical nature of the market can be seen from the following data and chart relating to world shipbuilding deliveries of all self-propelled commercial vessels over 100 GT.

Year	***Total 000GT***	***Year***	***Total 000GT***	***Year***	***Total 000GT***	***Year***	***Total 000GT***
1964	9,724	1974	33,541	1984	18,334	1994	19,669
1965	11,763	1975	34,203	1985	18,157	1995	22,652
1966	14,105	1976	33,922	1986	16,845	1996	25,837
1967	15,157	1977	27,532	1987	12,259	1997	25,537
1968	16,845	1978	18,194	1988	11,312	1998	25,464
1969	18,739	1979	14,289	1989	14,482	1999	27,822
1970	20,980	1980	13,101	1990	16,054	2000	31,696
1971	24,388	1981	16,932	1991	16,810	2001	31,292
1972	26,749	1982	16,820	1992	18,928	2002	33,383
1973	30,409	1983	15,911	1993	20,538	2003	36,131



(Source: Lloyd's Register's "World Fleet Statistics")

The geographical shipbuilding market structure

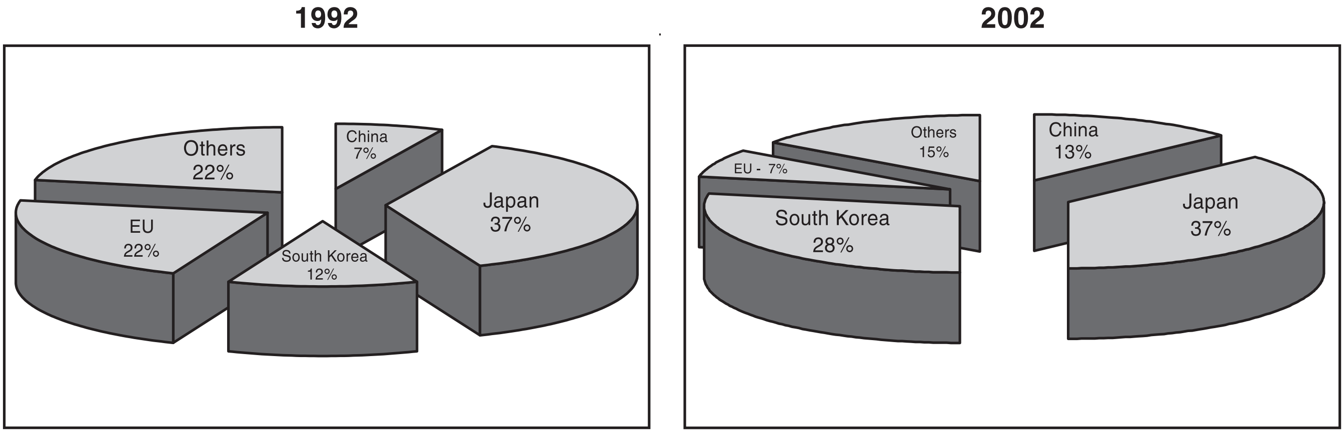
According to current published information, Japanese and South Korean shipbuilders presently dominate major segments of the ship construction industry, including tankers and bulk carriers. Both countries subsidize their shipyards heavily, and industrial dominance in ship construction appears to be a priority for both countries. China too has started making inroads and is able to garner new ship construction contracts.

The Japanese shipbuilding industry continues to maintain the leadership position it has held over the past decades with 37% of the world market.

The developing countries that include South Korea and China have market shares of 28% & 13% respectively. Countries represented through European Union have a market share of 7%. Other countries have a market share of 15%.

The development of shipbuilding market over the period from 1992 to 2002 can be seen from the following chart showing share of various countries in the shipbuilding market in the year 1992 and 2002:

Market Share in Shipbuilding in % - based on CGT



EU - European Union

[Source: Commission of the European Communities – 5th and 7th Report from the commission to the council on the situation in world shipbuilding]

Level of Automation

Internationally, there are 5 levels of automation. Level 1 represents the basic level of automation whereas level 5 represents highest level of automation. The brief description of these levels and their salient features are as under:

Level 1: This level is conventional shipbuilding on berth with sequential work process. This level commands low cranage and no pre-outfitting work is carried out. The features of this level are long build period, low productivity and low investment.

Level 2: This level involves shipbuilding on berth with some amount of panel/block construction. This level requires medium size cranes and pre-outfitting work is carried out at this level. The features of this level are shorter build period and higher levels of investments compared to level 1.

Level 3: This level involves building the vessel in blocks. This level requires heavy cranage and very high degree of pre-outfitting work is carried out at this level. This level requires use of CNC machines of simple type in production process. The features of this level are streamlined parallel production technique, short build period and higher levels of productivity and return on investments.

Level 4: The process and features of this level are same as at level 3 with the addition of automatic panel lines. This level requires heavier cranage and high degree of transportation within the shipyard. The production is distributed and parallel production is carried out. The features of this level are higher investments and shorter build cycles.

Level 5: The process and features of this level are same as at level 4 with the addition of robotics in block building. This level also requires extensive use of panel lines. The features of this level are very high investments and very high productivity and extremely short build cycles.

None of the Indian shipyards are at level 4 and 5 as it is not justified for the tonnage type of vessels on order with Indian shipyards and prevailing labour rates. Japan and Korea have high wage rates and they are predominantly involved in construction of large ship market segments. Hence, the heavy investments in automation and facilities required at this level are justified in their cases. In India, Cochin Shipyard Ltd. is at level 3.

Indian Shipbuilding Industry

As India has significantly smaller short sea fleet than would be expected for an economy of its size, there is a latent and significant demand from the domestic market. In the past, the lack of commitment, cost overruns, poor quality constructions, delayed delivery, etc. was deterrent for the Indian shipyards from getting a significant volume of orders. Some private sector yards are currently showing increasingly better performance

The Indian shipyards stand to gain in shipbuilding and ship repair market due to the following factors:

- Lower labour cost in comparison to Singapore, Korea, Japan, and Eastern European yards.
- Availability of large pool of technically qualified personnel with proven skills in shipbuilding production engineering and other maritime areas as compared to China, Indonesia etc.
- A vast coast line of India with many suitable sites for large yards
- Rise in domestic Indian coastal and overseas trade
- The quality of Indian built ships is perceived better
- The input cost of material and machinery are now being made available to Indian shipyards at global benchmarked prices with economical liberalization
- The labour and managerial productivity is on increase with incorporation of better manufacturing facilities

With Indian shipyards able to achieve the above partially and on the road to implement it fully, “Perception of India as shipbuilding destination is changing and has changed considerably in recent past”.

The following chart shows the comparative labour costs in various countries.

Sr.	Country	Labour Cost per Worker ($ per year)
1	China	729
2	India	1,192
3	Indonesia	1,008
4	Korea	10,743
5	Malaysia	3,429
6	Phillipines	2,450
7	Singapore	21,317
8	Thailand	2,705

(Source : Ministry of Commerce and Industry, Department of Industrial Policy & Promotion, Presentation on ‘India-Korea Synergies in the Manufacturing Sector’)

Subsidies

Subsidies either direct or indirect has been an important feature of the international ship building industry. Government of India has extended the subsidy scheme for ships built in Indian shipyards both for Indian owners as well as exports. The subsidy is now available to the private players too. The amount of subsidy is pegged at 30 % of the sale price of the ship, subject to fulfilment of conditions.

Characteristics and development of Indian fleet

The average rate of growth in the Indian fleet in terms of number of ships has been slightly under 1 % from 1989 to 2000. In terms of tonnage it has been around 0.5 %. These figures are well below the average rate of growth of the total world fleet, which proceeds at 2-3 % per annum. It is now expected that the growth in the Indian fleet will tend to match the growth in trade.

India is well served by a large fleet of small service craft (tugs, fishing boats, dredgers, etc.), but is poorly served by the cargo carrying fleet when compared to the extent of the country’s trade. The cargo carrying fleet has not been growing significantly; the merchant marine has therefore been losing ground in the carriage of Indian goods. Of the fleet of cargo vessels operating in the area around Mumbai, only 11% are Indian. The situation is particularly acute in the short sea sector, below 10,000 deadweight ton where only 6.7% of the ships are Indian.

(Source: Lloyd’s of London Ship Movements as per Larsen & Toubro Report)

Classification of the Indian fleet

Short sea fleet (15,000 to 25,000 dwt)

The Indian short sea fleet, between 15,000 to 25,000 dwt, is small at only 37 ships. This represents only 12.5% of the total cargo carrying fleet in India, and Indian short sea sector is smaller than is typical throughout global trade. Overall 28% of the world cargo carrying fleet is between 15,000 to 25,000 dwt, and short sea trading patterns are gaining increasing importance in all regions of the world. Building activity in this sector has been very low in recent years and average age of the ships is high, at 18.8 years. In the face of a life expectancy of between 20 and 25 years in this sector, much of the fleet should be due for replacement over the coming decade.

(Source: Analysis of IRS Ship Register Book as per Larsen & Toubro Report)

Small Ships (Below 15,000 dwt)

Indian builders have performed well in this size range, constructing almost 60% of the fleet. The remaining 40% have been constructed in a wide range of countries in the Far East and Europe. A significant proportion of foreign built tonnage stems from the purchase of second hand ships, and this trend is particularly prevalent in the fishing and offshore support sectors of the fleet. If these two sectors are excluded, then the proportion of the fleet constructed in Indian shipyards increases to 68%. Since 1995 to date, on an average 19-20 vessels have been added per annum in this category.

(Source: Analysis of IRS Ship Register Book as per Larsen & Toubro Report)

Economics and Trade Growth, and the prospects for shipbuilding

The demand for ships stems from the demand for moving goods around the world by way of trade. In basic terms economic growth leads to an increase in the demand for shipping goods and raw materials, this in turn leads to a demand for increasing fleet capacity.

The relation between the economy, trade and shipping demand is strong and direct. As different economies move from one phase of development to other, the consumption pattern changes. An economy with rapid industrialization will be having more manufactured and value added goods as its exports and thus an increased need for liner and container vessels for its exports. One of the major changes that have taken place in the world trade is the reducing share of coal and crude oil. As the energy requirement is increasingly met by new sources like natural gas, solar and nuclear energy, the need for coal and crude oil has been increasing at a much lower pace. This shift in the world trade has affected the shipping demand for coal and crude oil. These structural changes need to be studied in determining the shipping demand. Trends like these take shape over a long period of time but have a strong influence on the shipping demand.

The world trade in goods determines the extent to which transportation is required, which in turn determines the demand for shipping services. The demand for the shipping services is mainly dependent upon how much trade takes place between the various nations in the world. The demand is not only on the quantity of the service, i.e. total tonnage required in moving the cargo but also the distance that the cargo needs to be moved. The nature of the cargo, its value and the distance that it needs to be moved influence the size and the kind of vessel required. The world fleet development has a remarkable phase lag in comparison to the world trade. This is typical of the shipping industry whose prospects keep on changing dramatically. When the demand is high the freight rates start to zoom up. With the expectations of high returns, huge orders are placed to build up tonnage and the laid up tonnage is put into use. The demand for new tonnage cannot be met overnight.

The time for building a new ship varies from nine months to two years. This again depends on the existing order book of the shipyards worldwide and their capacities. The tonnage build up leads to an oversupply of tonnage in the market thereby leading to a fall in the freight rates. Given that the standing costs are high ship owners generally keep their ships in operation even if the freight rates are low. The ships are kept in operation till the variable costs are recovered. Decreasing returns lead to removal of the excess tonnage through ship scrapping.

(Source: Indian Shipping Industry report – 2000 prepared by I-maritime)

Indian Ship repair Industry

Ship repair in India started long back when the first dry dock was built at Bombay port in 1750 and second at Calcutta port in 1781.

With the growing fear of pollution and stricter norms and regulations, ship-repairing services are in demand. Indian shipyards have the competitive advantage like low labour costs, availability of trained and skilled labour force and proximity to international shipping routes required for getting success in the business.

The Ship repair Industry worldwide has been characterized by relatively low return in recent times. There are however some significant exceptions, to this generalization – the examples are like Persian Gulf countries, UK, Singapore and China. However, the rising costs in Singapore would push the Market towards India and China

Long steaming distance to Chinese yards for ships from South Asia would make India a better destination for Ship repair for the region.

The Ship repair industry in India is small, and an opportunity exists for a new competitor who can capitalize on competitive conditions to offer low cost, reliability and service.

Opportunities

- Overall growth in the sea trade.
- Shifting of market towards Asian Countries due to lower labour cost.
- Announcement of major new project known as “Sagar Mala” by the Government of India for development of India’s Maritime sector. It is estimated that the project will result in additional demand of over 2400 new ships.
- Scrapping of old ships specially bulk carriers due to introduction of higher structural standards. All the Maritime States have decided to scrap the ships over the age of 15 years. This will result in increase in demand for bulk carriers.
- Increasing containerization would have higher demand of container ships
- The director general shipping in India has announced a mandatory CAP 2 (condition assessment programme) rating for all the vessels that are 20 years old and a complete ban on all tankers aged over 25 years from entering into India’s waters with effect from 1st April 2004. This is expected to boost demand for tanker vessels in the future.
- Trade volumes - both overseas and coastal - are rising very fast. Opportunities in specialized sectors like LNG, containers, etc. are also arising. Integrated logistics and multimodal transportation are opening up new businesses for shipping companies.
- Massive addition of refining capacity in the country will force a significant change in the oil products trade. The increased refining capacity is expected to lead to Increased crude oil shipments. However shipments would be in larger sized vessels as oil companies strive to capitalize on the economies of scale.
- Container traffic is expected to grow significantly in the future as a result of Increasing containerization of general cargo exports from India and Investments in container handling facilities in the country.

Threats

- Competition from Indian Companies operating in the same segments.
- Competition from countries that offers low cost of production base such as China and Brazil.

Sagar Mala

The Government of India has announced a major new project known as ‘Sagar Mala’ for development of India’s Maritime Sector. Primarily aimed at capacity expansion and modernization and creation of multitude of ports along India’s West and East Costs, it is estimated that the project will result in additional demand of about 2400 new ships.

Some of the salient features of this project are as follows

- New ports at a distance of every 150 Kms will be set up for shipping. A separate fund will be established for the coastal shipping infrastructure
- Movement of bulk cargo to be encouraged by inland water and coastal shipping. Further, hinterland connectivity for movement of sea borne cargo through the national highway grid will also be encouraged.

The shipping turnover is expected to increase and the maintenance and ship repair requirements is also expected to grow about 6 to 7 times after implementation of Sagarmala project. Therefore a good opportunity exists for an economically and operationally efficient shipyard to capture an increased share of the shipbuilding market.

HISTORY AND OTHER CORPORATE MATTERS

Overview

We were incorporated on June 22, 1976 as Bharati Shipyard Private Limited, under the Companies Act. We became a deemed public company (under section 43A of The Companies Act 1956) and the word Private was deleted on October 1, 1996. On December 13, 2000 our company was converted to a private company u/s 43A of the Companies Act, 1956. On April 22, 2004 our company was converted from deemed public to a public company. Pursuant to that the original certificate of incorporation was stamped to reflect the above change by the Registrar of Companies, Maharashtra. The company was initially incorporated as private limited company with Mr. P. C. Kapoor, Mr. Vijay Kumar and Mr. Suresh Jagtiani as shareholders and directors. Later, on June 29, 1983 Bharati Shipping and Dredging Co. Pvt. Ltd. also became a shareholder by way of subscription to our shares. Mr. Suresh Jagtiani resigned from directorship on September 9, 1999 and his shares were acquired by Mr. P. C. Kapoor and Mr. Vijay Kumar equally on October, 4,1999.

The administration, design, planning, purchase and other related activities are carried out from the corporate and registered offices at Mumbai. The shipbuilding and ship repair activities are carried out at our shipyards located at Ratnagiri and Ghodbunder (Thane), both in Maharashtra. We also have an administrative office at Goa and we hire workshops at Goa as and when required.

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

Date	Type of change/ Reasons for change
October 01, 1996	Our company became a deemed Public Company and the word "private" was deleted from its name. This was due to the provision of Section 43 A of the Companies Act, 1956 which states that where the average annual turnover of a private company exceeds Rs 1 crore, that company shall become a public company by virtue of this sub-section.
December 13, 2000	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.
April 22, 2004	Our company was converted to a public limited company.

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

Previous Address	New Address	Date of Change	Reason for Change
19, Bombay Mutual Building, Sir P.M. Road, Fort, Mumbai – 400 001	Saheb Building, 4th Floor, D.N. Road, Fort, Mumbai – 400 001	May 18, 2004	Improvement in general administration of the company

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

Date of Amendment	Details of Amendment
June 1, 1982	Increase in Authorised Share Capital u/s 94(1)(a) from Rs 0.50mn to Rs.3mn
October 20, 1986	Increase in Authorised Share Capital u/s 94(1)(a) from Rs.3mn to Rs.12.50mn.
March 22, 1996	Increase in Authorised Share Capital u/s 94(1)(a) from Rs.12.50mn to Rs.60 mn
October 01, 1996	Our company became a deemed Public Company and the word "private" was deleted from its name.
January 21, 2004	Increase in Authorised Share Capital u/s 94(1)(a) from Rs.60mn to Rs.100 mn
April 22, 2004	Increase in Authorised Share Capital u/s 94(1)(a) from Rs.100mn to Rs.210 mn
April 22, 2004	Sub-division of the face value of shares from face value of Rs.10 each into shares of face value of Rs.5 each
April 22, 2004	Ancillary object clauses added:

	Clause 44 reads as follows: To generate, develop, accumulate, distribute, buy, sell, transmit or otherwise deal in all forms of energy including electricity, power, any type of hydel power, wind power, gas, coal and light and to take over existing generation plants and companies, and distribute and transmission systems, and to renovate the generating plant and distribution and transmission systems and to acquire, take over any license, concessions for energy generation, distribution, transmission. Clause 45 reads as follows: To undertake all forms of construction activity for these purposes including dams, power houses, roads, and to undertake all types of water works and related activity for these purposes. Clause 46 reads as follows: To produce, buy, sell, treat, exchange, renovate, alter, install or otherwise deal in any type of machine or equipment for generating, distributing, transmitting energy including electricity. Clause 47 reads as follows: To deal with all persons including Companies, Government and Semi-government bodies for these purposes and to deal with all persons including cities, towns, villages, talukas, districts, docks, markets, theatres, buildings, industries, offices. Clause 48 reads as follows: To establish new plants and distribution, transmission and to carry on the business of an Electric, Power, Light and Supply Company and in particular to construct lay down, establish, fix and carry out all necessary power stations, cables, wires, lines, accumulators lamps and works, water rights, canals, gas works, electric works, reservoirs, water course, furnaces, stamping works, smelting works, factories, warehouses and other works and conveniences. Clause 49 reads as follows: To produce, buy, sell, treat, exchange, renovate, alter, install or otherwise deal in any type of machine or equipment for generating, distributing, transmitting energy including electricity. Clause 50 reads as follows: To deal with all persons including Companies, Government and Semi-government for these purposes and to deal with all persons including cities, towns, villages, talukas, districts, docks, markets, theatres, buildings, industries, offices. Clause 51 reads as follows: To establish new plants and distribution, transmission and to carry on the business of an Electric, Power, Light and Supply Company and in particular to construct lay down, establish, fix and carry out all necessary power stations, cables, wires, lines, accumulators lamps and works, water rights, canals, gas works, electric works, reservoirs, water course, furnaces, stamping works, smelting works, factories, warehouses and other works and conveniences.
July 12, 2004	Increase in face value of shares to Rs.10 each
July 12, 2004	Increase in Authorised Share Capital u/s 94(1)(a) from Rs.210mn to Rs.250 mn

MAIN OBJECTS OF THE COMPANY

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

1) To carry on the business of Shipbuilding, Shipping, Naval Architecture, Marine Engineering and Ocean Engineering.

2) To undertake manufacture, repairs, maintenance jobs for all kinds of Ships, River, Sea going and Amphibian vessels.

3) To carry on any business of manufacturers, designers, consultants, surveyors, experts, buyers, sellers, hirers, renters, charters, assembles, exporters, importers, distributors, shipchandlers agents, dealers of machinery, equipment, attachments, accessories, components and such other items required for all types of Ships, River, Sea going and Amphibian vessels, Ocean Engineering Industry and Fabrication Industry.

MAJOR EVENTS OF THE COMPANY SINCE INCEPTION

Year	Key Events, Milestones and Achievements
1976	Incorporated as a Private Ltd Company on 22nd June, 1976 under the Companies Act, 1956
1985	Bagged our first export order for construction of 5 Barges from Yemen through Mazgaon Dock Limited.
1991	Received order for 2 Specialised Tractor Tugs with installed power of over 4000 BHP from Cyprus Port Authority
1995	Received EEPC Export Performance Award Became the recipient of National Corporate Excellence Award.
1996	Received EEPC certificate of Highest Export Performance for the year 1995-96
1997	Received order for supply of 2 maneuverable tugs to Reliance India Ltd. Received order for two nos. 80 mtrs long 2,100 ton mini bulk carriers to Greatship Singapore.
2000	Received orders from Qatar Shipping Co. for supply of 4 nos. 5,000 HP Azimuthal Stern Drive Tugs.
	Received orders from Al Jabar Establishment, Abu Dhabi for supply of 100 mts. long Bitumen Tanker-cum-RoRo Vessel.
2003	Received repeat order from Al Jabar Establishment, Abu Dhabi for supply of Bitumen Tanker cum Ro-Ro Vessel.
	Became ISO certified in the area of construction, supply and repair of inland, coastal and ocean going steel ships and vessels and received certificate ISO 9001:2000 under the said scope of quality standard.
	Received repeat order from M/s. Reliance Industries Ltd for a 52 tons Bollard Pull ASD Tug within 2 months of delivery of similar Tug to them.
	Received repeat order from M/s. Halul Offshore Services, Doha Qatar for 55.0 m Offshore Supply cum Wireline Vessel within three months after delivering the similar to Vessel to them on February 2003.
	Started construction of two 10,000 BHP Anchor Handling Tugs cum supply vessel for Great Eastern Shipping Company Ltd.
2004	Started construction of two 7,000 BHP Anchor Handling Tugs cum supply vessel for Great Eastern Shipping Company Ltd.
	Received order from M/s. Halul Offshore Service for 2 nos. 65 Tons Bollard Pull Anchor Handling Tug Cum Supply Vessel.

Credit Rating

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

Revaluation of Assets

The company had revalued Building, Plant & Machinery and Shed as on May 24, 1994 to bring the assets to the real market value in the books of accounts. Aggregate addition resulting therefrom amounting to Rs.144.31 mn has been credited to the revaluation reserve account.

Issues otherwise than for Cash

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

1. 45,000 equity shares of Rs. 10 each were issued on June 18, 1982 to the partners of M/s. Bharati Shipyard for acquisition of their business *
2. 22,011 equity shares of Rs.10 each were issued on June 29, 1983 to the partners of M/s. Bharati Shipyard for acquisition of their business *
3. 9,88,200,and 39,52,800 equity shares issued as Bonus shares to the existing shareholders as on March 22,1996, and June 30,1996 respectively by capitalization of free reserves.

Our company came into existence on 22nd June 1976. On 24th July 1973, a partnership firm, M/s. Bharati Shipyard was constituted with Mr. P. C. Kapoor, Mr. Vijay Kumar and Mr. Suresh Jagtiani, as partners. In April 1979, Bharati Shipyard Pvt. Ltd., our company, was admitted as a partner. On 31st December 1979, our company took over the running business of the firm i.e. it acquired all the assets, liabilities, trade name, goodwill etc. Statutory reserves were credited to all partners in the existing profit sharing ratios. Final Balance thus derived at was discharged by way of issue of equity shares in our company.

*In all 67,011 shares were issued which were divided equally among the three partners. 45,000 shares were issued on June 18, 1982 and the remaining 22,011 shares were issued on June 29, 1983.

BUSINESS OVERVIEW

We are a private sector Indian shipyard engaged in design and construction of various types of sea going, coastal, harbour, inland crafts and vessels. We have been awarded the certificate of approval under ISO 9001-2000 for Quality Standards by BVQI with respect to construction, repairs and supply of inland and ocean going steel ships and vessels.

Our product range has been upgraded from the simple inland cargo barges to dredgers, to the maneuverable and power packed ocean going tractor tugs, cargo ships, tankers and vessels required for offshore industry over a period of time. From an output of only one small ship on inception, currently we have achieved an output of 6 vessels in a year. So far, we have repaired 7 vessels. We have constructed and delivered 50 maneuverable vessels till date. Out of this, 35 vessels were delivered in the period starting from 1997. Currently, there are 12 offshore Supply vessels/ tugs under construction of which 2 are scheduled for delivery in November / December 2004. We also carry out ship repairing activities at our shipyards. Some of the ships that we can deliver with our present capacities are as follows:

Type of Vessels Manufactured

The various types of vessels manufactured by us are as follows:

- Stern Tugs–Azimuthal/Conventional
- Tractor Tugs–Azimuthal/ Cycloidal
- Offshore Supply Vessels
- Cargo Ships
- Tankers
- Dredgers
- Special Purpose Vessels
- Ferries/Passenger Vessels

In addition to the above, we can also manufacture Offshore Patrol Vessels, Container Ships & Chemical Carriers

Our Location and Facilities

Offices

The company's registered office is located at Saheb Building, 4th Floor, D. N. Road, Fort Mumbai 400 001. The activities of purchase, construction, planning and coordination, finance and accounts and after sales service are controlled from this office. This office in all employs around 26 employees, reporting to the respective head of departments. These head of departments report to the Managing Directors Mr. P. C. Kapoor and / or Mr. Vijay Kumar

The corporate office of the Company is located at 19, Bombay Mutual Building, 3rd Floor, Sir P. M. Road, Fort, Mumbai 400 001. The entire corporate administration, personnel, marketing, design, export and import procurement are controlled from this office. This office employs in all around 80 employees. The employees report to the respective head of departments. These head of departments report to the Managing Directors Mr. P. C. Kapoor and / or Mr. Vijay Kumar.

Construction Facilities

Our own shipyards are located at Ratnagiri and Ghodbunder (Thane), Maharashtra. The shipbuilding activities of the Company are carried out at these shipyards. We also hire shipyard facilities at Goa as and when required and we have an administrative office to look after the said operations at Goa.

Map giving the location of our shipyards at Ratnagiri and Ghodbunder and location of Goa where we hire shipyard facilities.

Our Ratnagiri Facility

Geographical Location

The state of Maharashtra has three important ports, viz. Mumbai, Nhava Sheva and Ratnagiri. Ratnagiri is located 365 Km south from Mumbai. It is accessible by road, rail and sea. Our Shipyard at Ratnagiri is located in a sheltered lagoon, slightly away from the open sea surrounded by hills on three sides. This is a protection against the monsoon winds, which does not hamper our construction activities in the rainy season. It is spread over 15 acres of area.

Slipway, Wet Basin, Jetty

The yard has a slipway, which is 18 mts. wide and 200 mts. long with 3 double rail lines. Winches are used to pull the vessel into the yard, to launch the vessel in waters and to shift vessel within the open fabrication area. Yard also possesses a 75 mts. long and 40 mts. wide wet basin. The sill level at the wet basin gate is –0.25 mts. The sill level at the bottom of the basin is –1.1 mtrs. This allows us to receive vessels upto 2.75 mts. draft into the wet basin.

At present, there is one jetty, which is 18mts. wide and 40 mts. long. There is a water depth of – 3 mtrs level near this jetty. It is possible to park vessels having a 5 metres depth. This depth is maintained with the help of an owned dredger.

Major equipments used for the above activities are:

Sr. No.	Particulars	No. of equipments	Capacity/Size
1	Jetty Crane	1	6.5 tonnes
2	Fordson Tractor Winch with Trolley	1	7.5 tonnes
3	Hauling Winch with 50 MM dia x 1000 Mtrs. Wire Rope.	1 set	35 tonnes
4	Portable Hand Winch.	3	10 tonnes
5	Launching Trolley	2	1,000 tonnes

Sand Blasting and Painting Unit

For cleaning of metal plates and painting them for increasing its durability, yard has a Blasting and Painting unit, which is 20 mts. wide and 30 mts. long.

Fabrication

The yard has an open fabrication area of size 50 mtrs. x 50 mtrs. It comprises of various unit assembly skids for carrying out construction activity including the machine shop. For facilitating this activity, yard has a fabrication skid of 30 mtrs. x 30 mtrs. where all plates are cut after a detailed plan made at Mouldloft Service Board. All plates, sheets, units etc are fabricated as per this service board, which is also used for creating a small replica of the vessel.

Welding, cutting, grinding, drilling, steel treatment and steel assembly work are the major processes that are undertaken while fabricating various units and sections of the entire vessel. The various fabricated sections and parts are brought together with the help of pulley at one location before welding or joining it in an appropriate manner.

Carpentry

Ratnagiri yard has a carpentry shop of size 20 mtrs. x 10 mtrs. and pipe shop of size 10 mts. x 30 mts. Furniture to be placed in the vessel are made in the carpentry shop. Pipes of various sizes required for the purpose of construction of the vessel are fabricated and made in the pipe shop. They are produced with the help of the macro meters. Rolling machines are used for the purpose of bending, cutting to size etc.

Testing

For the desired quality and to meet the specification of the vessel, testing at various stages of construction is inevitable. Various equipments, processes as well as internal structure are tested for ensuring successful operation of the vessel. Various equipments used for carrying out testing along with the test area are mentioned as follows:

Sr. No.	Particulars	No. of equipments	Capacity/ Size	Test Area
1	Hand pump pipe pressure testing	4	10 Bar	Pressure of the pipes
2	Digital Tachometer	2	5 to 999.9 rpm	Speed of engines, motors etc.
3	Film thickness gauge	2	0 to 1200 Micron	Paint thickness
4	Pressure Testing Kit	2	0 to 50 Bar	Air pressure in tanks
5	Temperature Testing Kit.	2	0 to 120 degrees	Temperature testing in the engine room
6	Portable Temperature Indicator (Creative) with Probe	1	0 to 120 degrees	Temperature testing in the engine room
7	Shaft Indicator meter	2	10,000 rpm	To check shaft functioning

If the vessel manufactured is a tug then its pulling capacity is tested with the help of Bollard pull testing facility and dynamometers of various sizes.

The Shipyard presently has a H. T. Transformer Centre of 500 KVA capacity. The Shipyard has its own captive power (250 KVA) plant consisting of Diesel Generating Sets. Oxygen and Acetylene gas and other consumables necessary for construction are readily available. The necessary water supply is derived from a well in the shipyard not owned by the company. Water pumps are installed at various places. The shipyard is well networked through pipelines and the out lets are provided at necessary points. The system for fire fighting is capable for covering possible types of fire that may occur in the yard. Presently, we have fire hydrant points in our jetty and the wet basin where our ships are berthed for trials etc. for launching. We also have fire-fighting points with extinguishers throughout the yard.

Following is the list of major cranes/equipments used at the yard for the material handling process that are used for the purpose of construction

Sr No.	Equipments	No. of Equipments	Capacity/size/ Type
1.	Gantry Crane with a span of 50 meters	1 No.	15 Tonnes
2.	Mobile Cranes		75 Tonnes
3.	Jetty Crane	1 No.	6.5 Tonnes
4.	Fordson Tractor Winch (Launching Winch)	1 No.	35 Tonnes
5.	Hauling Winch with (Launching Winch) with trolly	1 Set.	35 Tonnes
6.	Portable Hand Winch	3 Nos.	10 Tonnes
7.	Various Kinds of Lathe Machines	5 Nos.	4.5’ to 9’
8.	Various Kinds of Drilling Machines	12 Nos.	25mm to 1 ¼ ”
9.	Various Kinds of Hydralic Jacks	9	50 Tonnes To 25 Tonnes
10.	Various Kinds of Chainpulley Block	20 Nos.	1 Tonn to 15 Tonnes
11.	Various Kinds of Portable Grinder	17 Nos.	4” to 9”
12.	Portable Welding Machine	2 Nos.	
13.	Air less spary machine	4 Nos.	
14.	Various Kind of Micrometers	6 Nos.	10mm to 200 mm Diameter

Manpower

Trained and skilled manpower are easily available since Ratnagiri is District Headquarters. The Shipyard has an in-house training facility. It also serves as Training Institute for Industrial workers, Polytechnic Technicians and Engineers.

Stores

The Shipyard has adequate security arrangements and watch and ward facilities. The Stores Department is well organised and is managed by qualified and efficient hands who have wide experience in this field. It has incorporated a well planned system of production, quality control / planning and fabrication. Following are the details of stores available at the yard:

Sr. No.	Particulars of stores	Size
1	General Stores	30mts. x 25 mts.
2	Plates Stores	20mts. x 40 mts.
3	Sections and Pipe Stores	25mts. x 12 mts.
4	Sections Stores	40mts. x 32 mts.
5	Pipe, valve and carpentry stores	50mts. x 05 mts.
6	Paint Stores	10mts. x 20 mts.

The shipyard is presently capable of fabricating and erecting 14 vessels of various sizes having a maximum length upto 120 meters and breadth upto 18 meters simultaneously. The wet basin (with a lock gate) for outfitting can accommodate a maximum of 6 vessels simultaneously. Larger vessels are fitted out at the deep draft jetty outside of the wet basin. The shipyard can construct 120 mtrs long vessels at present.

We are equipped with an in-house Design department at Mumbai making extensive use of CAD (Computer Aided Design) to achieve better quality.

Our Ghodbunder Facility

Facilities at Ghodbunder are spread over an area of 7.43 acres. This facility is used for building an entire body of a vessel which is known as a hull.

At present, 23 skids are at our disposal for the purpose of fabrication of various units of a vessel. Processes of Grit and Sand Blasting are done at different well-equipped units. In all, 112 welding machines are available for the fabrication process. Oil cooled welding transformers, pug cutting machines, grinding machines and drilling machines, gas cutting machines, pipe cutting machines, plate rolling machines etc are used for the fabrication process. For the purpose of carrying on the process of fabrication, following major equipments are used.

Sr No.	Equipments	No. of Equipments	Capacity/size/Type
1.	Slipway		100 M* x 17 M
2.	Skids	14 Nos.	
3.	Grit Blasting / Sand Blasting	1 Unit	30 Mtrs* x 15 Mtrs
4.	Welding Machine	99 Nos.	
5.	Airless Spray Painting Machine	2 Nos.	
6.	Plate drilling machine	1 Nos.	2500mm* x 24mm thick plates
7.	Gas Cutting Machines	20 Nos.	
8.	Hydraulic power jacks with power packs	1	250
		4	200
		1	100
9.	Chain pulley block	4	10
10.	Hydraulic Mobile Cranes	2	12
11.	Crawler Crane	2	75

- Yard is equipped with a 40 mts. long and 15 mts. wide mould loft for designing replica of various units of the vessel. This facilitates cutting of metal sheets and other material for the purpose of the construction.
- Yard possesses two bonded warehouses of sizes 30mts. long and 21 mts. wide and 40 mts. Long and 20 mts. wide for the purposes of storing materials like pipes, metals, beams etc. and stores required for the purpose of building a hull of the vessel.
- In addition to MSEB power supply there is a 125 KVA generator set in the yard to provide power for construction activity with the power. Yard possesses adequate water supply.
- Yard includes a colony for contract workers and related amenities.

Insurance cover taken by the Company

Besides general cover with respect to fire and special perils policy, we take the following types of policies which are specific to the vessels manufactured by us, depending on the requirements of the contracts, during the construction period.

i. **Marine Hull Policy** – Marine Hull Policy is usually taken at the time of Keel laying and the value for which is about 40 % of the Contract Value.

ii. **Marine Hull Endorsement** – At the time of installation of equipments in the ship, the Marine Hull policy is extended to include the value of machinery, so that the total value of insurance includes the total contract value of the ship.

iii. **Towage Insurance Policy** - For transferring the Hull from Ghodbunder to Ratnagiri, where the bought out fittings are fitted, the company takes the towage insurance policy. This is the transit insurance.

Standard fire and special perils policy – The Company has taken a comprehensive policy of Rs. 1250 mn. covering the construction activities at both the yards at Ghodbunder and at Ratnagiri, and also for the machineries and spares lying at the respective yards. This policy is renewed every year. The current policy no. 1001/0014125 dated March 31, 2004 from ICICI Lombard General Insurance is valid till March 29, 2005.

In addition the Company has an insurance policy for the value of Custom Duty on the imported machinery lying in the bonded warehouse to insure against any damage occurring to the same.

Past Projects and Projects currently in hand

We construct and deliver ships for both domestic and foreign customers. Our domestic customers include Port Trusts, Inland Water Transport Authorities and India's leading companies like Reliance Industries Limited, Great Eastern

Shipping Corporation Limited (GESCO). On export front, we supply wide range of vessels to Europe, Middle East, Singapore, etc. Our foreign clients include Halul Offshore Services Co., Qatar Shipping Co., Al Jabar Shipping establishment, Cyprus Ports Authority, The Greatship Singapore, A A Turki Corporation, Saudi Arabia and Tartous Port Trust, Syria.

We can construct ships to suit customer's specific requirements. We have vast experience in the construction of vessels and have successfully constructed and delivered the following, among other vessels:

1. Four 80-metre long mini bulk carriers, two of which were exported to Singapore.
2. A 65-metre long grab hopper dredger and a 68-metre long multi purpose despatch vessel for Calcutta Port Trust.
3. 100m long Bitumen Tanker-cum-RoRo Vessel with Bow Ramp for Al Jabar, Abu Dhabi.
4. Two highly maneuverable tugs for Reliance Industries Limited. 5. Five highly maneuverable tugs for Qatar Shipping Company, Qatar.
5. One Wire Line Support Vessel for Halul Offshore Services Company, Doha.
6. One diving support vessel for Reliance Industries Limited.

Presently we are in the process of constructing the following vessels:

(Rs in million)

Type of Vessel	Qty	Name of the customer	Contract Value	Work carried out during F.Y. 2003-04	Work carried out during F.Y. 2002-03
700 H.P. Tug Boat & 2000 H.P. Tug Boat	2	Tartous Port General Company, Syria	164.90	59.86	100.14
Bitumen Tanker cum RoRo Vessel	1	Al Jabar Shipping Agencies & Marine Works, Abu Dhabi	246.06	140.00	
52 Tons Bollard Pull Tug	1	Reliance Industries Limited	166.00	84.55	
120 Tons Bollard Pull Anchor Handling Supply Vessel	2	Great Eastern Shipping Co Ltd.	1133.12	482.50	
80 Tons Bollard Pull Anchor Handling Supply Vessel	2	Great Eastern Shipping Co Ltd.	885.00	251.25	
Anchor Handling Towing Supply Vessel	2	Halul Offshore Services Co., Doha	630.98		
80 Tons Bollard Pull Anchor Handling Supply Vessel	1	Great Eastern Shipping Co Ltd.	500.00		
80 Tons Bollard Pull Anchor Handling Supply Vessel	1	Great Eastern Shipping Co Ltd.	500.00		
Total	**12**		**4226.06**	**1018.17**	**100.14**

Our Product line v/s Industry cycles.

We are presently manufacturing the following type of vessels:

i. Tugs
ii. Offshore Vessels
iii. Anchor Handling Tugs cum Supply Vessels
iv. Cargo Vessels, Bitumen Tanker

The Tugs manufactured by us are used by various ports in their operations. The Anchor Handling cum supply vessels and the Offshore vessels are mainly used by the companies engaged in offshore oil exploration and production. These vessels provide support and carry out various other activities which are useful to oil rigs. The Cargo vessels and Bitumen tanker manufactured by us are used by the shipping companies to carry cargo and Bitumen. Thus, it can be seen that our company is dependent upon various sectors like the Oil Industry, the Port Sector and the Shipping Sector. The oil industry is dependent on the oil Price and follows the oil cycle. The port sector depends upon development of ports and is linked to the government policies relating to setting up and development of ports. The shipping sector is dependent upon the trade growth and the freight rates. Thus, it can be seen that the company is not dependent on any single sector and the different sectors follow different cycles. Thus, the impact of the cyclical nature of these industries is minimum on the company as all these cycles may not follow the same trend. It is likely that when there is boom in the shipping industry there may be recession in the oil sector and vice-a-versa. Moreover, the company also proposes to carry out ship-repair activities which is not dependent on any of the aforesaid cycles.

Top five customers and their contribution to income for the last 3 years and 6 months period ending September 30, 2004.

Six months ended September 30, 2004.

Name of the Party	% of Total Sales
Great Eastern Shipping Co. Limited	73.83
Halul Offshore Services	14.22
Reliance Industries Ltd.	9.53
Tartous Port Trust	1.83
Al Jabar Shipping Establishment	0.59

Year 2004

Name of the Party	% of Total Sales
Great Eastern Shipping Co. Limited	59.08
Halul Offshore Services	12.33
Al Jabar	11.51
Reliance Group of Companies	8.74
Tartous Port Trust	4.92

Year 2003

Name of the Party	% of Total Sales
Reliance Group of Companies	43.65
Qatar Shipping Co.	22.25
A. A. Turki Corporation	10.64
Government Contracts	9.08
Halul Offshore Service	7.07

Year 2002

Name of the Party	% of Total Sales
Halul Offshore Service	28.47
Reliance Group of Companies	26.62
Government Contracts	13.07
Tartous Port Trust	10.46
Qatar Shipping Co.	9.56

Subsidies:

The Government of India has issued a press note dated 25th October 2002 vide Ministry of Shipping's letter no. SY-12025/3/98-SBR dated 25-10-2002 announcing the Shipbuilding Subsidy Scheme. Detailed procedures/guidelines for the same were issued vide press note dated 7th March, 2003 issued by Shipbuilding and Shiprepair Division, Ministry of Shipping, Government of India.

The salient features of the scheme are as follows:

a. **Shipbuilding subsidy on domestic order:** Subsidy will be payable for Ocean going vessel of minimum 80 metres in length. Subsidy will be payable on the price at which the tender was won and will not take into account any subsequent escalation.

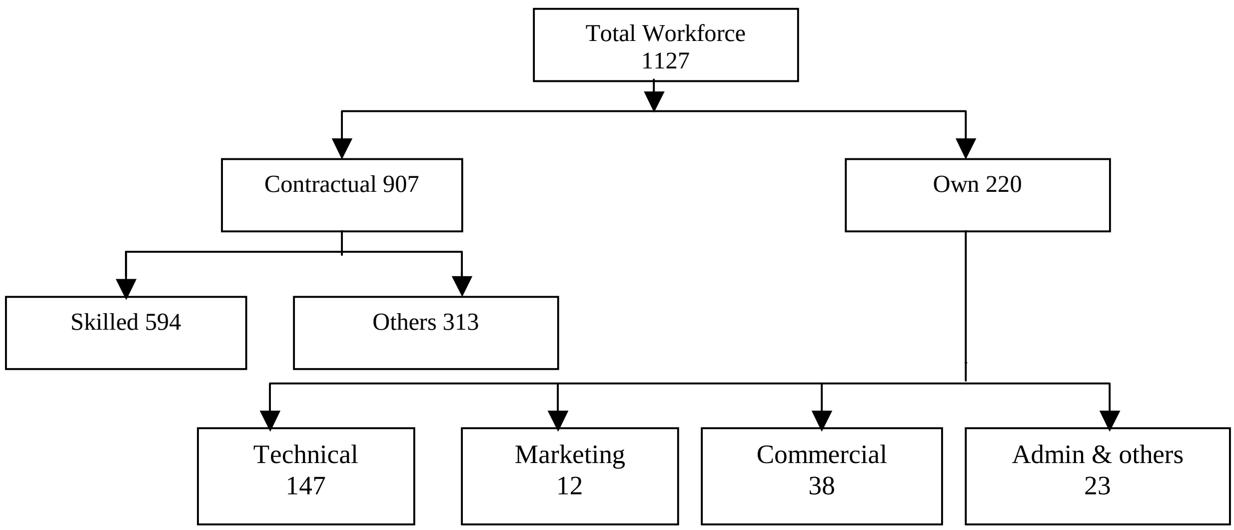
b. **Shipbuilding subsidy on export order:** Shipbuilding subsidy of 30% on export order under the scheme would be admissible on each export order irrespective of type and size of vessel.

As the shipbuilding subsidy was announced recently, we have not received any subsidy under the said scheme so far. However, we are eligible for subsidy on the vessels exported by us after the announcement of the scheme and are in the process of making application for claiming the same.

Human Resources

Technically qualified managers who have considerable experience in the ship building industry look after the production at Ratnagiri and Ghodbunder. Bharati employs a number of Naval Architects, Marine Engineers, Mechanical and Electrical engineers, Purchase Managers, etc who look after design, construction, accounts, purchase, marketing, legal matters etc

The workforce details are as follows



In addition depending on the exigency and urgency of the work, additional workers are recruited on a short notice on contract basis.

Our Key Strengths

We have the following advantages to enhance our position as a manufacturer of quality vessels and emerge as a leading shipyard in the domestic and global shipbuilding industry:

Promoters

Our promoters, viz. Mr. P. C. Kapoor and Mr. Vijay Kumar are qualified Naval Architects (B. Tech Honors) from IIT Kharagpur. They have over 35 years of experience in shipbuilding and management

Technical Expertise

We have a large number of technically qualified people employed with us and use modern techniques for designing and construction of vessels. We have employed naval architects, marine engineers, mechanical and electrical engineers who look after design, construction, purchase, marketing, etc. having good experience in the shipbuilding industry. The company, in all, has a skilled and semi skilled staff of around 814 employees and contract workers. Besides utilizing services of a number of technically qualified people, the company also possesses modern facilities for designing and construction of vessels. Modern organizational practices are used, such as area management and supervision and the use of integrated pre-production teams. We are using the following modern techniques for construction of the vessels:

1. All designs are done on CAD and latest designs, programmes, procedures and processes are being used.
2. In the areas of gas cutting and welding, we are using semi-automatic and fully automatic gas cutting and welding machines.
3. The procedures used for welding are modern since all critical joints needs to be of X-ray quality. For this we have automatic X-ray Cameras using Gama Ray technology, which can take X-rays up to 4" thick steel plate. The Gama Ray source is procured from Baba Atomic Research Centre (BARC).
4. Many electronic equipments have to be designed and commissioned on the ship for which advanced knowledge of electronics is required.

Quality Control

We have constructed vessels to stringent quality requirements of organizations such as Lloyds Register of Shipping – U. K., Bureaus Veritas Quality International – France, American Bureau of Shipping, Cyprus Bureau of Shipping and the Indian Register of Shipping. Our shipyard is certified under ISO 9001: 2000 Standards with respect to construction, repairs and supply of inland and ocean going steel ships and vessels. Our shipyard is also undergoing certification for International Ship and Port Facility Security (ISPS) code and Occupational Health and Safety Assessment Series (OHSAS) certification.

Adherence to delivery commitments

We have delivered a number of ships in the past 30 years. Further, the period of construction of a ship varies from 12 to 18 months. Delivery of a ship is scheduled at the time of entering into contract with the customers. Due to the long delivery period, the contract also provides for force majeure clause and for modification of the ship designs and other particulars depending upon the requirements of the customers. Due to this, the scheduled delivery dates are upgraded from time to time in consultation with the customers which are generally met by us. With team efforts, pre planning with the help of various modern techniques and engineering, we try and ensure that the vessel is delivered as per schedule. The same is evident from the repeat orders placed on us by major clients details of which are as under :

Sr.	Name of the Company	Year	No. of new orders	Total
1	Reliance Industries Ltd.	1991	2	
		1994	2	
		1997	2	
		2002	2	
		2003	1	9
2	The Great Eastern Shipping Co. Ltd.	1995	4	
		1996	4	
		1998	2	
		2003	2	
		2004	4	16
3	Halul Offshore Services	2001	1	
		2003	1	
		2004	2	4
4	Qatar Shipping Co.	1999	4	
		2002	1	5
5	Al Jaber Shipping Establishment	2000	1	
		2003	1	2

After sales service

As per the International Shipbuilding practice all the materials and workmanship on a ship is guaranteed/warranted for a period of 12 to 18 months by the shipbuilder depending on the contract. For this purpose a performance guarantee of 5 to 10% of the Contract price is given by the ship builder. While negotiating for the material or the equipment, we take a back-to-back guarantee from the supplier. In that case any defect in the machineries and equipments is rectified by the service engineer of the supplier. In case the back-to-back guarantee is not taken from the supplier, we are responsible for rectification of those defects. The cost of this is taken in to account while negotiating the contract price of the ship. Moreover we have given performance guarantee for every ship built by us. There has not been any case of a performance bank guarantee being invoked, since all guarantee defects are rectified to the satisfaction of the customers. We have a separate department of technically qualified people for providing after sales service to our customers. We ensure quick service to the customers, which in turn would avoid any possible damages that may be caused to them. We always focus on providing optimum satisfaction to customers and on maintaining long-term relationships.

Our strategies

Our growth strategy focuses on capitalizing on our capabilities, competencies, knowledge and qualifications. The company, by utilizing its optimum capabilities, the vast knowledge and experience of its founders Shri P. C. Kapoor and Shri Vijay Kumar (both IIT degree holders), along with quality manpower plans to lead the way towards Ship Building.

Our strategy is to:

1. Establish Bharati as a leading Ship Builder, domestically as well as internationally
2. Concentrate on building of heavy and large sized vessels while continuing building of small and medium sized vessels
3. Establish Bharati as unique, reliable and economical Service Provider for repairs of highly technical nature
4. Make use of the best modern practices to achieve good productivity and throughput.

"To establish Bharati as a leading Ship Builder, domestically as well as internationally"

Our focus has been on quality and a lower cost of production. We have developed technical knowledge and processes that have helped us in improving efficiencies and in reducing build time considerably. We are now focusing on increasing the turnover and maintaining these high quality standards.

Our company has the advantage of having building capacity for fabricating different sized vessels. Further, our company has established its reputation in the industry by adhering to stringent quality requirements of various customers and agencies. Existing Indian shipyards offer only limited competition and therefore a good opportunity exists for us to capture an increased share of shipbuilding market.

There exists competition in the international market. Presently, Japan and Korea are constructing more than 60 percent of the ships on order worldwide in terms of dead weight tonnage. Our company has been successful in getting orders from UAE, Qatar, Cyprus, Singapore, etc., and demand from this market area will remain in future especially for service vessels like offshore supply and other support crafts. Further, the labour costs in Japan and Korea are rising. Hence, India with lower labour cost has a high potential for developing shipbuilding market.

"To concentrate on building large sized vessels while continuing building of small and medium sized vessels"

Earlier we were concentrating on building of different types of vessels in small and medium size. We have gained considerable expertise in this segment over a period of time. The demand for small and medium sized ships is largely met by regional shipbuilders.

We are now focusing on heavy and large vessels, the demand for which is growing. We receive more and more orders for large vessels from new as well as existing customers. Demand for large ships is generally met from the global market. We are at present targeting ships of up to 25000T DWT (handy size). The ships in the range between 5000-25000T DWT represent market volume of 30% of the total demand. Gross global demand for ships is currently at 40 mn tonnes annually. Demand in this range of ships is 12 mn tonnes annually, which is equivalent to 800- 1200 ships of assorted size and type. Further, the net contribution from the said segment is also very attractive which will increase the profitability of the company sharply.

Building activity in the large ship sector has been very low in recent years. The average age is around 18.8 years. Given that the life expectancy is between 20 and 25 years, much of the fleet is due for replacement over the coming decade. Until now only three ships in this size range have been constructed in Indian shipyards, the remainder having been built mostly in Japan or Europe.

"To establish ourselves as reliable and economical service provider for repairs of highly technical nature"

The Ship repair market, being open and accessible to all the yards needs to be captured in a planned way. We plan to capitalize on the following factors, which will attract more and more Ship repairs at our yard.

1. Location and Infrastructure of yard
2. Quality and reliability
3. Delivery schedule
4. Cost of repairs

Location and Infrastructure of yard: Ratnagiri Yard enjoys locational advantage .It is located on the international trade route so the ships require little diversion from their routes. After the proposed expansion, the infrastructure facilities for Ship repairs will further increase.

Quality and reliability: Our quality engineers and vast experience in this field will help us do good quality repairs to the satisfaction of our customers.

Delivery schedule: Punctuality, team effort, preplanning and engineering will help us meet tight delivery schedules thereby reducing the time for which customer's ship will remain out of service. This will not only reduce costs but also help in attracting new customers.

Cost of repairs: Labour costs in India are low, this gives us a great advantage compared to the rest of the world. Also, the long steaming distance to Chinese yards for ships from South Asia makes India the preferred destination for Ship repair for the region. For details of comparative labour costs in various countries, please refer to page 30 of this Red Herring Prospectus under the Chapter 'Industry Overview'.

"To make use of modern practices to achieve good productivity and throughput"

A high level of pre-production (office) work is being carried out to avoid problems being experienced by production workers. Good management systems are used to maximize quality and staff work and minimize staff members. Modern organizational practices such as area management &supervision and integrated pre-production teams are increasingly being used.

A modern computing and networking facility is provided covering work before, during and after production. Extensive use of CAD skills is being made for better designing of vessels. Use of CAM skills will also be made after the proposed expansion.

Expansion of Ratnagari Shipyard and the benefits from the same

In view of the strategies stated above, we are going in for expansion and modernization of our existing shipyard at Ratnagari involving a total cost of about Rs. 650 Million. Since we already have a shipyard facility at Ratnagari, the expansion thereof will be less time consuming and will provide cost benefits on account of common infrastructure etc. The proposed expansion envisages the following major changes in our existing infrastructure in addition to purchase of modern machineries and equipment.

1. At present we can manufacture vessels having length of upto 120 meters. The existing building berth can accommodate ships upto 9,000T DWT. Presently we are building special purpose vessels like offshore supply vessels, tugs, bitumen carriers, etc. which generally do not exceed 100 meters in length. However, aside from the above, a sustained market is seen for the Handysize vessels of upto 25,000T DWT. After the proposed expansion, we will be able to manufacture vessels having length upto 170 meters including such Handysize vessels which are normally in the size range of 150 to 170 meters.
2. At present we are having a Wet Dock for fit out of smaller vessels. After the proposed expansion, we will have a Dry Dock of 176 x 33 mts. instead of Wet Dock. Building dry dock in place of the wet basin would facilitate carrying out underwater work besides accommodating larger Handysize vessels.

3. At present we have a Gantry Crane of 15 tons capacity with a span of 50m covering major area of the Shipyard. After the proposed expansion, the capacity of Gantry Crane will increase to 120 tons with a span of 50m. Our present Gantry Crane is sufficient to meet the vessels manufactured by us till now. However, with the increased capacity after the proposed expansion, we will require Gantry Crane with larger capacity to handle larger blocks and bring down fabrication down time. Gantry Crane with higher capacity would also help us to carry out block fabrication work in work shop which is more economical and faster than carrying out construction work in the building berth.
4. At present the external outfitting jetty is 18m long. After the proposed expansion, this jetty will be extended upto 35m and a new jetty of 120m length will be constructed. The construction of new jetty will provide us an additional building berth where fit out of vessels can be carried out.

Proposed Acquisition of Pinky Shipyard Private Limited

(For risk in relation to the proposed acquisition please refer to the Risk Factors on page VIII)

We have our own shipyards at Ratnagiri and Ghodbunder. However, due to excessive workload, we hire a shipyard at Goa as and when required. The semi-finished ships are transported to Goa where the balance construction activities are carried out and the ships are delivered to customers thereafter. As the activities of our company are expanding, we plan to acquire a shipyard at Goa. Accordingly, we have entered into a Memorandum of Understanding (“MOU”) with Pinky Shipyard Private Limited (“Pinky”) on March 03, 2004. The proposed acquisition will help us to enhance our capacity and productivity and to reduce costs incurred so far on account of hire charges. The acquisition of Pinky Shipyard Pvt. Ltd. will be funded out of our Internal Accruals.

The Memorandum of Understanding dated March 03, 2004 was interalia for acquiring Pinky Shipyard Pvt. Ltd. by our Company. The said MoU was subject to certain terms and conditions. One of the major terms of the said MoU was decision of the Hon’ble Bombay High Court in the winding up petition filed by one of the creditors of Pinky i.e. Goa Handicrafts Rural Small Scale Industries Development Corporation Ltd. The Hon’ble Bombay High Court has dismissed the said winding up petition as withdrawn on September 10, 2004. Subsequently, our Company has entered into another Memorandum of Understanding with Pinky on September 14, 2004. The complete details including the background of Pinky, the winding up petition filed against Pinky, the major creditors of Pinky and the MoU dated September 14, 2004 are as under:

Background

Pinky Shipyard Pvt. Ltd. was incorporated in the year 1991. The registered office is at 1st floor, Melquiedes Bldg., Father J. Vaz Road, Vasco Da Gama, Goa 403802. The main objects of Pinky Shipyard Pvt. Ltd. were building and repairing of ships, sea going vessels and vessels for inland waterways of every kind and description. The promoters of Pinky Shipyard Pvt. Ltd. were Late Mr. Gopalkrishna Pillai and Mrs. Shashikala Pillai.

The business operations of Pinky Shipyard were carried out by Mr. Gopalkrishna Pillai and it was able to achieve good turnover and profits upto the year 1999. However, due to recession and financial difficulties, Pinky Shipyard Pvt. Ltd. incurred losses during the financial year 1999-2000 and the business activities were not carried out thereafter.

Winding up petition against Pinky

Pinky had considerable accumulated debts, which it was unable to pay and one of the creditors filed a winding up petition against Pinky Shipyard Pvt. Ltd. The petition was filed before Panaji bench of Bombay High Court being winding up petition no. 21/G of 2002 at Goa. The Court had given an advertisement dated August 14, 2003 of the said petition inviting notice of intention to appear by any creditor, contributor or any other person desirous of supporting or objecting the said petition. In response to the said notice, some creditors have filed their affidavits giving the details of their claims against Pinky. The said petition has been dismissed as withdrawn on September 10, 2004.

Creditors of Pinky

Pinky has various creditors both secured and unsecured. The major creditors (as per the details available with us) who have appeared before the court and the creditors as per the audited balance sheet of Pinky for the year ended March 31, 2004 and the details of their claim are as under:

i. Mormugao Port Trust had claimed an amount of Rs. 70,86,566/- towards lease rent, penalty and interest as on 31-12-2003. Pinky had approached Mormugao Port Trust for reduction in lease rent and waiver of penalty and interest. Mormugao Port Trust has agreed to settle the above dues of Rs. 70,86,566/- for an amount of Rs. 39,54,066/- and has agreed to grant lease in favor of Bharati. Bharati has made a request vide letter dated 13-8-2004 to Mormugao Port Trust for further reduction in interest thereby the total claim has been reduced to Rs. 28,70,134/-. Bharati has paid an amount of Rs. 27,80,000/- to Mormugao Port Trust on September 10, 2004 on behalf of Pinky. In addition to the above, lease rent for the period from 1-1-2004 will also be required to be paid by Pinky to Mormugao Port Trust.

ii. Small Industries Development Bank of India (SIDBI) had claimed an amount of Rs. 1,03,61,633/- on 15-11-2003 comprising of Principal amount of Rs. 42,20,000/-, Interest of Rs. 33,78,312/-, further interest and Liquidated Damages amounting to Rs. 27,02,218/- and cost and expenses of Rs. 61,103/-. Pinky had filed an application for One Time Settlement (OTS) with SIDBI which has been accepted by SIDBI and the final settlement of dues is arrived at Rs. 62 lacs. The said amount was payable to SIDBI on or before August 12, 2004 failing which Interest @11.50 % w. e. f. July 1, 2004 was required to be paid to SIDBI. Bharati has paid an amount of Rs. 3 lacs to SIDBI on 3-6-2004 and further amount of Rs. 59 lacs on September 10, 2004 on behalf of Pinky towards settlement of dues of SIDBI.

iii. Mrs. Archana Deshprabhu had advanced an amount of Rs. 6,00,000/- to Pinky vide agreement of loan dated 19-11-1997 with interest @18% on the said sum. Further, the directors of Pinky were guarantors to the said loan and they had pledged shares of Pinky held by them to Mrs. Archana Deshprabhu as security. Mr. P. C. Kapoor and Mr. Vijay Kumar, by a Deed of Assignment dated 18-7-2004, settled the claim of Mrs. Archana Deshprabhu at Rs. 7,00,000/- and the debt of Mrs. Archana Deshprabhu has been assigned to them. Mr. P. C. Kapoor and Mr. Vijay Kumar have paid the said sum of Rs. 7,00,000/- to Mrs. Archana Deshprabhu and have become creditors of Pinky for the said sum. Further, the shares of Pinky pledged as security by their directors, Late Shri Gopalkrishna Pillai and Mrs. Shashikala Pillai to Mrs. Archana Deshprabhu are now assigned to Mr. P. C. Kapoor and Mr. Vijay Kumar as security with the confirmation of Mrs. Shashikala G. Pillai and Ms. Anuja G. Pillai.

iv. Claim by Income-tax Department totaling to Rs. 22,03,666/- comprising of Tax of Rs. 8,64,463/- and Interest & Penalty of Rs. 13,39,203/-. An application dated July 10, 2004 has been made to the Commissioner of Income-tax for waiver of Interest & Penalty of about Rs. 13,29,900/-. The aforesaid liability to Income-tax Department with further interest is still outstanding.

v. Goa Handicrafts Rural Small Scale Industries Development Corporation Ltd.(GHRSSIDC) had a claim of Rs. 13,00,000/- on Pinky and had filed a winding up petition before the Panaji bench of Hon'ble Bombay High Court on April 30, 2002. Bharati has paid an amount of Rs. 10,00,000/- to the said party on September 10, 2004 and the said party requested the Court to withdraw the winding up petition as the claims of GHRSSIDC were settled.

vi. A claim of Rs. 2,59,488/- from Employees Provident Fund Organisation and Rs. 6,50,820/- from Employees State Insurance Corporation is outstanding against Pinky as on 13-11-2003. Pinky is also liable to pay interest on the said outstanding dues.

vii. The Audited Balance Sheet of Pinky as on March 31, 2004 shows the following further liabilities of Pinky (other than those mentioned above).

Sr.	Particulars	Amount (Rs. in mn.)
1	Secured Loans	0.11
2	Unsecured Loans	0.24
3	Sundry Creditors	7.65
4	Outstanding Liabilities	1.97

The aforesaid liabilities of Pinky are determined on the basis of major creditors (as per the details available with us) who have represented before the Court and the Audited Balance Sheet of Pinky as on March 31, 2004. Investors may note that the details as given above regarding outstanding liabilities of Pinky may not represent its complete liabilities as on date on account of various factors, including, but not limited to penalties, interest and for parties who have preferred not to register their claims either before the court or Pinky.

There can be no assurance that Pinky is not exposed to or involved in or proceeded against or made party to or served notice for defaults, damages, delay or for any regulatory breach or proceeded against for any civil, criminal, labour, economic, taxation related and any other offences or litigations/ disputes/ arbitrations of any other type.

MoU with Abhay Ocean India Pvt. Ltd.

On February 28, 2003, Pinky had entered into a Memorandum of Understanding with Abhay Ocean India Pvt. Ltd. for the sale and transfer of Pinky Shipyard Pvt. Ltd. and the share holding thereof, by Late Mr. Gopalkrishna Pillai and his wife, Smt. Sashikala G. Pillai. Abhay Ocean Pvt. Ltd. had paid an amount of Rs. 1,00,000/- to Pinky as advance. Subsequently an addendum was entered into between Pinky and Abhay Ocean India Pvt. Ltd. under which the said Abhay Ocean India Pvt. Ltd. agreed to purchase the premises of Pinky. Bharati has paid an amount of Rs. 1,00,000/- to Abhay Ocean India Pvt. Ltd. on September 8, 2004 and the said Memorandum of Understanding dated 28-2-2003 and addendum to the MOU have been cancelled by Abhay Ocean India Pvt. Ltd. on September 8, 2004.

Expenditure Incurred towards discharge of Pinky's liability

As on September 14, 2004, we have incurred the following expenditure towards discharging Pinkys liability:

Sr. No.	Name of the Party	Date	Amount (Rs.)
1	Small Industrial Development Bank of India	June 03, 2004	3,00,000
		Sept. 10, 2004	59,00,000
2	Mormugao Port Trust, Goa	Sept. 10, 2004	27,80,000
3	GHRSSIDC Ltd	Sept. 10, 2004	10,00,000
4	Sharp eyes Security Services	Sept. 8, 2004	31,000
5	Abhay Ocean India (P) Ltd.	Sept. 8, 2004	1,00,000

MoU between Bharati Shipyard Ltd. and Pinky Shipyard Pvt. Ltd. for acquisition of shares of Pinky Shipyard Pvt. Ltd. by Bharati Shipyard Ltd.

The major terms of the MoU dated September 14, 2004 are as under:

1. Pinky has acknowledged the payments of Rs. 1,09,44,463/- made by Bharati on behalf of Pinky as debts payable by Pinky to Bharati with interest.
2. That Bharati shall be entitled to nominate a director on the board of Pinky.
3. That the amounts negotiated and settled by Bharati with creditors of Pinky shall constitute debt due and payable by Pinky to Bharati repayable with interest.
4. Pinky shall effect a transfer or lease of land owned by Pinky in favour of Bharati.
5. Pinky has allowed Bharati to use all facilities of Pinky and to apply for and obtain consents and approvals from all concerned authorities.
6. At the request of Pinky, Bharati has agreed to negotiate with the outstanding creditors of Pinky, settle their dues and pay them the settled amount.
7. Pinky has irrevocably appointed Bharati as Constituted Attorney to do various acts, deeds, matters and things and to execute such deeds, agreements and other writings, make such applications and to carry on correspondence in the name and on behalf of Pinky.
8. To takeover Pinky including amalgamation or merger of Pinky into Bharati as Bharati may think fit.
9. To do all other acts, deeds, matters and things whatsoever in or about Pinky to all intents and purposes as Pinky could do in its own proper person.

OUR PROMOTERS

Promoters And Their Background

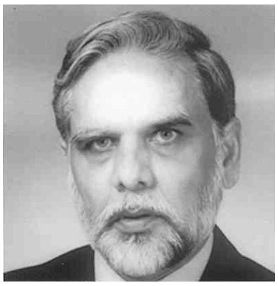
The present promoters of the Company are Mr. P. C. Kapoor and Mr. Vijay Kumar, two qualified Naval Architects from IIT Kharagpur and M/S Bharati Shipping & Dredging Co. Pvt. Ltd. Mr. P. C. Kapoor and Mr. Vijay Kumar have over 35 years of experience each, in shipbuilding and management. The details are as follows:

P. C. Kapoor, Managing Director

P. C. Kapoor, aged 59 years, is a qualified Naval Architect from Indian Institute of Technology, Kharagpur. He has a career spanning over 35 years in ship construction, ship design and management. He has worked with Port Engineering Works for one and a half years. He was associated with Mazgaon Dock Ltd for five and a half years where he had an experience in the design and construction of various ships built. In 1976, along with others, he promoted Bharati Shipyard. He looks after Development and Operations of the company. His emphasis on quality and adhering to international manufacturing standards ensured that both the shipyards at Ratnagiri and Ghodbunder were set up and developed as per internationally accepted standards. He is a member of Confederation of Indian Industry (CII), Engineering Export Promotion Council, All India Management Association, Indian Economic Development and Research Association and an active committee member of the Institute of Naval Architects, India.

Driving Licence No.: 87/W/Bm/3789, Voters Id: MT/08/036/502751

Vijay Kumar, Managing Director



Vijay Kumar, aged 59 years, is a qualified Naval Architect from the Indian Institute of Technology, Kharagpur. He started his career as a design and construction consultant to Mazagaon Dock Limited. After providing seven years of service, he along with others promoted Bharati Shipyard. He possesses an experience of over 35 years in ship design, ship construction and management. He is one of the founder promoters of the company. He is mainly involved with Design and Marketing the products of the company. His efforts have resulted into large export orders being executed by the company in the past. Also, his emphasis on quality standards has helped the company on the local and global business strategy to be undertaken. He is a member of various organizations such as SNAME (Society of Naval Architects and Marine Engineers), Governing Body of NSRDC (National Ship Design & Research Centre). He has been a member of IRS Technical committee and IRS committee of management (Indian register of shipping). He has been a member of VIII, IX and X Five Year Plans for Ship Building and Repair Industry formulated by Ministry of Shipping, Govt. of India. He is currently the secretary of Shipyard Association of India and a convener of DGTD for Shipbuilding and Ship repair Group.

Driving Licence No.: MH0298-71336/BOM

Voters Id: Not issued

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.

Bharati Shipping and Dredging Co. Pvt. Ltd.

History

Bharati Shipping and Dredging Company Private Limited was incorporated on July 24, 1978. The company was initially incorporated with Mr. P. C. Kapoor, Mr. Vijay Kumar and Mr. Suresh Jagtiani as Shareholders and directors. Mr. Suresh Jagtiani resigned from directorship on September 9, 1999 and his shares were acquired by Mr. P. C. Kapoor and Mr. Vijay Kumar equally. At present the company is not involved in any business activity.

Main objects of the company

1. To purchase, charter, hire or otherwise acquire, sell, exchange, let or charter either in India or in any other country or otherwise deal with steam or other ships and vessels of any description with all equipment and furniture and to establish, maintain and operate transport services by water, within India and between India and other countries of the world for the conveyance of passengers, mails and freight and for any other purpose including the conveyance of troops, carriage of ammunitions of war, livestock, corn and other produce and all merchandise and food articles.
2. To undertake and carry on the business of shippers, ship – owners, ship – brokers, shipping agents, ship – managers, tug owners, dredgers, dock owners, engineers, ship store merchants, ship husbands, warehouse man, ship builders, ship repairers, ship breakers, manufacturers of and dealers in rope, all types of life saving appliances, machinery, engines, instruments and ship's rigging gear fittings.

Shareholding Pattern as on August 31, 2004.

Name of Shareholder	Number of Shares	% Shareholding
Mr. P. C. Kapoor	5000	50%
Mr Vijay Kumar	5000	50%

Board of Directors

The Board of Directors as on August 31, 2004 consists of Mr. P. C. Kapoor and Mr. Vijay Kumar.

Financial Performance

The financial performance of Bharati Shipping and Dredging Company Private Ltd is given below

(Rs. In mn)

Particulars	Year Ending March		
	2004	2003	2002
Revenue	0.0003	-	0.0003
Net Profit	(0.0033)	(0.0011)	(0.0009)
Equity Share Capital	0.1000	0.1000	0.0003
Earning Per Share	(0.3300)	(0.1100)	(28.3300)
Book Value Per Share (In Rs)	4.2700	4.6000	(1753.1000)

There are no activities in Bharati Shipping & Dredging Company Pvt. Ltd. and the present revenues are due to dividends received from Bharati Shipyard Limited.

OUR MANAGEMENT

BOARD OF DIRECTORS

As per Article 113 of our AoA, unless otherwise determined by the company in general meeting the number of directors shall not be less than 3 (three) and more than 12 (twelve)

As per Article 128 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 the company, also be appointed by the Company, in general meeting.

Name, Designation, Fathers name, Address, Occupation, Term	Age (Years)	Qualifications	Other Directorships
Mr. P. C. Kapoor Managing Director S/o Late Shri Hansraj Kapoor Block No. D, Pallonji Mansion, Ground Floor, Cuffe Parade, Colaba, Mumbai 400 005 Business For 5 years (Liable to retire by rotation)	59	B. Tech (IIT)	1. Bharati Shipping & Dredging Co. Pvt. Ltd.
Mr. Vijay Kumar Managing Director S/o Late Shri Sukhdev Narayan Srivastav 410/ 411, Mittal Park, Ruia Park, Juhu, Mumbai 400 059 Business For 5 years (Liable to retire by rotation)	59	B. Tech (IIT)	1. Bharati Shipping & Dredging Co. Pvt. Ltd.
Mr. Jayantilal M. Gandhi Director S/o Late Shri Manekchand Gandhi Ruby Apt., 'A' Presidency Co-op Hsg soc., J.V.P.D Scheme Mumbai 400 056 Industrialist Liable to retire by rotation	69	Post Graduate in Commerce	1. Mutual Mecaplast Ltd. 2. Weizmann Intl. Ltd. 3. Weizmann Ltd. 4. Weizmann Homes Ltd. 5. Weizmann Corporate Services Ltd. 6. Cavalet India Ltd. 7. Gandhi Sons Pvt. Ltd. 8. Suil – Baroti Hydro Projects Pvt. Ltd. 9. Mutual Mecaplast (Pune) Pvt. Ltd.
Mr. Sherali M Sheikh Director S/o Late Sheikh Mehmoob Sheikh Adam B – 204, Anand Apts., Mahakali Caves Road, Andheri (E), Mumbai 400 093 Sailor Liable to retire by rotation	58	HSC	NIL
Mr. B. L. Patwardhan Nominee Director – State Bank of India S/o Shri L. Patwardhan 3, Unmesh, N.P. Thakkar Road, Vile Parle (E), Mumbai – 400 057 Service Not liable to retire by rotation	63	M.A. (Eco)	Sanghi Industries Limited

Shareholding of our Directors in our Company

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

Name of Directors	Number of Equity Shares (Pre-Issue)
Mr. Sherali M Sheikh	100
Mr. Jayantilal M. Gandhi	100

Changes in the Board of Directors during the last 3 years

Name	Date of Appointment	Reason
Mr. Jayantilal M Gandhi	March 25, 2004	Appointed as Additional director*
Mr. Sherali M Sheikh	March 25, 2004	Appointed as Additional director*
Mr. B. L. Patwardhan	July 12, 2004	Appointed as a Nominee Director of State Bank of India

***** Regularised in the AGM held on July 12, 2004

Date of expiration of the current term of office

In accordance with the Companies Act, our Directors Mr. Jayantilal M Gandhi and Mr. Sherali M. Sheikh are liable to retire by rotation. Mr. B. L. Patwardhan is the nominee director appointed by State Bank of India and hence is not liable to retire so long as the credit facilities given by the said bank are outstanding. Mr. P. C. Kapoor and Mr. Vijay Kumar, the Managing Directors of the company are appointed for a period of five years with effect from June 07, 2004 and are also liable to retire by rotation as per the provisions of Companies Act, 1956.

Details of service contracts and remuneration details of directors are given below:

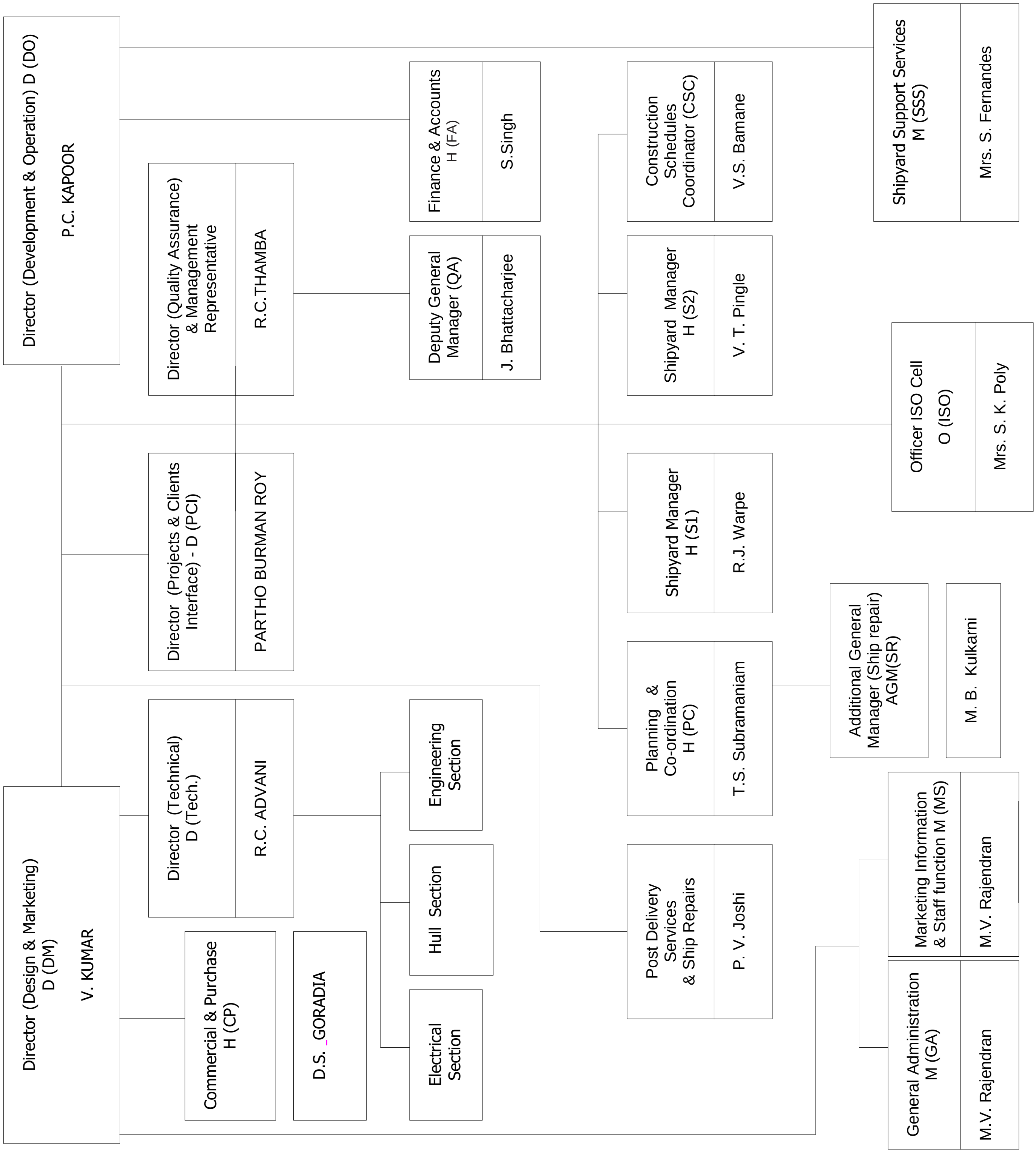
Mr. P. C. Kapoor and Mr. Vijay Kumar are the Managing Directors of the Company. Their service contracts and remuneration details are as detailed in the section entitled "Terms of appointment of Managing Director" on Page 127 of this Red Herring Prospectus.

Nature and Interest of 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, Also fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or other reimbursement of expenses payable to them as per the Articles.

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.

Organisation Structure



Corporate Governance

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We intend to comply with such provisions, including with respect to the appointment of independent directors to our Board and the constitution of the following

Board committees: the Audit Committee, the Remuneration Committee and the Investors Grievances Committee.

Audit Committee

We have already constituted the Audit Committee. As per the provisions of Section 292A of the Companies Act, 1956, an Audit Committee was formed by the Board of Directors of the Company on April 01, 2004.

The Committee consists of the following members:

1. Mr. Jayantilal M. Gandhi
2. Mr. Sherali M Sheikh
3. Mr. P. C. Kapoor

Mr. Jayantilal M. Gandhi has been elected as the Chairman of the Audit Committee. The company secretary acts as a secretary to the committee. The Audit Committee shall meet at least thrice a year. One meeting shall be held before finalisation of annual accounts and one every six months.

The Audit Committee provides directions to and reviews functions of the Audit Department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and annual accounts are placed before the Audit Committee, prior to being presented to the Board along with the recommendations of the Audit Committee. Further, the Audit Committee will discuss with the project team about the project cost, means of finance, schedule of implementation etc. and to review periodically progress of the particular project vis-à-vis the planned one, to seek information or report from the project team, to monitor the progress on the project and to report the progress including expenses incurred on a particular project to the Board of Directors periodically.

Remuneration Committee

This committee was formed on April 01, 2004. The Committee consists of the following members:

1. Mr. Jayantilal M. Gandhi
2. Mr. Sherali M Sheikh
3. Mr. Vijay Kumar

Mr. Jayantilal M. Gandhi has been elected as the Chairman of the Remuneration Committee. The Company Secretary, acts as the Secretary to the Committee.

The functions of the committee are to determine our policy on specific remuneration packages for Executive Directors including pension rights and any compensation payments. The 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 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

This committee was formed on April 01, 2004. The Committee consists of the following members:

1. Mr. Jayantilal M. Gandhi
2. Mr. Sherali M Sheikh
3. Mr. P. C. Kapoor

Mr. Jayantilal M. Gandhi has been elected as the Chairman of the Investor Grievance Committee. 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.

Family relation amongst Directors

Mr. Sherali M. Sheikh is the brother in law of Mr. Vijay Kumar. Beside this there are no other family relation between the directors and the directors and KMP.

KEY MANAGERIAL PERSONNEL

Mr. R. C. Thamba, 68, Head of the Quality Assurance Department, is a Naval Architect, working with the company since November 1996. He has an experience of 43 years in this field. Before joining the company he worked as a hull engineer in Mazgaon Dock Ltd. for the design and construction of ships. He has also worked with Government of Orrisa for construction of fishing Trawlers, has worked as a surveyor to Lloyds Register of Shipping, Chief surveyor in Indian Register of Shipping and has worked as head of IRQS (Indian Register Quality Systems), a department of IRS (Indian Register of Shipping). As a Management Representative he is responsible for ensuring implementation of Quality Systems as required by ISO 9001:2000. Currently he maintains the certified status of the quality system of the organisation. Besides, he is also working on developing a system to meet the requirements of OHSAS 18001:1999 (The standard on Occupational Health and Safety Assessment Series). He draws a gross salary of Rs. 264,000/- p.a.

Mr. R.C. Advani, 61, Head of the technical department, is a is a B.E.(Mech), M.I.E. He carries with himself about 40 years of experience in the industry. He joined our company in July 2003. He is currently in-charge of the Drawings Office where he is responsible for preparation of basic/detailed drawings for issuance to yard for construction, liasoning with the classification societies, Governmental statutory bodies for approval of the same. He liaises with designers for obtaining basic drawings in order to finalize working drawings. He is also involved in the preparation of technical specifications and details for initiating procurement of the Machinery/Equipment. He scrutinizes the technical offers received from manufacturers regarding their suitability/ clarifications before finalisation/ordering the equipment. His has worked with Mazgaon Dock Ltd and Shipping Corporation of India in the past. He draws a gross salary of Rs. 308,380/- p.a.

Mr. Dharamdas S. Goradia, 60, Head of the Commercial and Purchase and Department, is a B.E.(Mech) and a Diploma Holder in Business Management from University of Mumbai. He joined the company in June,1989. He has an experience of more than 37 years including work experience in the United Kingdom where he worked on behalf of Mazgaon Dock Ltd at their Glasgow Office. Before joining the company he gained experience in tendering, marketing, and erection of cranes, preliminary marketing of ships, procurement of equipments and items for warships and commercial ships. Over a period of time he became experienced in material planning, material procurement & material management. He was associated with the Resident Consultant of Administrative Staff College of India for preparation of manual for the materials management department. He is a life member of Indian Institute of Material Management, Bombay Management Association, Bombay Productivity Council. He is a Professional member in the grade of 'Member' (MIMA) of All India Management Association, New Delhi and Senior Life Member of Institute of Marketing and Management, New Delhi**.** His responsibility includes Material Management & Commercial functions. He draws a gross salary of Rs.254,150/- p.a.

Mr. T. S. Subramanian, 61, Additional General Manager and Head of the Planning and Coordination Department, , is a Licentiate in Mechanical Engineering (LME) with two years of experience.He has an industrial experience of more than 40 years. He is associated with the company since June 2000. At Bharati Shipyard he is in charge of Planning and Co-ordination, preparation of Construction Schedules and arranging facilities for the construction of vessels at Ghodbunder and Ratnagiri.. Before joining the company he was with as in charge of Planning and Coordination for construction of Frigates and Warships at Mazagaon Dock Ltd. He was deputed as Training coordinator and Liaison officer at Howaltiswerke Deutsche Werft, Kiel, West Germany. Besides that he has worked as a Project Manager for SSK Submarine Construction at Mazgaon Dock Ltd.. He draws a gross salary of Rs. 2,12,875/- p.a.

Mr. Gopal Vithal Patil, 55, General Manager (Production), , is a double diploma holder in Mechanical and Electrical Engineering from Mumbai. He possesses an industrial experience of 32 years. Before joining the company in August, 1983, he was associated with M/s. Chowgule & Co. Pvt. Ltd. in the ship building division. He was involved in Ship design and drawing. He has also supervised construction and repairs of barges, tugs, passenger vessels and dredgers. His work involves guiding a team of engineers for correct and successful erection of various outfits and painting of the vessel. Currently, he is the head of ship launching and hauling up. He is associated with maintaining quality standards of ISO 9001:2000 related to hull and outfit section. His gross remuneration is Rs. 2,58,126 p.a./-.

Mr. Ramesh J. Warpe, 55, Dy. Chief General Manager, is a B.E. (Mech). He has completed a course in Material Management and Naval Architecture. He is currently the Head of Ratnagiri Shipyard. He possesses an industrial experience of 32 years. He joined the company in April 1991. He is mainly responsible for quality of the product and its timely delivery. He is responsible for meeting the targeted Schedules. He co-ordinates with the various technical departments in the company and outside agencies such as Class Societies, Statutory Authorities, Customers representatives etc. He plans and coordinates all aspects of construction of the vessel and occasional repairs at the Ratnagiri Shipyard. He is responsible for projecting manpower and material requirements. He draws a gross salary of Rs.2,90,165/- p.a.

Mr. Sudarshan D. Singh, 46, Deputy General Manager –Finance Department, is a Masters degree holder in Commerce from Banaras Hindu University. He has been working with the company since April 1997. He has an experience of 27 years. Before joining the company he was an accountant with Asha Paints Pvt. Ltd. Currently at BSL he is in –charge of the finance department. He draws a gross salary of Rs. 2,17,100/- p.a.

Mr A. O. Thomas 46, Sr. Manager - Accounts Department, is a Masters degree holder in Commerce from Kerala University. He also holds a diploma in Computer Operation and Management. He has been working with the company since September 1990. He has an experience of 17 years in this field. Before joining the company he worked as a Senior Accountant in Chemisol Adhesives Pvt. Ltd. in charge of preparation of accounts, filing of sales tax return and attending sale tax matters. Currently he is in-charge of the accounts department. His work includes finalization of accounts, interacting with the auditors, filing of sales tax return, preparation of FFR statements for bank and attending to Income Tax and Sales Tax authorities in relation to assessments. He draws a gross salary of Rs.1,66,209/-.

Mr. Ravindra M. Desai , 48, Deputy General Manager, is a Diploma holder in Mechanical Engineering. He is associated with the company since February 1989. He possesses an experience of over 23 years. Before joining the company he was working as a Service Engineer for Engines with Cummins India Ltd. Pune. Currently at BSL he is in charge of machinery installation, piping work and Ship trials. He draws a salary of Rs. 1,65,969/-

Mr. M.V. Rajendran , 43, Deputy Manager, is a Commerce Graduate and is working with the company September 1984. He possesses an experience of over 24 years. Before joining the company he was working with Platewell Processing & Engineers Co. Pvt. Ltd at Baroda as a Stenographer. Currently at BSL he is in charge of office administration and marketing. His job includes interacting with customers, submission of tenders for indigenous vessels and for export purpose. He is also responsible for maintaining records pertaining to quotations, price bids submitted and proprietary documents like project contracts and price negotiations. Further he is also responsible in maintaining records and correspondence regarding Membership of Professional bodies like Shipyard Association and in maintenance of confidential records pertaining to Final Price, Estimates for projects and final agreements. He draws a salary of Rs. 1,39,143/-

Mr. Godvin Cyril Noronha, 38, Deputy Manager - Electrical Section, is a Diploma holder in Electrical Engineering. He is associated with the company since September 1987. He has an experience of 16 years in this field. He is in charge of production activities related to electrical work and maintenance of electrical section. He is also responsible for planning the requirement of power at the yard for production purpose and also in achieving power management. He is also in charge of achieving the electrical production within the scheduled target. His responsibility also includes implementing the safety measures throughout the yard and co ordination with various sections of the yard to bring safety awareness. He draws a salary of Rs. 1,40,480/-

Mr. Mansingh T. Patil, 36, Assistant Engineer - Civil, is a Diploma holder in Civil Engineering and is working with the company since April 1993. He has an experience of 12 years in this field. Currently at BSL he is in charge of the civil activities undertaken at Ratnagiri and Ghodbunder Yard. He is in charge of Ships Launching /Docking and also the supervision of the expansion projects at Ratnagiri and at Ghodbunder. His responsibility includes maintenance of Bollard Pull Test Site and maintaining the water depth at Jetty and at the channel leading to the Sea. He draws a salary of Rs.1,15, 000 /- p.a

Ms. Stephanie J. Fernandes ,45, Deputy Manager- Shipyard Support Services, , is a Bachelor in Arts and is working with the company since 1984. She possesses a total experience of over 23 years. Before joining the company, she was a trainee in Hindustan Lever Ltd. & J. K. Training Centre. Her responsibility at Hindustan Lever Ltd. consisted of follow up work and survey on the data created by the Marketing Personnel with regard to products of the organization. At BSL, she has to co-ordinate between the shipyards at Ratnagiri & Ghodbunder with respect to new recruitments, selection and appointment of personnel, training of personnel, correspondence between the Head of the Shipyard and the Director, development of infrastructure in the shipyard, opening of new sites of work for shipbuilding or ship repair activities. She draws a salary of Rs.1, 39,143/-

All the above mentioned Key Managerial Personnel are permanent employees of our company.

Changes in the Key Managerial Personnel of our Company in the last 3 years

Name	Designation/ Functional Responsibility	Date of Joining	Date of Leaving	Reason
Mr. S. Gupta	Addl General Manager (Projects)	October 1997	July 2003	Resignation
Mr. M.B. Kulkarni	Sectional Head of Engineering	December 1996	August 2004	Resignation

SELECTED FINANCIAL DATA

HISTORICAL FINANCIALS OF BHARATI SHIPYARD LIMITED

The following financial data have been prepared in accordance with Indian GAAP, the Companies Act and SEBI guidelines, and restated as described in the Auditors Report of Shantilal Mehta & Co., Chartered Accountants, dated October 18, 2004 and included in the section titled "Financial Statement" on page 85 of this Red Herring Prospectus. This financial data should be read in conjunction with our financial statements (as restated) for the period ended March 31, 2001, 2002, 2003, 2004 and for six month ended September 30, 2004 including the notes thereto and reports thereon which appear elsewhere in the Red Herring Prospectus and "Management Discussion and Analysis of Financial Condition and Results of Operations" (as per Indian GAAP).

Statement of Profits and Losses as Restated (Rs. In mn.)

	6 months ended 30th September, 2004	**Year ended 31st March, 2004**	**Year ended 31st March, 2003**	**Year ended 31st March, 2002**	**Year ended 31st March, 2001**
Income					
Turnover	987.88	1,216.56	611.13	593.57	880.68
Other income	1.52	0.84	2.07	1.99	1.76
Total Income	**989.40**	**1,217.40**	**613.20**	**595.56**	**882.44**
Expenditure					
Raw Material Consumed	564.20	747.68	386.08	334.23	546.21
Manufacturing and Other Expenses	76.98	156.78	67.32	88.79	152.82
Employees Emoluments	74.43	137.50	80.23	94.86	125.44
Financial Charges	48.45	78.31	59.81	57.05	27.16
Depreciation	2.34	3.98	4.25	4.23	4.11
Total Expenditure	**766.40**	**1,124.25**	**597.69**	**579.17**	**855.74**
Profit before tax & other adjustments	**222.99**	**93.16**	**15.50**	**16.40**	**26.70**
Provision for taxation					
Current Tax	78.49	33.14	3.70	3.86	6.49
Deferred Tax	-	0.06	0.18	0.64	-
Net profit as per audited statements of accounts	**144.51**	**59.96**	**11.63**	**11.90**	**20.21**
Carried forward from previous year	94.52	51.29	39.67	33.99	18.10
Profit available for appropriation	**239.03**	**111.25**	**51.29**	**45.89**	**38.31**
Appropriations					
Transfer to General Reserve	-	4.50	-	-	-
Transfer to Capital Reserve	-		-	-	-
Interim Dividend on Equity	-	9.00	-	-	-
Proposed Dividend on Equity	-	1.85	-	6.23	3.89
Corporate Dividend tax on Equity	-	1.39	-	-	0.43
Balance carried forward to Balance Sheet	**239.03**	**94.52**	**51.29**	**39.67**	**33.99**

The accompanying significant accounting policies and notes are integral part of this statement

Statement of Assets and Liabilities as Restated

(Rs. In mn)

		6 months ended 30th September, 2004	As on 31st March, 2004	As on 31st March, 2003	As on 31st March, 2002	As on 31st March, 2001
Assets						
A.	**Fixed Assets**					
	Gross Block	229.78	227.74	225.05	224.84	224.34
	Less: Depreciation	102.77	97.31	87.65	77.18	67.08
	Net Block	**127.01**	**130.43**	**137.39**	**147.66**	**157.26**
	Total	**127.01**	**130.43**	**137.39**	**147.66**	**157.26**
	Less : Revaluation reserve	79.40	82.52	88.73	94.95	101.17
	Net Block after adjustment of Revaluation reserve	**47.61**	**47.91**	**48.66**	**52.71**	**56.10**
B.	**Capital Work-in-Progress**	20.91				
C.	**Investments**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**
D.	**Current assets, loans and advances**					
	Inventories	612.04	436.32	363.42	348.94	214.59
	Sundry Debtors	278.61	113.35	119.33	116.62	182.72
	Cash and bank balances	3.03	3.08	5.55	5.33	13.55
	Loans and advances	313.52	302.75	105.74	108.10	120.81
	Total	**1207.20**	**855.50**	**594.03**	**579.00**	**531.67**
E.	**Liabilities and Provisions**					
	Secured Loans	316.18	221.95	205.93	210.05	120.72
	Deferred Tax Liability	7.94	7.94	7.88	7.71	-
	Current liabilities and provisions	546.53	420.50	257.05	260.85	312.54
	Total	**870.65**	**650.49**	**470.87**	**478.61**	**433.26**
F.	**Net worth (A+B+C+D-E)**	**405.08**	**252.93**	**171.84**	**153.12**	**154.51**
G.	**Represented by:**					
	Paid up Share Capital:					
	Equity Shares	100.00	92.36	58.99	51.89	51.89
	Reserves and Surplus	384.49	243.10	201.58	196.17	203.79
	Less: Revaluation Reserve	79.41	82.52	88.73	94.95	101.17
	Reserves and Surplus (Net of Revaluation reserve)	**305.08**	**160.57**	**112.85**	**101.23**	**102.62**
	Total	**405.08**	**252.93**	**171.84**	**153.12**	**154.51**
H.	**Misc. Expenditure upto the extent not W/ off.**			-	-	-
I.	**Net Worth (G-H)**	**405.08**	**252.93**	**171.84**	**153.12**	**154.51**

The accompanying significant accounting policies and notes are integral part of this statement

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, annexure and notes thereto and the reports thereon, which appear elsewhere in 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 Shantilal Mehta & Co. Dated October 18, 2004 in the section with the title "Financial Statements".

The following discussion is based on our audited financial statements (as restated) for fiscal 2001, 2002, 2003 and 2004 and also for six months ended September 30, 2004, 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-month period ended March 31 of that year.

Overview

We are a private sector Indian shipyard engaged in design and construction of various types of Sea Going, Coastal, Harbour, Inland Crafts and vessels. Our product range has been upgraded from the simple inland cargo barges, through deep sea trawlers and dredgers, to maneuverable and power packed Ocean Going Tractor Tugs, Cargo Ships, Tankers and vessels required for offshore industry. We also carry out ship repairing activities at our shipyards.

The administration, design, planning, purchase, marketing and various activities are carried out from the corporate and registered offices of the company at Mumbai. The shipbuilding and ship repair activities are carried out at our shipyards at Ratnagiri (Maharashtra), Ghodbunder (Thane, Maharashtra). We also have an administrative office in Goa and we hire workshop facilities in Goa as and when required. Presently, our company is capable of fabricating and erecting upto 14 vessels of different sizes having maximum length upto 120 meters and breadth upto 18 meters simultaneously.

We construct and deliver ships for both domestic and foreign customers. Our domestic customers include port trusts, inland water transport authorities and India's leading companies like Reliance Industries Limited, Great Eastern Shipping Corporation Limited (GESCO). On export front, we supply wide range of vessels to Europe, Middle East, Singapore, etc.

We construct ships to suit the customer's specific requirements. We have experience in the construction of large vessels and have successfully constructed and delivered many vessels few of which are:

- Four 80-metre long mini bulk carriers, two of which were exported to Singapore.
- 65-meter long Grab Hopper Dredger and 68-meter long multi purpose vessel supplied to Calcutta port trust.
- 100 M long Bitumen Tanker-cum-Ro-Ro Vessel with Bow Ramp supplied to Al Jabar, Abu Dhabi.
- 2 maneuverable tugs to Reliance Industries Limited. 5 maneuverable tugs to Qatar Shipping Company, Qatar.
- 1 Wire Line Support Vessel to Halul Offshore Services Company, Doha.
- 1 Diving Support Vessel to Reliance Industries Limited.

Critical Components of Our Income

We derive our income from the following activities.

- Ship building: This includes revenue from design and construction of various types of vessels for domestic and overseas customers.
- Ship repairing: This includes revenue from repairing and refitting of ships.
- Other income: This includes revenue from sale of scrap and miscellaneous receipts.

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) Revenue Recognition

1. Revenue on construction of ship is recognized year to year on the basis of "percentage completion" method based on the work completed at the end of the year as per Accounting Standard –7 on 'Accounting for Construction Contracts' issued by the Institute of Chartered Accountants of India..
2. Revenue from repairing of ships is recognized on delivery of vessel to the customer after repairs.

Ship construction involves a period of 12 to 18 months from the date of contract depending upon the type of ship.

As per the International practice, stage-wise payments are made to the ship-builder by the buyer depending upon the completion of various stages of ship construction. The various stages of construction are well defined in the Contract for construction of ships. The number of stages in each contract may vary from 5 to 10 depending upon the terms of the contract. The various stages of construction can be broadly defined as under:

Stage I – Advance Payment.

An amount equivalent to 10 to 20 % of the Contract price is paid as advance payment to the ship-builder upon signing of the contract and furnishing of the bank guarantee as required by the Buyer.

Stage II – Keel Laying.

Keel laying refers to the commencement of construction of ship. The payment at this stage is made depending upon the quantity of steel procured and the fabrication work carried out by the ship builder. The % of quantity of steel required to be procured and fabricated is defined in the contract and varies from contract to contract. Normally it is between 30% to 50% of the steel required for construction of the Hull. At this stage the design must be completed and the drawings must be approved by the classification society. An amount equivalent to 10 to 20% of the Contract price is paid at this stage.

Stage III.

This stage is normally defined at 50% of Hull Completion. In some cases, this stage is linked to placement of orders for the Main Engines and Propulsion Units.

Stage IV.

This stage is normally defined at 100% of Hull Completion. In some cases, this stage is also linked to dispatch of Main Engines and Propulsion Units by the supplier.

Stage V.

This stage represents launching of vessel. This stage may also be linked to the installation of Propulsion Units.

Stage VI.

This stage represents completion of successful sea trials.

Final Stage.

This stage is linked to delivery of the vessel.

As stated above, the number of stages may vary from case to case depending upon the terms of the contract. Further, the methods for determining completion of each stage are defined in detail in the contract and the same is dependent upon certification from the classification society like Llyods Register of Shipping, American Bureau of Shipping, Bureau Veritas, Indian Register of Shipping, etc. with whom the ships are classified. The certification by classification society is an international practice and no ship is constructed without the certification.

The Company raises regular bills on the buyer depending upon the stage of construction achieved which has been certified by the classification society. As on the balance sheet date, the Company considers turnover for each ship depending upon the stage of construction last achieved and certified by the classification society and the same is transferred to Work-in-Progress. Further, the difference between the Work done upto the balance sheet date and the Turnover as per the stage of construction last achieved is also transferred to Work-in-Progress. The same is certified by a chartered accountant.

Bank Guarantee and Performance Guarantee

As per the International practice, the company is required to give bank guarantee for stage payments at each stage as per the terms of the Contract. After delivery of the ship, all the bank guarantees given for stage payments are withdrawn and one consolidated performance guarantee of the value of 5 to 10% of the Contract Price is given for a period of 12 to 18 months.

b) Fixed Assets

i. Fixed Assets are stated at their cost of acquisition less accumulated depreciation but includes freight, duties, taxes and other incidental expenses relating to acquisitions and installations.

c) Depreciation

i. Depreciation on Fixed Assets has been provided on straight – line method at the rates and in the manner prescribed in schedule XIV of the Companies Act, 1956.

ii. Depreciation on revaluation has been charged to revaluation reserve.

d) Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate ruling on that date.

Our Results of Operation

Revenue:

Our total income and profit after tax for the six months period ended September 30, 2004 was Rs.989.40 mn and Rs. 144.51 mn respectively as compared to total income and profit after tax of Rs.1217.40 mn and Rs. 59.96 mn respectively for the year ended March 31, 2004. The trend of total turnover (Export & Domestic) for the past 4 years and for the period ended 30th September, 2004 is as under:

(Rs. in mn)

Particulars	6 months ending Sep 30, 2004	For the year ended March 31			
		2004	2003	2002	2001
Export sales	141.56	380.13	284.63	327.47	634.51
Domestic Sales	709.05	833.49	325.71	262.31	242.19
Total Sales	**850.62**	**1,213.62**	**610.34**	**589.78**	**876.70**
Subsisy	133.04	-	-	-	-
Total Turnover	**983.66**	**1213.62**	**610.34**	**589.78**	**876.70**
% increase over the previous year	N.A	**99%**	**3.5%**	**-33%**	

Our total sales in fiscal 2004 of Rs.1, 213.62 million, represents a growth of 99 % over the total sales for the fiscal 2003

Our export sales represented 16.64%, 31%, 47%, 56% and 72% of our Gross Sales in six months ending September 30, 2004, fiscal 2004, fiscal 2003, fiscal 2002 and fiscal 2001 respectively.

Export sales decreased by 13% from Rs. 327.47 mn in fiscal 2002 to Rs. 284.63 mn in fiscal 2003, and increased by 34% to Rs. 380.13 mn in fiscal 2004

Reasons for Increase in Turnover in fiscal 2004:

The Turnover for March 2004 was almost double the Turnover for March 2003 and March 2002. The main reasons for the same are as under:

1. Shipbuilding is dependent upon the Shipping Industry which is cyclical in nature. During the years 2001 and 2002 there was overall economic recession worldwide which had affected the orders on hand with the Company.
2. The orders received by the Company during the year ending March 31, 2001 and 2002 were less and therefore the company was not able to achieve a higher turnover. The same can be verified from the following table giving the details of orders pending execution at the end of each year and the new orders received in each period.

(Rs. in Mn.)

Particulars	6 months ending Sep 30, 2004	Year ending 31st March				
		2004	2003	2002	2001	2000
No. of ships under construction at the end of the period	12	9	8	9	5	12
Contract Price of the same	4226.06	2794.76	1027.89	1310.62	761.25	1725.58
WIP pending execution	1395.16	1541.45	172.71	523.06	140.66	776.58
New Orders received	2	7	2	7	1	6
Value of New Orders	1000.00	2619.22	254.83	988.07	200.00	866.85

From the above it can be seen that as on 31-3-2000, WIP pending execution was Rs. 776.58 mn. and the new orders received during the financial year 2000-01 were Rs. 200 mn. and therefore the company was able to achieve a Turnover of Rs. 882.44 mn. in the said year. As against the same, the WIP pending execution as on 31-3-2001 and 31-3-2002 were very low and the new orders received during the financial years 2001-02 and 2002-03 were also very low resulting into lower turnover for the said years. However, the new orders received during the financial year 2003-04 were Rs. 2619.22 mn. which lead to more than double increase in the Turnover for the year ending 31-3-2004. Similarly, the value of WIP pending execution as on 31-3-2004 was Rs. 1541.45 mn. and the new orders received during the six months period ending 30-9-2004 were Rs. 1000 mn. which resulted into turnover of Rs. 850.62 mn. (exclusive of subsidy) for the said period.

Other Income

In past years, Other Income mainly comprised of scrap sales. Details of the same are as under:

(Rs. In mn)

Particulars	6 months ending Sep 30, 2004	For the year ended on 31st March			
		2004	2003	2002	2001
Project Consultancy	-	-	-	-	0.60
Scrap Sales	0.023	0.84	2.07	1.99	1.13
Dividend	-	0.001	-	0.003	0.002
Profit on Sale of Motor Cars	0.095	-	-	-	0.03
Interest received	1.41	-	-	-	-
Total	**1.52**	**0.84**	**2.07**	**1.99**	**1.76**

Expenditure

Our experience in shipbuilding over a period of time has resulted in reduction in cost and time through increased efficiency and better operations as can be seen from the following analysis of various cost components.

Raw Material Cost:

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	6 months ending Sep 30, 2004	Fiscal 2004	Fiscal 2003	Fiscal 2002	Fiscal 2001
Net Sales	299.66	818.44	543.50	426.61	1,209.09
Increase/(Decrease) in Stock	688.22	398.12	67.62	166.96	(328.41)
Value of production	987.88	1,216.56	611.13	593.57	880.68
Raw Materials Consumed	564.20	747.68	386.08	334.23	546.21
% of raw material consumed to the value of production	57.11%	61.46%	63.18%	56.31%	62.02%

The raw material consumption varies with the type of ship under construction and the stage of construction for each ship. As stated above, we are recording revenue on percentage completion basis depending upon the stage of construction for each ship and the raw material cost accordingly varies at the end of each year depending upon the type of ship constructed during the year and the stage of construction of each ship.

Operating (Other than Raw materials) and other expenses:

Due to increased efficiency and specialization in operations, the operating and other expenses have continuously declined over the past years. The operating and other expenses were 32% of sales in fiscal 2001. The said expenses have reduced to 31% of sales in fiscal 2002, 24% of sales in fiscal 2003 and 2004 and further reduced to 15.33% during six months ending September 30, 2004.

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.

Depreciation

Our Depreciation policy is as under:

Depreciation on Fixed Assets has been provided on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

Taxation / Deferred Tax

We include the tax expense for the year, comprising current tax and deferred tax, to determine the net profit/(loss) for such year.

We make provision for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws.

We make provision for deferred tax for all timing differences arising between taxable income and accounting income at currently enacted tax rates as prescribed in the Accounting Standard –22. We recognize deferred tax assets only if there is reasonable certainty that they will be realized and we review our deferred tax assets for the appropriateness of their respective carrying values at each balance sheet date.

Earnings Before Interest, Depreciation, Tax and Amortization.

A comparison of EBIDTA (Rs. in million) and as a percentage to value of production after adjustment of excise duty paid for the past periods is as under:

(Rs. in mn)

Particulars	6 months ending Sep 30, 2004	Year ending March 31,			
		2004	2003	2002	2001
Value of production	987.88	1,216.56	611.13	593.57	880.68
Profit After Tax	144.51	59.96	11.63	11.90	20.21
Add:					
Finance Charges	48.45	78.31	59.81	57.05	27.16
Depreciation	2.34	3.98	4.25	4.23	4.11
Tax	78.49	33.20	3.88	4.50	6.49
Amortization	-	-	-	-	-
EBIDTA	**273.79**	**175.45**	**79.57**	**77.68**	**57.97**
% of EBIDTA to value of production	**27.71%**	**14.42%**	**13.02%**	**13.08%**	**6.58%**

The increase in the EBIDTA for the six months period ended September 30, 2004 is mainly due to higher volumes, provision of subsidy income and reduction in operating and other expenses.

Profit After Tax

The profit after tax was Rs.144.51 mn. for the six months period ended September 30, 2004, Rs. 59.96 mn in fiscal 2004, Rs. 11.63 mn in fiscal 2003, Rs 11.90 mn in fiscal 2002 and Rs. 20.21mn in fiscal 2001. Our profit after tax margins to Turnover have been 14.62%, 4.92%, 1.90%, 2% and 2.29% for the six months period ending September 30, 2004 and fiscal years 2004, 2003 and 2002 and 2001, respectively.

Sundry Debtors

The following table presents the details of our debtors:

(Rs. in mn)

Particulars	6 months ending Sep 30, 2004	Year ending March 31,			
		2004	2003	2002	2001
Turnover	987.88	1,216.56	611.13	593.57	880.68
Outstanding Debtors at the end of the period	278.61	113.35	119.33	116.62	182.72
Debtors less than 180 days	165.71	19.74	-	-	70.01
Debtors less than 180 days as a % of total drs.	59.48%	17.41%	0.00%	0.00%	38.31%
Debtors more than 180 days	112.89	93.62	119.33	116.62	112.71
Debtors more than 180 days as a % of total drs.	40.52%	82.59%	100.00%	100.00%	61.69%
Bad Debts written off					1.21
Bad debts as a % of sales					0.14%

Our Results Of Operations

The table below sets forth various line items from our audited financial statements for fiscal 2001, 2002, 2003 and 2004 and the six months period ended September 30, 2004 as a percentage of net value of production, which is defined as total net sales excluding increase / decrease in stock.

(Rs. in mn)

Particulars	6 months ending Sep 30, 2004	Year Ending March 31			
		2004	2003	2002	2001
Sales					
Net Sales	299.66	818.44	543.50	426.61	1,209.09
Increase/(Decrease) in Stock	688.22	398.12	67.62	166.96	(328.41)
Net Value of Production NVoP	**987.88**	**1,216.56**	**611.13**	**593.57**	**880.68**
Raw Material Cost to NVoP	**57.11%**	**61.46%**	**63.18%**	**56.31%**	**62.02%**
Cost of Raw Materials	564.20	747.68	386.08	334.23	546.21
Operating and other expenses to NVoP	**15.33%**	**24.19%**	**24.14%**	**30.94%**	**31.60%**
Operating and other expenses	151.41	294.28	147.55	183.65	278.26
Depreciation to NVoP	**0.24%**	**0.33%**	**0.70%**	**0.71%**	**0.47%**
Depreciation	2.34	3.98	4.25	4.23	4.11
Finance Charges to NVoP	**4.90%**	**6.44%**	**9.79%**	**9.61%**	**3.08%**
Finance Charges	48.45	78.31	59.81	57.05	27.16
Profit before tax to NVoP	**22.57%**	**7.66%**	**2.54%**	**2.76%**	**3.03%**
Profit before tax	222.99	93.16	15.50	16.40	26.70
Profit after tax to NVoP	**14.63%**	**4.93%**	**1.90%**	**2.00%**	**2.30%**
Profit after tax	144.51	59.96	11.63	11.90	20.21

Comparison of fiscal 2004 with fiscal 2003

Turnover

Our turnover comprising of export and domestic sales after changes in inventory of work-in-process, registered a growth of 99.07% from Rs.611.13 mn in fiscal 2003 to Rs.1, 216.56 mn in fiscal 2004. This was mainly due to new construction orders for 7 ships during fiscal 2004

Other Income

Other income decreased by 59.41% from Rs.2.07 mn in fiscal 2003 to Rs.0.84 mn in fiscal 2004. The decrease mainly resulted from decrease in scrap sales. The scrap generated during the fiscal 2004 has substantially reduced owing to increased efficiency and specialization.

Expenditure

Our expenditure on raw materials consumption increased by 93.66% from Rs.386.08 mn in fiscal 2003 to Rs.747.68 mn in fiscal 2004 due to increase in turnover of 99.07% in fiscal 2004 as compared to fiscal 2003. The consumption of raw materials as percentage to value of production decreased from 63.18% in fiscal 2003 to 61.46% in fiscal 2004.

The operating and other expenses increased by 99.44% from Rs.147.55 mn in fiscal 2003 to Rs.294.28 mn in fiscal 2004 corresponding with 99% increase in turnover in fiscal 2004 as compared to fiscal 2003.

Expenditure as a percentage of net value of production increased marginally from 24.14% in fiscal 2003 to 24.19% in fiscal 2004.

Earnings before Interest Depreciation Tax and Amortization (EBIDTA)

EBIDTA increased by 120.52% from Rs.79.56 mn in fiscal 2003 to Rs.175.45 mn in fiscal 2004. EBIDTA as percentage to value of production also increased substantially from 12.99% in fiscal 2003 to 14.42% in fiscal 2004. Twofold increase in turnover has lead to increase in our operating margin.

Finance Charges

Finance charges increased by 30.93% from Rs.59.81mn in fiscal 2003 to Rs.78.31mn in fiscal 2004. This was mainly due to growth in revenue resulting into higher utilisation of working capital and other non-fund based finance facilities. However, finance charges as a percentage of value of production decreased from 9.79% in fiscal 2003 to 6.44% in fiscal 2004 due to substantial increase in sales.

Depreciation

Depreciation decreased by 6.35% from Rs.4.25 mn in fiscal 2003 to Rs.3.98 mn in fiscal 2004, Gross block of fixed assets increased by 1.20% from Rs. 225.05 mn in fiscal 2003 to Rs.227.74 mn in fiscal 2004. As a percentage of value of production, depreciation cost decreased from 0.70% in fiscal 2003 to 0.33% in fiscal 2004.

Income tax

Provision for current tax increased substantially from Rs.3.70 mn in fiscal 2003 to Rs.33.14 mn in fiscal 2004, mainly due to higher profits and lesser income from exports eligible for concessional tax treatment.

Profit after tax

Profit after tax was Rs.59.96 mn in fiscal 2004 as compared to profit after tax of Rs.11.63 mn in fiscal 2003. The profit after tax as percentage to value of production increased from 1.90% in fiscal 2003 to 4.93% in fiscal 2004. This is largely due to twofold increase in sales and also due to control in various other variable costs.

Comparison of fiscal 2003 with fiscal 2002

Turnover

Our turnover comprising of export and domestic sales after changes in inventory of work-in-process, increased by 2.96% from Rs.593.57 mn in fiscal 2002 to Rs.611.13 mn in fiscal 2003.

Other Income

Other income increased by 4% from Rs.1.99 mn in fiscal 2002 to Rs.2.07 mn in fiscal 2003. The increase mainly resulted from increase in scrap sales.

Expenditure

Our expenditure on raw materials consumption increased by 15.51% from Rs.334.23 mn in fiscal 2002 to Rs.386.08 mn in fiscal 2003. The consumption of raw materials as percentage to value of production increased from 56.31% to 63.18%. As explained herein above, the raw material consumption is dependent upon the type of ship that is constructed and the stage of construction for each ship. Accordingly, the raw material consumption in fiscal 2003 was higher due to construction of ships involving higher material consumption. The higher raw material cost is compensated by lower labour charges.

The operating and other expenses decreased by 19.66% from Rs.183.65 mn in fiscal 2002 to Rs.147.55 mn in fiscal 2003.

Expenditure as a percentage of net value of production also decreased from 30.94% in fiscal 2002 to 24.14% in fiscal 2003 mainly due to decrease in labour charges.

Earnings before Interest Depreciation Tax and Amortization (EBIDTA)

EBIDTA increased by 2.42% from Rs.77.68 mn in fiscal 2002 to Rs.79.56 mn in fiscal 2003. EBIDTA as percentage to value of production decreased marginally from 13.08% in fiscal 2002 to 13.01% in fiscal 2003.

Finance Charges

Finance charges increased by 4.84% from Rs.57.05 mn in fiscal 2002 to Rs.59.81 mn in fiscal 2003. Finance charges as a percentage of value of production increased from 9.61% in fiscal 2002 to 9.79% in fiscal 2003.

Depreciation

Depreciation increased by 0.47% from Rs.4.23 mn in fiscal 2002 to Rs.4.25 mn in fiscal 2003, Gross block of fixed assets increased by 0.09% from Rs. 224.84 mn in fiscal 2002 to Rs.225.05 mn in fiscal 2003 due to purchase of computers. As a percentage of value of production, depreciation cost decreased marginally from 0.71% in fiscal 2002 to 0.70% in fiscal 2003.

Income tax

Provision for current tax decreased marginally from Rs.3.86 mn in fiscal 2002 to Rs.3.70 mn in fiscal 2003, mainly due to lower profits.

Profit after tax

Profit after tax was Rs.11.63 mn in fiscal 2003 as compared to profit after tax of Rs.11.90 mn in fiscal 2002. The profit after tax as percentage to value of production decreased marginally from 2% in fiscal 2002 to 1.90% in fiscal 2003.

Comparison of fiscal 2002 with fiscal 2001

Turnover.

Our turnover comprising of export and domestic sales and changes in inventory of work-in-process, decreased by 32.60% from Rs.880.68 mn in fiscal 2001 to Rs. 593.57 mn in fiscal 2002. The turnover for fiscal 2002 was low as compared to fiscal 2001 mainly because of overall economic recession worldwide and due to the cyclical nature of the shipping market. Further, in the year 2002, there was a war in Afghanistan, because of which some orders from Middle East could not materialize.

Other Income

Other income increased by 13.06% from Rs.1.76 mn in fiscal 2001 to Rs.1.99 mn in fiscal 2002. The increase primarily resulted from increase in scrap sales.

Expenditure

Our expenditure on raw materials consumption decreased by 38.81% from Rs.546.21 mn in fiscal 2001 to Rs. 334.23 mn in fiscal 2002. This decrease is by and large in line with the decrease in sales.

The operating and other expenses decreased 34% from Rs.278.26 mn in fiscal 2001 to Rs.183.65 mn in fiscal 2002 due to decrease in net sales.

Expenditure as a percentage of net value of production decreased from 31.60% in fiscal 2001 to 30.94% in fiscal 2002.

Earnings before Interest Depreciation Tax and Amortization (EBIDTA)

EBIDTA increased by 33.98% from Rs.57.98 mn in fiscal 2001 to Rs.77.68 mn in fiscal 2002.Further, EBIDTA as percentage to value of production increased substantially from 6.58% in fiscal 2001 to 13.08% in fiscal 2002.

Finance Charges

Finance charges increased by 110.05% from Rs.27.16 mn in fiscal 2001 to Rs.57.05 mn in fiscal 2002 as the amount of secured loan increased from Rs.120.72 mn in fiscal 2001 to Rs.210.05 mn in fiscal 2002. Finance charges as a percentage of value of production increased from 3.08% in fiscal 2001 to 9.61% in fiscal 2002.

Depreciation

Depreciation increased by 2.92% from Rs.4.11 mn in fiscal 2001 to Rs.4.23 mn in fiscal 2002. Gross block of fixed assets increased by 0.22% from Rs.224.34 mn in fiscal 2001 to Rs.224.84 mn in fiscal 2002. As a percentage of value of production, depreciation cost increased marginally from 0.47% in fiscal 2001 to 0.71% in fiscal 2002.

Income tax

Provision for current tax decreased from Rs.6.92 mn in fiscal 2001 to Rs.3.86 mn in fiscal 2002.

During fiscal 2002, in view of the change in accounting policy for taxes on income, provision of Rs.7.71 mn was made for deferred tax, which included provisions of Rs.7.07 mn for cumulative net deferred tax until March 2002, which was adjusted from Reserve and Surplus. This was done to comply with the provision of Accounting Standard – 22 "Taxes on Income", which was mandatory for us from fiscal 2002.

Profit after tax

Profit after tax was Rs.20.21 mn in fiscal 2001 as compared to profit after tax of Rs.11.90 mn in fiscal 2002. The profit after tax as percentage to value of production decreased from 2.30% in fiscal 2001 to 2% in fiscal 2002.

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 relied on cash flows from operations.

Cash Flows

The table below summarizes our cash flows for fiscal 2000 to 2004 and for the six months ended September 30, 2004:

(Rs. In mn)

Cash Flow	6 months ended Sep 30, 2004	Fiscal 2004	Fiscal 2003	Fiscal 2002	Fiscal 2001	Fiscal 2000
Net Cash Flow from operating activities	(17.34)	220.15	54.69	(39.53)	31.89	15.11
Net Cash (Used in) investing activities	(33.72)	(181.06)	3.61	11.78	14.93	49.22
Net Cash flow from financing activities	53.41	(36.77)	(56.84)	19.53	(58.64)	(42.20)
Increase/(Decrease) in Cash and Cash Equivalents	2.34	2.31	1.46	(8.22)	(11.81)	22.13
Effect of Exchange Rate Changes	(2.39)	(4.78)	(1.24)	-	-	-
Net Increase/(Decrease) in Cash and Cash Equivalents	2.34	(2.47)	0.22	(8.22)	(11.81)	22.13
Opening Cash Balance	3.08	5.55	5.33	13.55	25.36	3.23
Closing Cash Balance	3.03	3.08	5.55	5.33	13.55	25.36

Figures in brackets represent cash outflow

Working Capital

Net Current assets as at September 30, 2004 were 660.67 mn compared to 434.91 mn as at March 31, 2004, mainly on account of increase in current assets from 855.50 mn in fiscal 2004 to 1207.20 mn as at September 30, 2004 and increase in current liabilities and provisions from 420.59 mn in fiscal 2004 to 546.53 mn as at September 30, 2004. Increase in current assets as on March 31, 2004 is attributable mainly to increase in debtors from 113.35 mn in fiscal 2004 to 278.61 mn as at September 30, 2004 and increase in inventory from 436.32 mn in fiscal 2004 to 612.04 mn as at September 30, 2004.

Indebtedness

Total debt as on September 30, 2004 was Rs 316.18 mn as compared to was Rs. 221.95 mn as on March 31, 2004. The total outstanding secured loans of Rs.316.18 mn can be divided in the following groups.

1. Working Capital finance amounting to Rs.315.27 mn comprising of cash credit facilities and foreign currency loans from banks
2. Hire Purchase loan from banks amounting Rs. 0.91 mn for purchase of vehicles.

Historical and Planned Capital Expenditures

In fiscal 2001, we made additions to Fixed Assets amounting to Rs.1.15 million, primarily for manufacturing project.

In fiscal 2002, we made additions to Fixed Assets amounting to Rs.0.50 million, primarily for purchase of computers and vehicles.

In fiscal 2003, we made additions to Fixed Assets amounting to Rs.0.20 mn primarily for purchase of computers.

In fiscal 2004, we made addition to Fixed Assets amounting to Rs. 2.69 million.

Related Party Transactions

For details of related party transactions, please refer to the section entitled "Related Party Transactions" on page 73 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**

   There have been no events, to the best of our knowledge, other than as described in this Red Herring Prospectus and other than those given below, which may be called "unusual" or "infrequent".

   i. On 19th October, 2001, one barge of the Company which was being towed from Ghodbunder to Ratnagiri collided against a bridge under construction by M/s. Gammon India Limited and a motor boat and crane belonging to Gammon India Limited. The Company regularly tows vessels from Ghodbunder to Ratnagiri and no such accident has taken place in the past.

   ii. Our Company regularly declares dividend. However, in the year 2003, the management of the Company decided not to declare dividend for the year to conserve the resources of the Company.

2. **Significant economic/regulatory changes**

   The Director General (Shipping) in India has announced a mandatory CAP 2 (Condition Assessment Programme) rating for all the vessels that are 20 years old and a complete ban on all the tankers aged over 25 years from entering into India's waters with effect from 1st April 2004. This will lead to increase in demand for tanker vessels.

   All the Maritime States abroad have also decided to scrap ships over the age of 15 years carrying sensitive cargos like Oil, Gas, etc. This will also have positive influence on demand for offshore supply vessels.

   The Government of India has also announced a major project "Sagar Mala" for development of its maritime sector. Primarily aimed at capacity expansion and modernization and creation of multitude of ports along India's West and East Costs, it is estimated that the project will result in additional demand of over 2500 new ships.

3. **Known trends or Uncertainties**

   Other than as described in this Red Herring Prospectus, to our knowledge, there are no known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

4. **Future relationship between costs and income**

   Other than as described in this Prospectus, to our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

5. **Total turnover of each major industry segment**

   The Company can manufacture different types of vessels, which are described under the Chapter "Business Overview". The company does not operate in multiple industry segments.

6. **New Products or business segments**

   So far we have been constructing medium size vessels upto capacity of 5000 DWT having length upto 120 mts. After expansion we will be producing large size vessels upto the capacity of 25000 DWT and also highly sophisticated vessels for offshore industry. The company does not operate in multiple industry segments.

7. **Seasonality of business**

   Our business is not seasonal. However, our business depends on the shipping industry, which is cyclical in nature. The Shipping industry largely depends on trends in freight rates. When the freight rates are on the rise, there is a growth in the shipping industry which in turn leads to new orders for ships. Conversely, when the freight rates are falling, the new orders for ships also fall.

8. **Dependence on single or few suppliers / customers**

   We source our raw materials from a number of suppliers and are not under any threat from excessive dependence from any single supplier.

   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.

For details on our Top five customers and their contribution to income for the last 3 years and six months period ending September 30, 2004 refer to 'Business Overview' on page 43 of this Red Herring Prospectus.

9. Competitive Conditions

We believe that we are well positioned to emerge as a reputed shipbuilding yard for domestic and international market on account of our competitive strengths that include the following:

- Technical excellence in design and performance
- Quality of the products
- Adherence to delivery commitments
- After Sales Service

Our Advantage

We have an advantage owing to the large number of technically qualified people employed with us and on account of high level of sophisticated techniques used for designing and construction of vessels. We have employed qualified employees like Naval Architects, Marine Engineers, Mechanical and Electrical Engineers, etc., who look after design, construction, purchase, marketing, etc. having experience of number of years in shipbuilding industry.

Constant focus on key drivers such as quality of the product, excellent design, cost effective processes, compliance with environment regulations, timely delivery, etc. has enabled us to source business from several countries. Our quality systems and measures allow us to mitigate risk from competitors and new entrants.

Management Depth

The present promoters of our company are Mr. P. C. Kapoor and Mr. Vijay Kumar. Both of them are qualified Naval Architects (B. Tech Honors) from IIT Kharagpur. They have over 35 years of experience each, in Shipbuilding and Management. Both of them are and have been members of various associations and organizations. Besides them, a team of technocrats, professionals and consultants having experience of number of years in ship building industry help to manage and achieve our strategic intent.

10. Significant developments after fiscal 2004 that may affect our future results of operations

Save as stated elsewhere in the Prospectus, 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.

Save as stated elsewhere in the Prospectus, 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.

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.

a) List of related parties and relationships, where control exists:

Particulars	**30-9-2004**	**2003 – 2004**	**2002 – 2003**
Relation	**Name of Party**	**Name of Party**	**Name of Party**
Associates	Bharati Shipping and Dredging Co. Pvt. Ltd.	Bharati Shipping and Dredging Co. Pvt. Ltd.	Bharati Shipping and Dredging Co. Pvt. Ltd.
Key Management Personnel	**Mr. P. C. Kapoor** – Director Mrs. Madhu Kapoor (wife) Mrs. Radhika Mehra (Daughter) **Mr. Vijay Kumar** – Director Mrs. Ashraf Geeta Kumar (Wife) Ms. Sukriti Gayatri Kumar (Daughter) **Mr. J. M. Gandhi** – Director* **Mr. Sherali. M Sheikh** – Director* Ms. Shamsad Begam Adam (Sister)	Mr. P. C. Kapoor – Director Mr. Vijay Kumar – Director	Mr. P. C. Kapoor – Director Mr. Vijay Kumar – Director

*Appointed on 25-03-2004

b) Transactions with related parties (Rs. In mn)

Items	**Relation**	**30-9-2004**	**2003-2004**	**2002-2003**
Issue of Shares	Associates, Key Managerial Personnel, Relatives of KMP	-	33.368	7.100
Remuneration	Key Managerial Personnel	1.34	0.996	0.600
Outstanding Payable	Key Managerial Personnel	0.22	0.007	0.120

For the year 2002-2003 (Rs. In mn.)

Sr. No.	**Name of the Related Party**	**Equity Contributions Received**	**Remuneration**	**Outstanding Payable**
1	Bharati Shipping & Dredging Co. Pvt. Ltd.			
	Key Managerial Personnel			
2	P. C. Kapoor	3.550	0.300	0.009
3	Vijay Kumar	3.550	0.300	0.111
	Total	**7.100**	**0.600**	**0.120**

For the year 2003-2004 (Rs. In mn)

Sr. No.	Name of the Related Party	Equity Contributions Received	Remuneration	Outstanding Payable
	Associates			
1	Bharati Shipping & Dredging Co. Pvt. Ltd.	20.461		
	Key Managerial Personnel			
2	P.C. Kapoor	6.45	0.498	0.007
3	Vijay Kumar	6.45	0.498	
4	J M Gandhi	0.001		
5	Sherali M Sheikh	0.001		
	Relatives of Key Managerial Personnel			
6	Madhu Kapoor	0.001		
7	Radhika Mehra	0.001		
8	Ashraf Geeta Kumar	0.001		
9	Sukriti Gayatri Kumar	0.001		
10	Shamsad Begam Adam	0.001		
	Total	**33.368**	**0.996**	**0.007**

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any Government or other regulatory authorities are required to continue those activities.

It must, however, be distinctly understood that in granting the above consents/ licences/ permissions/ approvals, 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:

1. Allotment of ESI code number 31-41380-71 on 14-12-01 from Employees' State Insurance Corporation under ESI Act, 1948.
2. Registration certificate no. GUJ 15 A - 3493 (Cent.) dated 16-4-1999 under Central Sales Tax Act, 1957.
3. Registration certificate no. 400001-C-3208 (Cent.) dated 26/3/96 valid from 1-4-1996 under Central Sales Tax Act, 1957.
4. Registration certificate no. 400001-S-3308 dated 26/3/96 valid from 1-4-1996 under Mumbai Sales Tax Act, 1959.
5. Registration certificate no. 2101014542 valid from 1-7-2002 under Gujarat Sales Tax Act, 1969.
6. Company has registered under Employee's Provident Fund and Miscellaneous Provisions Act, 1952 vide Registration no. MH/21069
7. Certificate allotting no. E-II-7797 dated February 15, 1986 under the Bombay Shop & Establishments Act, 1948, in respect of our godown at Ray Road, Mumbai.
8. Order no. MH/PF/Co-ord.I/Allotment/99/00/14/337 dated 13/10/99 from Regional Provident Fund commissioner of Maharashtra & Goa granting permission for transfer of PF records pertaining to Ratnagiri from Regional Office, Bandra to SRO Kolhapur.
9. Letter dated February 29, 1996 allotting new Permanent Account Number AAACB1688E issued under the Income Tax Act, 1961 by the Commissioner of Income-Tax.
10. Letter dated May 11, 2004 advising allotment of Tax Deduction Account Number MUMB11876E from National Securities Depository Limited.
11. Letter dated September 9, 2002 confirming the renewal of permission to operate a Private Bonded Warehouse at Ratnagiri vide Licence No. 1/CUS/2002-RTN upto 8-9-2005 by The Assistant Commissioner of Customs, Ratnagiri Division vide letter no. F. No. VIII(Cus) 12-1/BS/2002/415.
12. Letter no. S/15-40-98-99/B dated 1/5/98 issued by the Asst. Commissioner of Customs, Bond Department, Mumbai advising the renewal of permission to manufacture ships under section 65 of Customs Act, 1962 read with supplementary regulations framed under the manufacture and other operations in the Warehouse Regulation 1966, upto 19-03-2005.
13. Letter no. S/15/40/98-99/B dated 20/3/98 issued by Asst. Commissioner of Customs, Bond Department, Mumbai renewing the licence to operate the premises at C. S. No. 20, Village Versova, Post Ghodbunder, Dist. Thane as a private bonded warehouse which is valid upto 19/3/05.
14. Letter dated 23/1/03 by the Asst. Commissioner of Labour, Ratnagari forwarding the amended certificate of Registration under the Contract Labour Act, 1970 bearing registration no. ACL/RTN/R-5/85 dt. 19-06-85 issued on 19-04-2004 valid upto 31-12-2004.
15. Obtained a consent vide consent no. RO/KOP/KON-COA/RAT/E-22/R-102/1002 to operate the factory in the area of Konkan Coastal basin (for Ratnagiri) under section 26 of Water (Prevention and Control of Pollution) Act, 1974 (Letter dated 26-6-1995, issued by the Maharashtra Pollution Control Board) which is valid up to 31-05-2010.
16. Licence no. 82325 dated 12/07/2004 issued by the Government of Maharashtra advising permission to operate the factory with upto 500 workmen and use of electricity upto 500 horse power valid upto 31st December 2008

List of approvals applied for but not received:

1. The Port Officer, Ratnagiri, Maharashtra Maritime Board for the proposed expansion of the Shipyard.

   The Port Officer, Ratnagiri had carried out inspection of our Ratnagiri yard on 30-9-2004 and has issued directions for extension of the existing jetty.

2. The Sarpanch, Gram Panchayat, Sadamirya, Ratnagiri for constructing Administrative Building at the yard.

3. Our application no. 1307077 dated Sep.6, 2004 for registration of our trade mark with Trade Marks Registry- still pending.

4. Application dated September 14, 2004 for amendment in Consent no. RO/KOP/KON-COA/RAT/E-22/R-102/1002 dated 26/6/95 under the Maharashtra Pollution Control Board for manufacture of seven to eight ships in a year at Ratnagiri yard.

   The initial consent by the Maharashtra Pollution Control Board was granted in 1995 valid till 2010. We have vide our application as stated above requested for modification in the consent relating to the number of ships that can be manufactured by us every year at our Ratnagari yard.

List of approvals required from the following, but not applied for:

We have not yet applied for and received the following government approvals required with regard/consequent to the proposed expansion

1. The Joint Director, Industrial Health & Safety, Kolhapur for the proposed expansion of the shipyard

2. The Director, Ministry of Environment, Government of India under the Water (Prevention and Control of Pollution) Act, 1974.

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against us, our Directors, our promoters or companies/firms promoted by our promoters that would have a material adverse effect on our business and there are no defaults, non-payment or over dues of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on our business other than unclaimed liabilities by us or our directors, our promoters or companies promoted by our promoters.

I. Litigations against the Company:

(A) **Litigations involving statutory authority:**

(1) Income-Tax Matters

1. The Assessing Officer had completed assessment proceedings against the Company under Section 143 (3) of the I.T. Act, for the Assessment Year 2001-2002 and raised a demand on the Company for a sum of Rs.2.48 million as additional tax payable arising on account of (i) disallowance of interest income while computing the deduction under Section 80HHC, (ii) non-payment of the provident fund dues within the prescribed time and (iii) disallowance of depreciation relating to motor car. The Company has filed an appeal before the CIT(A) challenging the additions made by the Assessing Officer. The said appeal is dismissed by the CIT (A) vide order dated _August 27, 2004. The Company has filed an appeal before the Hon'ble Income Tax Appellate Tribunal against the said order of CIT(A) on 27/10/2004.
2. The Assessing Officer had completed assessment proceedings under Section 158BC of the I.T. Act, for the Block period 1st April, 1990 to 18th January, 2000 and raised a demand of Rs.1.80 million as additional tax payable, arising on account of the following additions to the total income of the Company during the Block period: (a) Rs.0.61 million as estimated sale of scrap for the Assessment Year 1992-93; and (b) Rs.2.12 million as inflated expenses during Assessment Year 1990-91 to 1994-95. Against the aforesaid order, an appeal was filed by the Company before the CIT(A) and submissions made by the Company before the CIT(A) were accepted and consequently the tax demand was ordered to be deleted. The Income Tax Department has filed an appeal being Appeal No. IT (SS) of 514/MUM/ 02 before the ITAT against the order passed by the CIT(A) claiming that the additions to total income are valid and that the Company ought to pay additional tax thereon amounting to Rs.1.80 million. The said appeal is pending.
3. The Assessing Officer had completed assessment proceedings against the Company under Section 158BC of the I.T. Act, for the Block period 1st April, 1990 to 18th January, 2000. The Commissioner of Income Tax ("CIT"), exercising his powers under Section 263 of the I.T. Act, has by his Order dated 23rd March, 2004 directed that the income assessed under Section 158BC of the I.T. Act be reassessed and has cited various grounds therefor including non-inquiry into the depreciation of Rs.15.12 million claimed by the Company. The Company has filed an appeal before the ITAT against the said Order dated 23rd March, 2004 passed by the CIT and the same is pending.

(2) Sales Tax Matters

1. The assessment proceedings for Assessment Year 1992–93 were carried out by the Assessing Officer u/s. 33(3)(5) of the Bombay Sales Tax Act and the assessment order was passed on 12th July,1995. In the assessment order passed by the Assessing Officer, no set off under Rule 41(d) in respect of purchases of electrodes, gas and ball bearing was granted.

   1.1 In the appeal filed by the Company before the Deputy Commissioner of Sales-tax, the set off under Rule 41(d) in respect of following purchases was granted.

i.	Purchase of Gas	Rs. 0.1 million
ii.	Purchase of bearing, nut bolt and grease	Rs. 3,584/-

   1.2 However, the Deputy Commissioner of Sales-tax has not granted set off of Rs. 0.13 million on purchase of electrodes on the ground that the same were subject to tax at 4%.

   1.3 The Company has filed an appeal before the Maharashtra Sales Tax Tribunal claiming the set off of Rs.0.13 million on purchase of electrodes. The said appeal is pending. In the case, appeal is decided in favour of the Company, it will receive refund of Rs.0.13 million. There will not be any extra liability in case the appeal is decided against the Company.

2. During the Financial Year 1995–96, the Company had sold one Tug to M/s. Reliance Industries Limited. As per the terms of contract, the delivery was to be accepted by the customer only after its final test at mid-sea. Thus, the delivery of Tug was given in the mid sea at 15 nautical miles away from the seashore. Accordingly, the sale was beyond the jurisdiction of State Govt. as well as Central Govt.

   2.1 The Assessing Officer considered the above sale as liable to Central Sales tax chargeable to tax @ 4%. Accordingly, he raised the demand of Rs. 14 million.

   2.2 Aggrieved by the same, the Company filed an appeal before the Deputy Commissioner of Sales-tax (Appeals). Simultaneously the Company had also referred the matter to Commissioner of Sales-tax for Determination of Disputed Question (DDQ) as to whether any tax is payable in respect of the above transaction.

   2.3 The Commissioner of Sales-tax decided the matter as covered under Maharashtra Sales Tax liable to tax @ 15.3%. In view of the same, the Deputy Commissioner of Sales-tax (Appeal) set aside the order of Assessing Officer levying 4% CST and gave directions to the Assessing Officer to pass order after taking into consideration the DDQ given by Commissioner of Sales-tax.

   2.4 The Company filed an appeal against the above order of the Deputy Commissioner of Sales-tax (Appeals) contending that he had no jurisdiction to give directions to the Assessing Officer to pass assessment order as per DDQ. The Tribunal decided the matter in favour of the Company and the order of the Deputy Commissioner of Sales-tax (Appeals) remanding the matter back to Assessing Officer was set aside. Hence, pursuant to the same, as on date there is no outstanding demand.

   2.5 The Company has filed an appeal before the Tribunal against the DDQ given by the Commissioner of Sales-tax and the same is pending.

B) **Litigations involving workmen:**

(1) **Maharashtra Registration of Trade Unions and Prevention of Unfair Labour Practices Act, 1971.**

10 workers have individually filed complaints against company under Maharashtra Registration of Trade Unions and Prevention of Unfair Labour Practices Act, 1971, before the Hon'ble Member Industrial Tribunal, Maharashtra Bench at Kolhapur in February 2001, praying for being made permanent workers of the company from the 241st day of their employment and for consequential benefits. The Company has filed its written statements in the above matters. The said complaints are still pending.

(2) **Industrial Disputes Act, 1947.**

17 applications were filed by 188 contract workers before the Additional Commissioner of Labour, Konkan Division, Mumbai against the Labour Contractors and the Company praying that they should be reinstated with continuity of service and full back wages from their respective dates of termination of service. By separate orders on each application the Additional Commissioner of Labour has referred the said disputes for adjudication to the Labour Court at Kolhapur. The said matters are pending before the Labour Court at Kolhapur.

(3) **Minimum Wages Act, 1948.**

25 applications were filed by 234 contract workers before the Hon'ble Labour Court at Kolhapur, against Labour Contractors and the Company wherein they have claimed that they have not been paid wages at the prevailing rate for diverse periods and have prayed that they should be paid differential wages according to minimum rate of wages fixed by Government and wages actually paid, together with interest and compensation. The said applications were transferred to Labour Court in Ratnagiri and the same are still pending. The total claim made by the workers is approximately Rs. 10.25 million along with interest.

(C) **Other litigations:**

(1) **Travancore Cements Ltd.**

   1.1 By an Agreement dated 2nd December, 1982 made between the Company and Tranvancore Cements Ltd. ("TCL"), the Company had agreed to construct and deliver a Dredger to TCL. In or about February 1984, the Company requested TCL to pay the Excise Duty (relatable to the Dredger) amounting to Rs.1.14 million, which was paid by TCL to the Company. Subsequently, a Trade Notice dated 14th March, 1984 was issued by the Pune Collectorate, clarifying that dredgers were exempt from excise duty and accordingly the Company did not pay the excise duty, to the Excise Authorities. Subsequently, the Collector, Central Excise, Pune by his Order dated 7th September, 1990 raised a demand on the Company and TCL, for non-payment of excise duty amounting to

Rs.1.63 million in respect of the Dredger. On 2nd September, 1993, TCL filed a Suit against the Company in Bombay High Court being Suit No.3528 of 1993 claiming a sum of Rs.2.28 million consisting of (i) Rs.2.17 million as interest on the aforesaid excise duty amount of Rs.1.14 million (ii) Rs.8,000/- cost incurred by TCL to get the Dredger released from confiscation by the Excise authorities and (iii) Rs.0.1 million as damages for loss of reputation and further interest on Rs.2.28 million at 20% p.a from the date of the Suit till payment or realization. The Company contested the said claim and has filed its Written Statement in the matter. The said suit is pending.

1.2 Further, on 2nd July, 1994, the Company paid a sum of Rs.1.19 million to the Excise Authorities under protest, in part satisfaction of the aforesaid demand of Rs.1.63 million as the Company could not retain with itself any amount collected from its client. Subsequently, the CEGAT passed an Order dated 3rd March, 1998 setting aside the aforesaid demand raised by the Excise Authorities. The Company has not received refund of the aforesaid sums.

(2) **<u>Suits filed in respect of the Company's godown premises at Lakri Bunder, Mumbai:</u>**

2.1 In the year 1978 the Company had obtained sub-tenancy rights in respect of certain godown premises situate at Lakri Bunder, Mumbai ("the said premises") from Shri Shankardas Leeladhar Adnani and others ("Adnanis"), who are the original tenants of Bombay Port Trust ("BPT"). On 7th October, 1987 BPT filed a suit in the Small Causes Court, Bombay being LE & C Suit No.535/587 of 1987 against the said Adnanis and the Company, inter-alia, praying for delivery of vacant possession of the said premises, for mesne profits from the date of the filing of the Suit at Rs.6231.07 per month and service charges of Rs.24.62 per month and also municipal taxes and other charges, till vacant possession of the said premises is delivered to BPT. On 24th April, 2000 a Decree was passed in the aforesaid suit in favour of BPT requiring (i) vacant possession of the said premises be handed over to BPT (ii) payment by Adnanis of arrears of Rs.19,780.98 together with interest at 6% p.a. from 24th April, 2000 till payment and (iii) payment by Adnanis of mesne profits. BPT has filed Misc. Application No.103 of 2002 for execution of the said decree. The said application is still pending.

2.2 The Company, in order to protect its interest in relation to the aforesaid premises, filed a suit being R.A.N Application No.344/SR of 1986 in the Small Causes Court, Bombay against Adnanis and BPT, praying for fixation of standard rent. An Interim Notice No.5908 of 1986 was filed by the Company for fixation of interim rent. On 5th January, 1993 the said interim notice was made absolute and interim rent was fixed at Rs.2,375/- per month. By Consent Terms dated 22nd July, 2000 between Adnanis and the Company in the aforesaid RAN Application No.344/SR of 1986, the Company agreed to pay the future rents, mesne profits or compensation for the said premises from 1st August, 2000 onwards. The Company has deposited a sum of Rs.0.41 million in Court as interim rent. Out of the moneys deposited by the Company in Court a sum of Rs.0.24 million, was withdrawn by the Adnanis and paid over to BPT in payment and satisfaction of the decree passed in the aforesaid LE&C Suit No.535/587 of 1987. The balance amount of Rs.0.39 million, is to be withdrawn by the Company and utilised for payment to BPT of the rent/mesne profits/compensation in respect of the premises in the abovementioned LE & C Suit No.535/587 of 1987.

2.3 The Company has applied to BPT to grant it direct tenancy in respect of the said premises and has paid Rs.0.05 million as token to show its bonafides. BPT is considering the said application of the Company.

(3) **<u>M/s. Schottel GmbH & Co.</u>**

On 3rd August, 2000, the Company had imported a Ship Set of Schottel Rudder Propellers ("the goods") from Schottel GmbH & Co., Germany ("Schottel"), which goods were insured with HDI Versicherung auf Gegenseitigkeit, Germany ("HDI"). The goods landed at the Port of Jawaharlal Nehru Port Trust, Navi Mumbai, ("JNPT Port") and were in the custody of the JNPT Port Authority. On 4th September, 2000, the container containing the goods, while being moved by the JNPT Port Authorities suffered an accident and the goods were damaged. The goods were sent to the Company and on being advised by Schottel, the same were re-exported to Schottel for restoration. Thereafter, Schottel restored the goods and sent the goods back to the Company. Schottel lodged its claim for damage with HDI (the insurer) which reimbursed to Schottel the costs of restoration. Consequently, HDI became subrogated to all rights and remedies of Schottel/ the Company under the insurance cover. On 9th April, 2002 Schottel and HDI filed a suit being Suit No.3613 of 2002 in the Bombay High Court, claiming damages against JNPT Port. The Company has been made a formal party to the said suit and no reliefs are claimed against the Company.

II. Litigations involving Promoters:

(A) **Complaint filed under Indian Penal Code**

On 5th November 2001 a Charge Sheet No. TT/117/2001 has been filed in the Manikpur Police Station against Ramesh Vasu Punja, an employee of the Company, Mr.P.C. Kapoor, Director of the Company, Ramesh Ulal, the Contractor engaged by the Company and Akilal Siba Ramkrishna, master of the tug, alleging that on 19th October 2001, Ramesh Ulal and Akilal Siba Ramkrishna, who had been handed over the charge of a barge by Mr.Ramesh Vasu Punja and Mr.P.C. Kapoor, were towing the barge rashly and negligently, through the bed of the Vasai Creek as a result whereof it collided against a bridge under construction by Gammon India Limited, a motor boat and a crane belonging to Gammon India Limited. The aforesaid persons have been charged under Sections 280 and 34 of Indian Penal Code. All the accused mentioned above have been released on bail. The said case being S.C. No. 3741 of 2001 is pending in the court of Judicial Magistrate, First Class, Vasai.

(B) **Mazagaon Docks Limited/ Messrs.Bharati Offshore Services**.

On or about 6th January, 1984, Mazagaon Dock Ltd. ("MDL") placed a work order for Rs.0.8 million with Bharati Offshore Services (a partnership firm which then consisted of three partners namely Mr. Suresh Mohan Jagtiani (who retired on 2nd September, 1999), Mr. P.C. Kapoor and Mr. V. Kumar) for 200 metric tonnes of fabrication and erection work to be carried out at MDL, Mangalore yard. Various sub-contractors (including Bharati Offshore Services) were engaged by MDL for the works relating to the project. The Employees State Insurance Corporation ("ESI Corporation") raised a demand of Rs.6.47 million against MDL in respect of all the contract workers engaged by MDL, Mangalore Port. MDL filed an ESI Application No.30/87 dated July 1987 before the Industrial Tribunal cum ESI Court, Bangalore under Section 75 of Employees' State Insurance Act, 1948 ("ESI Act") against ESI Corporation and 47 other respondents including Bharati Offshore Services to strike down and set aside the demand made by the ESI Corporation and alternatively the respondents (including Bharati Offshore Services) be directed by Industrial Tribunal cum ESI Court, Bangalore to submit the details of their contract and wage particulars, for enabling MDL to demand ESI dues from the respondents contractors and they be directed to pay the sum either to ESI Corporation directly or to deposit the same alongwith interest thereon with MDL. Subsequently, the said ESI Application No.30/87 at ESI Court Bangalore was transferred to the ESI Court-cum-Labour Court, Mangalore and renumbered as ESI Application No.27/94. By a common Order dated 10th September, 1999 passed by the Presiding Officer, ESI Court-cum-Labour Court, Mangalore all the applications filed by MDL were dismissed and the ESI Corporation was directed to give fresh opportunity of personal hearing to MDL before passing the order under Section 45A of the ESI Act. Subsequently, on 15th November, 1999 an appeal being M.F.A. No.5042/1999 was filed by MDL against ESI Corporation and others including Bharati Offshore Services in the Bangalore High Court. The said appeal is pending. With effect from 4th April, 2001, Mr. V. Kumar and Mr. P. C. Kapoor, Promoters of the Company have retired from the partnership firm of Bharati Offshore Services.

III. Litigations against Directors

NIL

IV. Litigations involving group companies:

NIL

V. Litigations by the Company:

(A) **Special Civil Suit filed against MSEB**

Maharashtra State Electricity Board ("MSEB") had issued a notice dated 19th October, 2001 to the Company claiming a sum of Rs.3.08 million as arrears of electricity dues for the period August 1994 to February, 2001, on the ground that there was an error in the billing. MSEB had threatened to disconnect the electricity supply unless the said amount was paid forthwith. The Company initiated proceedings against MSEB being Special Civil Suit No.75 of 2001 in the Court of Civil Judge, Sr. Division, Ratnagiri. In the said suit the Company has disputed the claim of MSEB and has prayed interalia for injunction restraining MSEB from disconnecting the Company's power supply pending hearing and final disposal of the suit. By an Order dated 24th October, 2001, passed by the Court of Civil Judge, Sr. Division, Ratnagiri, MSEB was restrained from disconnecting the electricity supply to the Company till MSEB filed its reply in the matter. MSEB has filed its Affidavit in Reply on 29th November, 2003. The said matter is still pending.

MSEB on its part has also filed a suit against the Company being Special Suit No.72 of 2004 on 9th August 2004 in the Court of the Civil Judge, Senior Division, Ratnagiri praying interalia for recovery of the said sum of Rs.3.08 million with interest and costs. The date of the hearing of this suit has been fixed on 11th October 2004. The said suit is pending.

(B) **Paradip Port Trust**

Paradip Port Trust ("Paradip") had placed an order with the Company on 28th July, 1999 for construction of a tug. The Company could not deliver the said tug within the stipulated time as a result of which, Paradip deducted a sum of Rs.13 million from the amount payable to the Company as and by way of liquidated damages. The Company opposed the said deduction made by Paradip and correspondence was exchanged between the Company and Paradip. The Company by its letter dated 13th May, 2004 proposed that all issues set out in the said letter be referred to a sole arbitrator. Paradip by its letter dated 24th May, 2004 has informed the Company that it is not agreeable to the appointment of a sole arbitrator and called upon the Company to appoint its arbitrator and communicate the same to Paradip for further action. No further steps have been taken in the matter.

(C) **Office Premises at Fort, Mumbai**

The Company is occupying premises on 3rd floor of Bombay Mutual Building, Sir P. M. Road, Fort, Mumbai ("said premises") under a Caretaker Agreement entered into with the Official Liquidator of Navjeevan Trading Finance Private Limited. The said Agreement has been renewed from time to time, the last renewal was for the period 1st February, 2000 to 31st October, 2002. By a letter dated 17th December, 2003 the Company requested the Official Liquidator to renew the Caretaker Agreement for a further period of 33 months ie. from 1st November, 2002 to 31st July, 2005. By an Order dated 7th May 2004 the Hon'ble the Ahmedabad High Court ordered the Company to vacate the said premises before 31st May 2004. The Company filed a Miscellaneous Civil Application No.30 of 2004 in the Hon'ble the Ahmedabad High Court praying that:- (i) the Order dated 7th May, 2004 be reviewed and recalled, (ii) the Care Taker Agreement between the Company and the Official Liquidator be renewed for a period of 33 months i.e. from 1st November, 2002 to 31st July, 2005 or (iii) if the said premises are to be vacated and handed over to the Official Liquidator an extension be granted and (iv) pending the hearing of the application the Order dated 7th May, 2004 be stayed. By an interim Order dated 25th May 2004 the Hon'ble the Ahmedabad High Court directed that if the Company deposits Rs.0.02 million with the Official Liquidator, its possession with respect to the said premises should not be disturbed. The Company has accordingly deposited Rs.0.02 mn. with the Official Liquidator and continues to remain in possession of the said premises. The Miscellaneous Application was finally heard and disposed of by the Hon'ble the Ahmedabad High Court and by its Order dated 5th July, 2004, the Order dated 7th May 2004 was modified whereby the Company is permitted to continue to occupy the premises till 30th April, 2005.

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 (%)
2000	10	10.38	20
2001	10	3.89	7.5
2002	10	6.23	12.5
2003	10	-	-
2004	10	10.85	15% Interim dividend & 2% Final dividend

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

To conserve resources, our management decided not to declare dividends for the year ended March, 2003. Since the entire shareholding was held by the promoters, the said decision was accepted and adhered to.

Note :

The Company has been following year ending June 30 for presenting its annual accounts to the members of the company till June 30, 2001. The Company has also been preparing accounts for the financial year ending March 31 of each year for Income-tax purposes. With effect from the financial year 2001-2002, the Company has adopted Uniform accounting period as March 31 for both Income-tax and Company Law purposes. Accordingly, the Accounts presented to the Members of the Company for the period ended March 31, 2002 was for a period of 9 months. However, for the purpose of calculation of Dividend paid in each financial year, the audited accounts for the fiscal year 2000, 2001 and 2002 submitted to the Income-tax department are considered.

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

1. We are a private sector Indian shipyard engaged in design and construction of various types of sea going, coastal, harbour, inland crafts and vessels. Our product range has been upgraded from simple inland cargo barges, deep sea trawlers, dredgers, to maneuverable and power packed ocean going tractor tugs, cargo ships, tankers and vessels required for offshore industry over a period of time.
2. We have an experienced professional management team headed by our promoters Mr. P.C. Kapoor and Mr. Vijay Kumar who are qualified naval Architects (B.Tech Hons.) from IIT Kharagpur. They have around 35 years of experience each, in shipbuilding and management.
3. We have employed naval architects, marine engineers, mechanical and electrical engineers who look after design, construction, purchase, marketing etc.
4. We use modern techniques for designing and construction of vessels.
5. Net worth of the Company as on September 30, 2004 was Rs. 405.08 million.
6. Net Profit after tax increased by 415.56% to 59.96 mn and revenues grew at a rate of 98.53% to 1217.40 mn in the year 2003-04 compared to 2002-03.
7. From an output of only one small ship on inception, currently we have achieved an output of 6 vessels in a year
8. Engaged in design and construction of all types of Sea Going, Coastal, Harbour and Inland Crafts including ships required for offshore industry.
9. We have been awarded a certificate of approval under ISO 9001-2000 Quality Standards by BVQI with respect to construction, repairs and supply of inland and ocean going steel ships and vessels.
10. We are undergoing certification for International Ship and Port Facility (ISPS) and Occupational Health and Safety Assessment Series (OHSAS).
11. Our distinct set of competitive advantages are as follows:
    - Experienced promoters
    - Technical Expertise
    - Infrastructure & Equipments
    - Facilities
    - Quality Control
    - Adherence To Delivery Commitments
    - After Sales Service

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
2001-02	2.29	1
2002-03	2.14	2
2003-04	10.04	3
6 months ended 30/09/04 (annualized)	28.90	4
Weighted Average	**15.23**	

Price Earnings Ratio (P/E Ratio)

Based on September 30, 2004 (ann) EPS of Rs. 28.90	[•]
Based on year ended March 31, 2004 EPS of Rs. 10.04	[•]
Based on Weighted Average Adjusted EPS of Rs. 15.23	[•]

Industry P/E

As there are no other listed companies engaged solely in similar business, hence no industry comparison including ratios can be worked out.

Average Return on Networth

Financial Year	RoNW (%)	Weight used
2001-02	7.77	1
2002-03	6.77	2
2003-04	23.70	3
6 months ended 30/09/04 (annualized)	71.34	4
Weighted Average	**37.77**	

Minimum required return on post issue Net worth to maintain pre issue EPS

Adjusted Net worth as on	
Issue proceeds	[•]
Post Issue Networth	[•]
Pre Issue EPS (Rs.)	28.90
Minimum RoNW required to maintain pre issue EPS (%)	[•]
Net Asset Value (NAV) per share	

Net Asset Value (NAV) per share

Particulars	
As on September 30, 2004	40.51
After the issue based on September 30, 2004 profits	[•]
P/NAV on capital base as at September 30, 2004	[•]
P/NAV on fully diluted capital base (post issue) as at September 30, 2004	[•]

As there are no other listed companies engaged solely in similar business, no industry comparison including ratios can be worked out.

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.*

FINANCIAL STATEMENT

Shantilal Mehta & Co.
Chartered Accountants
6, Kermani Bldg., 27, Sir P.M. Road,
Fort, Mumbai – 400 001

Auditor's Report

Statements Of Assets And Liabilities And Profit And Losses, As Restated, Under Indian GAAP For The Years Ended March 31, 2000, 2001, 2002, 2003 And 2004 and for the six months ended September 30, 2004.

The Board of Directors
Bharati Shipyard Limited
Saheb Building, 4th Floor,
D.N.Road, Fort,
Mumbai – 4000 01

Dear Sirs

1. We have examined the accounts of **Bharati Shipyard Limited** ('the Company') for the five financial years ended March 31, 2000, March 31, 2001, March 31, 2002, March 31, 2003 and March 31, 2004 being the last date to which the accounts of the Company have been made up and audited by us.
2. We have also examined the accounts of the Company for the six months ended September 30, 2004 prepared and approved by the Board of Directors of the Company and audited by us for the purpose of disclosure in the Offering Memorandum being issued by the Company in connection with the public issue of 1,25,00,000 Equity shares being fresh issue of Equity shares through Book Building Process.
3. The Company has been following year ending June 30 for presenting its annual accounts to the members of the company till June 30, 2001. The Company has also been preparing accounts for the financial year ending March 31 of each year for Income-tax purposes. With effect from the financial year 2001-2002, the Company has adopted Uniform accounting period as March 31 for both Income-tax and Company Law purposes. Accordingly, the Accounts presented to the Members of the Company for the period ended March 31, 2002 was for a period of 9 months. However, for the purpose of this report, the audited accounts for the fiscal year 2000, 2001 and 2002 submitted to the Income-tax department are considered.
4. In accordance with the requirements of Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (SEBI Guidelines) and our terms of reference with the Company dated May 5, 2004 requesting us to make this report for the purpose of the Offering Memorandum in connection with the public issue of 1,25,00,000 Equity shares being fresh issue of Equity shares through Book Building Process, we report that:
   a) The restated profits of the Company for the financial year ended March 31, 2000, 2001, 2002, 2003, 2004 and for the six months ended on September 30, 2004 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes appearing in Annexure IV to this report.
   b) The restated assets and liabilities of the Company as at March 31, 2000, 2001, 2002, 2003, 2004 and as at September 30, 2004 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes appearing in Annexure IV and XIII to this report.
   c) The rates of dividends paid by the Company in respect of the financial years ended March 31, 2000, 2001, 2002, 2003, 2004 are as shown in Annexure V to this report.
   d) We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offering Memorandum: -

e) Accounting Ratios as appearing in Annexure VI to this report.

f) Capitalization statement as at September 30, 2004 as appearing in Annexure VII to this report.

g) Statement of Tax Shelters as appearing in Annexure VIII to this report.

h) Details of Other Income as appearing in Annexure IX to this report.

i) Details of Sundry Debtors as appearing in Annexure X to this report.

j) Details of Loans and Advances as appearing in Annexure XI to this report.

k) Details of Secured Loans as appearing in Annexure XII to this report.

In our opinion the above financial information of the Company read with Significant Accounting Policies attached in Annexure III to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and SEBI Guidelines.

This report is intended solely for your information and for inclusion in the Offering Memorandum in connection with the specific Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

For **Shantilal Mehta & Co.**
Chartered Accountants

Sd/-

Proprietor
Membership Number: 14187

Place: Mumbai
Date: October 18, 2004.

ANNEXURE I: SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED:

(Rs. In mn)

	Six Months ended 30th September, 2004	Year ended 31st March, 2004	Year ended 31st March, 2003	Year ended 31st March, 2002	Year ended 31st March, 2001	Year ended 31st March, 2000
Income						
Turnover	987.88	1,216.56	611.13	593.57	880.68	717.42
Other income	1.52	0.84	2.07	1.99	1.76	0.11
Total Income	**989.40**	**1,217.40**	**613.20**	**595.56**	**882.44**	**717.53**
Expenditure						
Raw Material Consumed	564.20	747.68	386.08	334.23	546.21	399.71
Manufacturing and Other Expenses	76.98	156.78	67.32	88.79	152.82	142.47
Employees Emoluments	74.43	137.50	80.23	94.86	125.44	91.33
Financial Charges	48.45	78.31	59.81	57.05	27.16	49.35
Depreciation	2.34	3.98	4.25	4.23	4.11	3.97
Total Expenditure	**766.41**	**1,124.25**	**597.69**	**579.17**	**855.74**	**686.84**
Profit before tax & other adjustments	**223.00**	**93.16**	**15.50**	**16.40**	**26.70**	**30.69**
Provision for taxation						
Current Tax	78.49	33.14	3.70	3.86	6.49	15.76
Deferred Tax		0.06	0.18	0.64	-	-
Net profit as per audited statements of accounts	**144.51**	**59.96**	**11.63**	**11.90**	**20.21**	**14.93**
Carried forward from previous year	94.52	51.29	39.67	33.99	18.10	64.69
Profit available for appropriations	**239.03**	**111.25**	**51.29**	**45.89**	**38.31**	**79.62**
Appropriations						
Transfer to General Reserve	-	4.50	-	-	-	50.00
Transfer to Capital Reserve	-		-			
Interim Dividend on Equity	-	9.00				
Proposed Dividend on Equity	-	1.85	-	6.23	3.89	10.38
Corporate Dividend tax on Equity	-	1.39	-	-	0.43	1.14
Balance carried forward to Balance Sheet	**239.03**	**94.52**	**51.29**	**39.67**	**33.99**	**18.10**

The accompanying significant accounting policies and notes are integral part of this statement

ANNEXURE II: SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED:

(Rs. In mn)

	As on 30th September, 2004	As on 31st March, 2004	As on 31st March, 2003	As on 31st March, 2002	As on 31st March, 2001	As on 31st March, 2000
Assets						
A. **Fixed Assets**						
Gross Block	229.78	227.74	225.05	224.84	224.34	223.19
Less: Depreciation	102.77	97.31	87.65	77.18	67.08	57.46
Net Block	**127.01**	**130.43**	**137.39**	**147.66**	**157.26**	**165.73**
Total	**127.01**	**130.43**	**137.39**	**147.66**	**157.26**	**165.73**
Less : Revaluation reserve	79.41	82.52	88.73	94.95	101.17	107.39
Net Block after adjustment of Revaluation reserve	**47.60**	**47.91**	**48.66**	**52.71**	**56.10**	**58.35**
B. **Capital Work-in-progress**	**20.91**					
C. **Investments**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**
D. **Current assets, loans and advances**						
Inventories	612.04	436.32	363.42	348.94	214.59	117.58
Sundry Debtors	278.61	113.35	119.33	116.62	182.72	87.39
Cash and bank balances		3.08	5.55	5.33	13.55	25.36
Loans and advances	313.52	302.75	105.74	108.10	120.81	137.57
Total	**1,207.20**	**855.50**	**594.03**	**579.00**	**531.67**	**367.90**
E. **Liabilities and Provisions**						
Secured Loans	316.18	221.95	205.93	210.05	120.72	117.98
Deferred Tax Liability	7.94	7.94	7.88	7.71	-	-
Current liabilities and provisions	546.53	420.50	257.05	260.85	312.54	169.66
Total	**870.64**	**650.49**	**470.87**	**478.61**	**433.26**	**287.65**
F. **Net worth (A+B+C+D-E)**	**405.08**	**252.93**	**171.84**	**153.12**	**154.51**	**138.62**
G. **Represented by:**						
Paid up Share Capital:						
Equity Shares	100.00	92.36	58.99	51.89	51.89	51.89
Reserves and Surplus	384.50	243.10	201.58	196.17	203.79	194.11
Less: Revaluation Reserve	79.41	82.52	88.73	94.95	101.17	107.39
Reserves and Surplus						
(Net of Revaluation reserve)	**305.08**	**160.57**	**112.85**	**101.23**	**102.62**	**86.73**
Total	**405.08**	**252.93**	**171.84**	**153.12**	**154.51**	**138.62**
H. Misc. Expenditure to the extent not W/ off.	-	-	-	-	-	-
I. **Net Worth (G-H)**	**405.08**	**252.93**	**171.84**	**153.12**	**154.51**	**138.62**

The accompanying significant accounting policies and notes are integral part of this statement.

Note: In accordance with Clause 6.18.7(b)(v) of the SEBI Guidelines, Assets and Liabilities as restated has been prepared after deducting the revaluation reserve balance from both Fixed Assets and Reserves.

Annexure – III

Significant Accounting Policies And Notes To Accounts

Background

Bharati Shipyard Ltd. is the leading medium size shipyard in the private sector in India. Established in 1976, the company is engaged in the design and construction of all types of seagoing, coastal, harbor and inland vessels. Over the years Bharati Shipyard Limited has built up a reputation for a high degree of professionalism and technical excellence. In recent times Bharati Shipyard Limited has been successful in getting orders from UAE, Syria, Cyprus etc., and demand from these markets is increasing specially for service vessels like offshore supply and other support craft.

Significant Accounting Policies

1. **Basis of Accounting**

   The Financial Statements have been prepared under Historical Cost Convention and in accordance with generally accepted Accounting Principles, applicable Standards issued by the Institute of Chartered Accountants of India except otherwise stated and as per the relevant applicable provisions of the Companies Act, 1956.

   The Company generally follows mercantile system of accounting and recognizes items of income and expenditure on accrual basis.

   a) **Revenue Recognition**

      i. Export sales include exchange rate difference arising on realization.

      ii. Dividend income on investment is accounted for in the year in which the right to receive the payment is established.

      iii. Revenue on work in process is recognized as per certified value of work done.

   b) **Fixed Assets**

      Fixed Assets are stated at their cost of acquisition less cumulated depreciation but includes freight, duties, taxes and other incidental expenses relating to acquisitions and installations.

   c) **Revaluation Reserve**

      The Company has revalued Building, Plant and Machinery and Shed as on May 24, 1994 and aggregate addition resulting there from amounting to Rs.144.31mn has been credited to the revaluation reserve account. The Revaluation Reserve is based upon technical report of senior approved valuers.

   d) **Depreciation**

      i. Depreciation on Fixed Assets has been provided on straight – line method at therates and in manner prescribed in schedule XIV of the Companies Act, 1956.

      ii. Depreciation on revaluation has been charged to revaluation reserve.

   e) **Inventories**

      i. Raw materials are valued at cost or market price whichever is lower.

      ii. Stock in process is valued at amount of work done duly certified by Chartered Engineer.

   f) **Foreign Currency Transactions**

      Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency and outstanding at the balance sheet date are translated at the exchange rate ruling on that date.

   g) **Provision for Income Tax**

      The provision of taxation is based on assessable profits of the Company determined under the Income Tax Act, 1961.

   h) **Deferred Tax**

      The Company accounts for taxes on income to include the effect of time difference in the tax expenses in the profit and loss account and the deferred tax assets and liabilities in the balance sheet in accordance with the

Accounting Standard – AS 22 on Accounting for taxes on income issued by the Institute of Chartered Accountants of India. The Company has evaluated various elements of tax computation to determine whether any deferred tax asset or liability needs to be recognized.

i) Secured Loans

i. Working Capital Loans are secured against hypothecation of inventories, mortgage of land, building and plant and machinery.

ii. Hire Purchase Finance is secured by hypothecation of respective assets and personal guarantee of Directors.

Annexure – IV

Notes to the Accounts

2. **Contingent Liabilities**

a) Claims against the company, which have not been acknowledged as debt

Particulars	**Amount (Rs. in million)**
Litigation by Company	
The Company has filed a suit against MSEB against notice claiming arrears of electricity dues from August 1994 to February 2001.	3.08
Litigation Against Company	
Travancore Cements Ltd. filed a suit on 02/09/1993 for Rs. 22,79,730.30 comprising of interest of Rs. 21,71,730/- on excise duty of Rs. 11,43,016/-, Rs. 1,00,000 towards Loss on Reputation & the balance of Rs. 8,000 towards payment made to Excise Authority.	2.27
Total	**5.35**

b) Contingent liabilities in respect of Taxes / Duties that may arise in respect of which appeals are pending

Particulars	**Amount (Rs. in million)**
Appeals filed against the Company before Income Tax Appellate Tribunal	
Assessment Year 1998-99	1.50
Block Assessment Period 1-4-1990 to 18-1-2000	1.80
Appeals filed by the Company before Commissioner of Income Tax (Appeals) Assessment Year 2001-02	2.48
Appeal filed before Customs, Excise and Gold (Control) Appellate Tribunal	1.19
Total	**6.97**

3. **Auditors' Remuneration**

(Rs. in mn)

Particulars	**30-9-2004**	**2003 – 2004**	**2002 – 2003**
For audit fees	0.05	0.09	0.09
Total	**0.05**	**0.09**	**0.09**

4. **Directors' Remuneration**

(Rs. in mn)

Particulars	**30-9-2004**	**2003 - 2004**	**2002 – 2003**
Salaries	1.34	0. 996	0. 60

Managerial Remuneration

Computation of Net Profit in accordance with Section 198 and 309 (5) of the Companies Act, 1956.

(Rs. in mn)

Particulars	For 6 months ended 30th September 2004	For the Year ended 31st March 2004	For the Year ended 31st March 2003	For the Year ended 31st March 2002	For the Year ended 31st March 2001
Remuneration to Directors	**1.34**	**0.996**	**0.60**	**0.60**	**0.78**
Profit before other adjustments and					
Tax as per Profit and Loss Account	223.00	93.16	15.50	16.40	26.70
Add:					
Remuneration to Directors	1.34	1.00	0.60	0.60	0.78
Loss on sale of assets	-	0.27	-	-	
Depreciation as per books	2.34	3.98	4.25	4.23	4.11
	226.68	**98.41**	**20.36**	**21.22**	**31.59**
Less:					
Profit on sale of Assets	-	-	-	-	0.02
Depreciation as per books of Accounts	2.34	3.98	4.25	4.23	4.11
	224.34	**94.43**	**16.10**	**17.00**	**27.46**
Entitlement of Maximum Remuneration	11.22	4.72	0.81	0.85	1.37

5. Balance of Sundry Debtors, Creditors, Loans and Advances and Personal Accounts are subject to confirmation.

6. In the opinion of the Directors, current assets and loans and advances have the value at which they are stated in the Balance Sheet if realized in the ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.

7. The Company has given effect for the deferred tax assets/liabilities as per AS – 22, “taxes on Income”. Details of the same are as under:

(Rs. in million)

Year	Amount charged to Reserves - deferred tax liability / (asset)	Amount charged to Profit and Loss Account - deferred tax liability / (asset)
2003 – 2004	7.94	0.06
2002 – 2003	7.88	0.18
2001 – 2002	7.71	0.64

8. **Related Party Disclosure**

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.

a) **List of related parties and relationships, where control exists:**

Particulars	30-9-2004	2003 – 2004	2002 – 2003
Relation	**Name of Party**	**Name of Party**	**Name of Party**
Associates	Bharati Shipping and Dredging Co. Pvt. Ltd.	Bharati Shipping and Dredging Co. Pvt. Ltd.	Bharati Shipping and Dredging Co. Pvt. Ltd.
Key Management Personnel	**Mr. P. C. Kapoor** – Director Mrs. Madhu Kapoor (wife) Mrs. Radhika Mehra (Daughter) **Mr. Vijay Kumar** – Director Mrs. Ashraf Geeta Kumar (Wife) Ms. Sukriti Gayatri Kumar (Daughter) **Mr. J. M. Gandhi** – Director* **Mr. Sherali. M Sheikh** – Director* Ms. Shamsad Begam Adam (Sister)	Mr. P. C. Kapoor – Director Mr. Vijay Kumar – Director	Mr. P. C. Kapoor – Director Mr. Vijay Kumar – Director

*Appointed on 25-03-2004

b) Transactions with related parties (Rs. In million)

Items	Relation	30-9-2004	2003-2004	2002-2003
Issue of Shares	Associates, Key Managerial Personnel, Relatives of KMP	-	33.368	7.100
Remuneration	Key Managerial Personnel	1.34	0.996	0.600
Outstanding Payable	Key Managerial Personnel	0.22	0.007	0.120

For the year 2002-2003 (Rs. In mn)

Sr.	Name of the Related Party	Equity Contributions Received	Remuneration	Outstanding Payable
1	Bharati Shipping & Dredging Co. Pvt. Ltd.			
	Key Managerial Personnel			
2	P.C. Kapoor	3.550	0.300	0.009
3	Vijay Kumar	3.550	0.300	0.111
	Total	**7.100**	**0.600**	**0.120**

For the year 2003-2004 (Rs. In mn)

Sr.	Name of the Related Party	Equity Contributions Received	Remuneration	Outstanding Payable
	Associates			
1	Bharati Shipping & Dredging Co. Pvt. Ltd.	20.461		
	Key Managerial Personnel			
2	P.C. Kapoor	6.45	0.498	0.007
3	Vijay Kumar	6.45	0.498	
4	J M Gandhi	0.001		
5	Sherali M. Sheikh	0.001		
	Relatives of Key Managerial Personnel			
6	Madhu Kapoor	0.001		
7	Radhika Mehra	0.001		
8	Ashraf Geeta Kumar	0.001		
9	Sukriti Gayatri Kumar	0.001		
10	Shamsad Begam Adam	0.001		
	Total	**33.368**	**0.996**	**0.007**

9. **Segment Information**

The Company is primarily engaged in a single business segment of design and construction of seagoing, coastal, harbor and inland vessels.

Annexure – V

Dividends

We further report that the dividends declared by Bharati Shipyard Ltd. in respect of five financial years period ended March 31st 2004, 2003, 2002, 2001 and 2000 are as under

(Rs. In mn)

Particulars	Face Value (Rs.)	For the year ended on 31st March				
		2004	2003	2002	2001	2000
Equity Share Capital	10	92.36	58.99	51.89	51.89	51.89
Rate of Interim Dividend	-	15%	-	12.5%	7.5%	20%
Amount of Interim Dividend	-	9.00	-	6.23	3.89	10.38
Rate of Final Dividend		2%				
Amount of Final Dividend		1.85				
Total Corporate Dividend Tax	-	1.39	-	-	0.43	1.14

Interim Dividend of Rs. 9.00 mn for the fiscal 2004 has been paid on an outstanding capital of Rs. 5,99,90,500 /-

Note :

The Company has been following year ending June 30 for presenting its annual accounts to the members of the company till June 30, 2001. The Company has also been preparing accounts for the financial year ending March 31 of each year for Income-tax purposes. With effect from the financial year 2001-2002, the Company has adopted Uniform accounting period as March 31 for both Income-tax and Company Law purposes. Accordingly, the Accounts presented to the Members of the Company for the period ended March 31, 2002 was for a period of 9 months. However, for the purpose of calculation of Dividend paid in each financial year, the audited accounts for the fiscal year 2000, 2001 and 2002 submitted to the Income-tax department are considered.

Annexure - VI

Summary of Accounting Ratios

(Rs In mn)

	For the period ended on 30-9-2004	For the year ended on 31st March				
		2004	2003	2002	2001	2000
Net Profit attributable to Equity Shareholders as per audited statement of accounts (A)	144.51	59.96	11.63	11.90	20.21	14.93
Weighted average number of equity shares outstanding during the year (B)	10.00	5.97	5.44	5.19	5.19	5.19
Number of equity shares outstanding at the end of the year (C)	10.00	9.24	5.90	5.19	5.19	5.19
Net Worth	484.50	335.46	260.57	248.06	255.68	246.00
Less: Revaluation Reserve	79.41	82.52	88.73	94.95	101.17	107.39
Adjusted Net Worth: (D)	405.08	252.93	171.84	153.12	154.51	138.62

Accounting Ratios:

Earning per share (A) / (B)	14.45	10.04	2.14	2.29	3.90	2.88
Net Assets value per share (D) / (C)	40.51	27.39	29.13	29.51	29.78	26.71
Return on Net Worth (%) (A) / (D)	35.67%	23.70%	6.77%	7.77%	13.08%	10.77%
Total Debt/Equity Ratio	0.78:1	0.88:1	1.20:1	1.37:1	0.78:1	0.85:1
Interest Coverage Ratio	5.60	2.19	1.26	1.29	1.98	1.62
Debt Service Coverage Ratio	419.66	134.61	31.46	21.73	-	-

Formula :

Earnings Per Share (Rs.) = Net Profit attributable to Equity Share Holders / Weighted Average No. of Equity Shares Outstanding during the year

Net Asset Value Per Share (Rs.) = Net Worth after adjustment of Revaluation Reserve / No. of Equity Shares Outstanding at the end of the year

Return on Net Worth (%) = Net Profit after tax / Net Worth after adjustment of Revaluation Reserve

Total Debt/ Equity Ratio = Short term debt + Long term debt / Net Worth after adjustment of Revaluation Reserve

Interest Coverage Ratio = Earnings before Interest & Taxes (EBIT) / Interest expense

Debt Service Coverage Ratio = PAT+Depreciation+Interest on long term loan / Interest on long term loan+Repayment of long term loan

Policy on Earning per Share:

The basic Earning per Share is computed by dividing the net profit attributable to the equity shareholders for the period by the number of equity shares outstanding during the reporting period.

Annexure - VII

Capitalization Statement

(Rs. In mn)

Particulars	**As at 30th September, 2004**	**As at 31st March 2004**	**As adjusted for issue**
Debt			
Short Term Debt(A)	315.27	220.82	
Long Term Debt (A)	0.91	1.14	
Total Debt	**316.18**	**221.96**	
Equity Share Holder Funds			
Equity Share Capital	100.00	92.36	
Reserves and Surplus	384.50	243.10	
Less: Revaluation Reserves	(79.41)	(82.52)	
Total Share Holders Funds (B)	**405.08**	**252.93**	
Long Term Debt / Total Shareholders Funds Ratio (B/C)	0.002:1	0.005: 1	

Annexure – VIII

Statement of Tax Shelters (Rs. in mn)

	For the period ended on 30-9-2004	For the year ended on 31st March				
		2004	**2003**	**2002**	**2001**	**2000**
Profit / (Loss) before tax as per books (A)	223.00	93.16	15.50	16.40	26.70	30.69
Tax Rate	36.59%	35.88%	36.75%	35.70%	39.55%	38.50%
Tax on actual rate on profits	81.59	33.43	5.70	5.85	10.56	11.81
Adjustments						
Permanent Differences						
Export Profits:						
- U/s.80HHC	-	5.30	5.16	5.24	6.72	-
Dividend U/s. 10(33)	-	-	-	0.00	0.00	0.00
Other Adjustments	-	-	-		0.02	(0.00)
Total Permanent Differences (B)	**-**	**5.30**	**5.16**	**5.24**	**6.74**	**(0.00)**
Timing Differences						
Difference between tax depreciation and book depreciation	8.52	0.17	0.47	1.78	3.59	(0.40)
Total Timing Differences (C)	**8.52**	**0.17**	**0.47**	**1.78**	**3.59**	**(0.40)**
Net Adjustments (B + C)	**8.52**	**5.47**	**5.63**	**7.02**	**10.34**	**(0.41)**
Tax Saving Thereon	**3.12**	**1.96**	**2.07**	**2.51**	**4.09**	**(0.16)**
Profit / Loss as per Income Tax Returns (D) = (A-B-C)	**214.47**	**87.69**	**9.87**	**9.38**	**16.37**	**31.09**
Tax as per return		**3.63**	**3.36**	**6.47**		**11.97**

Annexure - IX

Details of Other Income (Rs. in mn)

Particulars	**For the Six months ended 30th September**	**For the year ended**				
		2004	**2003**	**2002**	**2001**	
Project Consultancy	-	-	-	-	0.60	Non Recurring
Scrap Sales	0.12	0.84	2.07	1.99	1.13	Recurring
Dividend Received	-	0.001	-	0.003	0.002	Recurring
Profit on Sale of Motor Cars	-	-	-	-	0.02	Non Recurring
Total	**1.52**	**0.84**	**2.07**	**1.99**	**1.76**	

Annexure – X

Details of Sundry Debtors

(Rs. In mn)

As on 31st March	More than 6 months	Less than 6 months	Total
Six months ended 30th September 2004	112.90	165.71	278.61
2004	93.62	19.74	113.35
2003	119.33	-	119.33
2002	116.62	-	116.62
2001	112.71	70.01	182.72
2000	7.05	80.34	87.39

The beneficiaries of sundry debtors are not in any way related to the promoters/ directors.

Annexure – XI

Break up of Loans and Advances

(Rs. In mn)

	As at 30-9-2004	As at 31-3-2004	As at 31-3-2003	As at 31-3-2002	As at 31-3-2001	As at 31-3-2000
Advances to Suppliers and Contractors	26.60	4.48	17.44	12.88	20.26	36.15
Advance payment of Income Tax	38.19	26.21	5.75	4.31	6.50	9.69
Deposits	246.27	270.29	80.53	88.72	92.89	89.42
Receivable from Group Companies						
Bharati Shipping and Dredging Co. Pvt. Ltd.	-	-	0.02	0.02	0.02	0.02
Others	2.47	1.76	2.00	2.18	1.15	2.29
Total	**313.52**	**302.75**	**105.74**	**108.10**	**120.81**	**137.57**

Annexure – XII

Secured Loans (Rs.in mn)

Sr.	Particulars	As at 30th September, 2004	As at 31st March, 2004	As at 31st March, 2003	As at 31st March, 2002	As at 31st March, 2001	As at 31st March, 2000	Security	Terms of repayment
1	**Working Capital Loan**								
I.	**Rupee Loan**								
	State Bank of India	101.85	140.49	205.61	209.22	120.72	117.98	1 Hypothecation of stock and stock in process	
	Andhra Bank	50.85						2 Mortgage of Land	
	State Bank of Hyderabad	82.24						3 Mortgage of Building	
								4 Mortgage of Plant and Machinery	
II	**Foreign Currency Loan**							1 Hypothecation of stock and stock in process	
	State Bank of India	80.33	80.33	-	-	-	-	2 Mortgage of Land	
								3 Mortgage of Building	
								4 Mortgage of Plant and Machinery	
2	**Hire Purchase Loan**								
I	ICICI Ltd. (Honda City)	0.91	1.11	-	-	-	-	Hire purchase charge on vehicle	36 monthly installments
II	ICICI Ltd. (Hyundai Santro)	-	0.03	0.33	0.83	-	-	Hire purchase charge on vehicle	36 monthly installments
	Total	**316.18**	**221.95**	**205.93**	**210.05**	**120.72**	**117.98**		

Annexure – XIII

Change in Accounting Policies during the last financial year:

Year	Nature of Change
For the Half Year ended on 30th September 2004.	The Company has not given effect for the Deferred Tax assets/liabilities as per AS-22, "Taxes on Income" for the period 30th September 2004. The effect, if any, for Deferred Tax Assets / Liabilities will be accounted for at the year end.

STATEMENT OF TAX BENEFITS

The Board of Directors
Bharati Shipyard Limited
4th Floor, Saheb Building,
D. N. Road, Fort,
Mumbai – 400 001

Dear Sirs,

We hereby certify that the enclosed annexure states the tax benefits available to **Bharati Shipyard 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 Bhuta Shah & Co.
Chartered Accountants

Sd/-

Parag H. Doshi
Partner
Membership No 102135

Place: Mumbai
Date: September 11, 2004

ANNEXURE TO THE CERTIFICATE DATED SEPTEMBER 11, 2004

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;
   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;
   c) In respect of machinery or plant which has been acquired and installed after 31st March, 2002 for the purpose of new industrial undertaking or in respect of the existing manufacturing facilities which results in increasing the installed capacity by not less than ten percent, a further sum of 15% of the actual cost of such machinery or plant will be allowed a deduction;
2. Subject to compliance of certain conditions laid down in section 80HHC of the Act, the Company will be entitled to the benefit of deduction from its total income chargeable to income tax, of an amount equal to 30% of profits for Assessment Year 2004-05 derived from the export of goods out of India, the proceeds where of are realized in convertible foreign exchange, to the extent calculated in accordance with the provisions of the said section.

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

Resident Shareholders

3. 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.
4. 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 10th September, 2004.
   b) The transaction is chargeable to such securities transaction tax as explained below.
5. 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 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.
6. 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.
7. 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.
8. 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.

9. 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;

10. 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 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, 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;

11. 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, 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.

12. 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) after indexation as provided in the second proviso to section 48. The amount of such tax 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.

13. 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 shares in the Company on a recognised stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge).

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

14. 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.

15. 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 10th September, 2004.

    b) The transaction is chargeable to such securities transaction tax.

16. 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.

17. 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 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.

18. 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;

19. 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 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, 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;

20. 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, 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.

21. 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) after indexation as provided in the second proviso to section 48. The amount of such tax 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.

22. Under section 115-I of the Act, the non-resident Indian shareholder 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 concessionally taxed at the flat rate of 10% (plus applicable surcharge) (without indexation benefit but with protection against foreign exchange fluctuation).

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 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.

23. 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)

24. 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.

25. 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 10th September, 2004.

b) The transaction is chargeable to such securities transaction tax.

26. 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.

27. 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.

28. 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)

29. 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.

30. 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 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.

(D) 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 (No. 2) Act, 2004.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

OTHER REGULATORY DISCLOSURES

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Particulars regarding Public Issues during the last five years

We have not made any public issues during the last five years.

Companies under the same management

Besides Bharati Shipping & Dredging Company Private Limited, there is no other company under the same management.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least six months from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The Company has appointed Ms. Arti Shetty, Company Secretary as Compliance Officer. The investors may contact the Compliance Officer in case of any pre issue/post issue related problems such as non-receipt of allotment advise, refund orders, demat credits etc.. The Compliance Officer will be available at the following address: Saheb Building, 4th floor, D.N. Road, Fort, Mumbai – 400 001, Ph. No. +91-22-22679089/90, Fax No. +91-22-22654044, Email ipo@bharatishipyard.com.

TERMS OF THE ISSUE

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 Red Herring 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.

Authority for the Issue

The current Issue of 12.50 million shares has been authorized vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Annual General Meeting of the company held on July 12, 2004.

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.

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 a total price of Rs. [●] per share. At any given point of time there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws. The issue price is [●] times the face value.

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 Ms. Arti Shetty, 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 130 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 our Equity Shares is in dematerialized mode, the tradable lot is one equity share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form, in multiple of one equity share, subject to a minimum allotment of 100 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, Maharashtra, 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 allotment 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 allot the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require 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 companies 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.

Investor Grievances: Investors are requested to contact the Registrars to the issue and /or Compliance Officer for any grievances giving full details of Bid-cum application form.

ISSUE STRUCTURE

The present issue is for 1,25,00,000 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 12,50,000 Equity Shares	Not more than 56,25,000 Equity Shares or Net Offer less allocation to Non Institutional Bidders and Retail Individual Bidders	Minimum of 28,12,500 Equity Shares or Net Offer less allocation to QIBs and Retail Individual Bidders	Minimum of 28,12,500 Equity Shares or Net Offer less allocation to QIBs and Non Institutional Bidders
Percentage of Issue Size available for allocation	Upto 10% of the Issue**	Up to 50% of Net Offer or Net Offer less allocation to Non Institutional Bidders and Retail Individual Bidders.	Minimum 25% of Net Offer or Net Offer less allocation to QIBs and Retail Individual Bidders	Minimum 25% of Net Offer or Net Offer less allocation to QIBs and Non Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	100 Equity Shares and in multiples of 100 Equity Shares thereafter	Minimum Bid Amount of Rs. 50,001 and thereafter in multiples of 100 Equity Shares	Minimum Bid Amount of Rs. 50,001 and thereafter in multiples of 100 Equity Shares	100 Equity Shares and thereafter in multiples of 100 Equity Shares
Maximum Bid	Not exceeding the Issue Size	Not exceeding the Issue Size	Not exceeding the Issue Size	Not exceeding Rs. 50,000
Mode of Allotment	Compulsory in Dematerialized form	Compulsory in Dematerialized form	Compulsory in Dematerialized form	Compulsory in Dematerialized form
Trading Lot	One	One	One	One
Size of allocation	Minimum 100 and in multiples of one share thereafter	Minimum 100 and in multiples of one share thereafter	Minimum 100 and in multiples of one share thereafter	Minimum 100 and in multiples of one share thereafter
Who can Apply	Permanent employees of Bharati Shipyard Limited as on August 31, 2004	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 State Industrial Development Corporations, 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 50,000
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%	Nil	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 124 of this Red Herring Prospectus.

ISSUE PROCEDURE

Book Building Procedure

Out of the Fresh issue of 1,25,00,000 shares, 10% of the issue size, i.e. 12,50,000 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 discretionary basis to Qualified Institutional Buyers, further, not less than 25% of the Net Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% 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 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, despatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized us 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 the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Non-residents including NRIs or FIIs applying on a repatriation basis	Blue
Our 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, regional rural banks, co-operative banks (subject to RBI permission, 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 local laws; and
15. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares.

Note: The BRLM, Syndicate Members and any associate of the BRLM, and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the FIIs or sub-account may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

OCBs are not eligible 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 2,25,00,000 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 Bharati 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 Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund registered with SEBI should not exceed 25% of its investible funds.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

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 100 Equity Shares and in multiples of 100 Equity Shares thereafter so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 50,000. In case of revision of Bids, the Retail Bidders have to ensure that the Bid Amount does not exceed Rs. 50,000. In case the Bid Amount is over Rs. 50,000 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.50,001 and in multiples of 100 Equity Shares. All Individual Bidders whose maximum bid amount exceeds Rs.50,000 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.50,000. In case the Bid Amount reduces to Rs. 50,000 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 100 Equity Shares and in multiples of 100 Equity Shares thereafter.

Information for the Bidders

1. We will file the Red Herring Prospectus with the RoC.
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 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. We, with 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. This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the members of the Syndicate. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period.
2. Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
3. The Bidding Period shall be open for at least 5 days and not more than 10 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 thirteen 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 113 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 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 112 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. 55 to Rs. 66 per Equity Share, Rs. 55 being the floor of the Price Band and Rs. 66 being the cap of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re.1
2. We, in consultation with the BRLMs, can revise the 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 thirteen 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 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**.
6. 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 Price.
7. 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. 50,000, 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.
8. 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.

9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall remain 100 Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs 5000/- to Rs 7000/-.
10. Any revision in the price band shall be widely disseminated including by informing the Stock Exchange.

Escrow Mechanism

We 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 118 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 “Issue Structure” on page 107 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. 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 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 elsewhere 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 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 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 regular 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 thirteen 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 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.
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 may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidder.
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 and the allotment to successful QIB Bidders. The allocation to QIBs will be decided based on the quality of the QIB Bidder determined broadly by the size, price and date of the Bid.
3. The allocation to QIBs of upto 50% of the Net Issue size would be discretionary. The allocation to Non Institutional Bidders and Retail Bidders of not less than 25% and not less than 25% of the Net Issue size, respectively, would be on a proportionate basis, in consultation with the Designated Stock Exchange and subject to valid Bids being received at or above the Issue Price.
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

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set forth in the statutory advertisement, shall indicate the Issue Price along with a table showing the number of Equity Shares to be issued. Any material updates between the Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

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.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment. In case the company fails to make an allotment within 15 days of the Bid closing date, interest would be paid to the investors at the rate of 15% per annum.

General Instructions

Dos:

a. Check if you are eligible to apply;
b. Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), as the case may be;
c. Ensure that you Bid only in the Price Band;
d. Ensure that the details about depository participant and beneficiary account are correct as there will be no allotment of Equity Shares in physical form;
e. Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
f. Ensure that you have collected a TRS for all your Bid options;
g. Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS; and

h. Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. In case neither the PAN nor the GIR number has been allotted, mention “Not allotted” in the appropriate place.

Don’ts:

a. Do not bid if you are prohibited from doing so under the law of your local jurisdiction;

b. Do not Bid for lower than the minimum Bid size;

c. Do 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. Do not Bid on another Bid cum Application Form after you have submitted the Bid to the members of the Syndicate;

e. Do not pay the Bid Amount in cash;

f. Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;

g. Do not Bid at Cut-off Price (for Non Institutional and QIB Bidders);

h. Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under applicable law.

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 100 Equity Shares and in multiples of 100 equity shares thereafter subject to a maximum Bid Amount of Rs. 50,000.
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. 50,000 and in multiples of 100 Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.
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

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees/directors of Bharati Shipyard Limited as on August 31, 2004. 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. 50,000 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. 50,000.
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 12,50,000 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 124 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 12,50,000 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 124 of this Red Herring Prospectus.

Bidder's Bank 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

Bidders should note that, on the basis of name of the Bidders, Depository Participant ID and Client ID provided by them in the Bid-cum-Application Form, Registrar to the Issue will obtain demographic details of the Bidders such as address, bank account details for printing on refund orders, and occupation (herein after referred to as Demographic Details) from the depositories. Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form. These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/ Allocation Advice and printing of Bank particulars on the refund order, and the Demographic Details given by Bidders in the Bid–cum application Form would not be used for these purposes by the Registrar to the Issue.

Further, Bidders are advised to update their Demographic Details as provided to their Depository Participants. By signing the Bid-cum-Application form, Bidder would be deemed to authorize their depository to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records. 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 applicant in the Bid-cum-Application Form would be used only to ensure despatch of refund orders.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary's identity, then such Bids are likely to be rejected. Investors should also note that the refund cheques would be overprinted with details of bank account as per the details received from the depository.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum 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. We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms and conditions as we may deem fit.

Bids by NRIs

NRI Bidders to comply with the following:

- Individual NRI Bidders can obtain the Bid cum Application Forms from 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).

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. 50,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 50,000 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 100 shares thereafter that the Bid Amount exceeds Rs. 50,000. For further details see "Maximum and Minimum Bid Size" on page 110 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

We 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 to the Issue

1. The Bidders who have paid the Bid Amount on application shall draw a payment instrument for the Bid Amount in favour of the Escrow Account for the Issue and submit the same to the members of the Syndicate along with the Bid cum Application Form.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into our

Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

3. In case the payment of the Bid Amount has been waived by a member of the Syndicate during the Bidding Period, on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account for the Issue within the period specified in the CAN which shall be a minimum period of two days from the date of communications of the allocation list to the members of the Syndicate by the BRLMs.

4. The payment instruments for payment into our Escrow Account should be drawn in favour of:

   a. In case of Resident Bidders: "**Escrow Account — Bharati Shipyard Limited Public Issue**"

   b. In case of Non Resident Bidders applying on repatriation basis: "**Escrow Account — Bharati Shipyard Limited Public Issue -NR**"

   c. 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 NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

   d. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

5. 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 our Escrow Account. If the amount paid by the Bidder is higher than the total amount payable by the Bidder on the Equity Shares allotted to the Bidder at the Issue Price the excess amount paid by the Bidder, if any, shall be refunded.

6. The monies deposited in our Escrow Account will be held for the benefit of the Bidders until the Designated Date.

7. On the Designated Date, the Escrow Collection Banks shall transfer the funds from our Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.

8. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payment 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 a sub-member of the bankers clearing house located at the centers where the bid cum application form is submitted. Outstation cheques or bank drafts drawn on banks not participating in the clearing process will not be accepted and application accompanied by such cheques or bank demands are liable to be rejected. Cash/ Stock invest/ money orders or 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.

'PAN' or 'GIR' Number

Where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more, i.e., the actual numbers of Equity Shares Bid for multiplied by the Bid Amount is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her PAN or where the same has not been allotted, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allotted, the Bidders must mention "Not allotted" in the appropriate place. Bid cum Application Forms without this information will be considered incomplete and are liable to be rejected.

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. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. Bids by minors;
5. Bids by NRIs in jurisdictions where we are relying on a private placement exception;
6. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
7. Bids for lower number of Equity Shares than specified for that category of investor;
8. Bids at a price less than the floor of the Price Band or higher than the cap of the Price Band;
9. Bids at Cut-Off Price by a QIB or a Non Institutional Bidder;
10. Bids for number of Equity Shares, which are not multiples of the required shares as specified above;
11. Category not ticked;
12. Multiple Bids;
13. In case of Bid under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;

14. Bid-cum-Application Form does not have the stamp of a member of the Syndicate;
15. Bid-cum-Application Form does not have the Bidder's depository account details
16. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Form;
17. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations (see the details regarding the same on page 110 of this Red Herring Prospectus;
18. Bids not duly signed by the sole/joint Bidders;
19. Bids by OCBs;
20. Bids accompanied by Stock invest;
21. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary's identity;
22. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act.

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 12, 2004 between NSDL, us and the Registrars to the Issue; and
2. An agreement dated October 12 2004 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.

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.

Despatch of Refund Orders

The company shall ensure despatch of refund orders of value over Rs. 1,500 by Registered Post or Speed Post only and adequate funds for the purpose shall be made available to the Registrars by our Company.

Undertaking by us

We undertake that:

a. the complaints received in respect of this Issue shall be attended to by us expeditiously;

b. we shall take all steps for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are to be listed within seven working days of finalization of the basis of allotment;

c. the funds required for despatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;

d. the refund orders or allotment advice to the Bidders shall be dispatched within specified time as mentioned hereinafter; and

e. no further offer of Equity Shares shall be made until the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid moneys are refunded on account of nonlisting, under-subscription, etc.

f. The Company agrees that, as far as possible, it will allot the Equity shares within 15 days from the date of the closure of the issue.

   The Company agrees that it shall pay interest @ 15% p.a. If the allotment is not made and / or the refund orders are not dispatched to the investors within 15 days from the date of closure of the issue for the period of delay beyond 15 days

g. No issue of securities shall be made till the securities offered through this prospectus are listed or application money is refunded on account of non listing/ undersubscription.

Utilization of Issue Proceeds

Our Board of Directors certifies that

a. all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

b. details of all monies 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 utilized; and

c. details of all unutilized monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilized monies have been invested.

d. the utilisation of monies received under reservations made to employees shall be disclosed under an appropriate head in the balance sheet of the company indicating the purpose for which such monies have been utilized.

e. the details of all unutilised monies out of the funds received under reservations made to employees shall be disclosed under a separate head in the balance sheet of the company indicating the form in which such unutilized monies have been invested.

The issuer company shall have access to the funds only after the dealing approval is received from The Stock Exchange, Mumbai and The National Stock Exchange of India Limited.

Procedure and Time Schedule for Allotment of Equity Shares

We reserve, at our absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In the case of Retail and Non Institutional Bidders, the rejection of any Bid is only on grounds of technical non-compliance with the specified procedure. 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/Issue 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/Issue Closing Date. We will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. We shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Application Money

We shall ensure dispatch of allotment advice or refund orders and giving of benefit to the beneficiary account with depository participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall ensure the despatch of refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and despatch of 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 finalization of the basis of allotment. In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

1. Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
2. We would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and
3. 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 period prescribed above.
4. We will provide adequate funds required to the Registrar to the Issue for despatch of refund orders or allotment advice. Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on Refund of excess Bid Amount

We shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the GoI, Ministry of Finance pursuant to their letter no. F-8/6/SE/79 dated July 21, 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.

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.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents.

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Auditors, Legal Advisor, Bankers to the Company, Escrow Collection Banks and Bankers to the Issue; and (b) Book Running Lead Managers to the Issue, Syndicate Members and Registrars to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Maharashtra at Mumbai 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 offer document for registration.

M/s Shantilal Mehta & Co., Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Draft Red Herring Prospectus for registration to the Registrar of Companies, Maharashtra at Mumbai.

Bhuta Shah & Co., 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 Red Herring Prospectus and has not withdrawn the same up to the time of delivery of the Red Herring Prospectus for registration to the Registrar of Companies, Maharashtra at Mumbai.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the net offer to public including devolvement of Underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as prescribed under Section 73 of the Companies Act.

Expert Opinion

Save as stated elsewhere in the Red Herring Prospectus, the Company has not obtained any expert opinions.

Changes in Auditors during the last three years

There has been no change in the Auditors of the Company during the last three years

Basis of Allocation

(A) For Retail Bidders

- Bids received from the Retail Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Bidders will be made at the Issue Price.
- The Net Offer size less allocation to Non Institutional Bidders and QIBs shall be available for allocation to Retail Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 28,12,500 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 28,12,500 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 28,12,500 Equity Shares. For the method of proportionate basis of allotment, refer below.

(B) For Non Institutional Bidders

- Bids received from Non Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non Institutional Bidders will be made at the Issue Price.
- The Net Offer size less allocation to Retail Bidders and QIBs shall be available for allocation to Non institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 28,12,500 Equity Shares at or above the Issue Price, full allocation shall be made to Non Institutional Bidders to the extent of their demand.

- In case the aggregate demand in this category is greater than 28,12,500 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 28,12,500 Equity Shares. For the method of proportionate basis of allotment refer below.

(C) For QIB Bidders

- Bids received from QIBs at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful QIBs will be made at the Issue Price.
- The Net Offer size less allocation to Retail Bidders and Non institutional Bidders shall be available for allocation to QIBs who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- The allocation would be decided by us in consultation with the BRLM's and would be at our sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allocation to QIB Bidders shall not be more than 56,25,000 Equity Shares.

Method of Proportionate Basis of Allocation

In the event the Offer is over-subscribed, the basis of allotment shall be finalised by the Company in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Offer shall be responsible for ensuring that basis of allotment is finalised in a fair and proper manner. Allotment to Bidders shall be as per the basis of allocation as set out in this Red Herring Prospectus under "Issue Structure".

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis which is the total number of Equity Shares applied for in that category (number of bidders in the category multiplied by number of shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to minimum allotment of 100 Equity Shares. The Allotment Lot shall be the same as the Minimum Application lot irrespective of any revisions to the Price Band.

d) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to the nearest integer. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

e) In all bids where the proportionate allotment is less than 100 equity shares per bidder, the allotment shall be made as follows:
   - Each successful bidder shall be allotted a minimum of 100 equity shares; and
   - The successful bidders out of the total bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of bidders applying for minimum number of Equity Shares.

Expenses of the Issue

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the BRLMs, Syndicate Members, other advisors to the Issue, fees of Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, fees payable to the Registrars to the Issue, listing fees and other miscellaneous expenses is estimated to be approximately [●] % of the Issue size.

Expenses	Amount (Rs in million)
Management fees, Underwriting Commission and Brokerage	[●]
Marketing and Advertising Expenses	[●]
Stationery & Printing	[●]
Registrar's Expenses	[●]
Legal fees, Listing fees, Book Building charges, Auditor's fees etc.	[●]
Miscellaneous Expenses	[●]
Total	[●]

Fees Payable to the Book Running Lead Managers

The total fees payable to the BRLMs will be as per the Memorandum of Understanding signed amongst the Company and the BRLMs, a copy of which is available for inspection at the Registered Office of the Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue 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 out-of-pocket expenses as agreed in the MOU including such as postage, stamp duty etc. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allocation advice by registered post/ Speed Post. Refund Orders up to Rs. 1,500/- would be sent under certificate of posting.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for the Issue 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 Issue Price and amount underwritten in the manner mentioned elsewhere in the Red Herring Prospectus.

Commission and Brokerage on Previous Issues

Except as stated elsewhere in the Draft 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.

Outstanding Debenture or Bond Issues

As of date, the Company does not have any outstanding Debenture or Bond Issue.

Outstanding Preference Shares

As of date, the Company does not have any outstanding preference shares.

Capitalisation of Reserves or Profits (Bonus ratio)

The Company has issued Bonus shares by capitalisation of profits, details of which are:

Date of Issue	Number of Shares (FV Rs.10)	Amount (Rs. In mn.)	Ratio	Issued to whom
March 22,1996	9,88,200	9.88	4:1	Promoters
June 30,1996	39,52,800	39.53	16:5	Promoters

Issues otherwise than for Cash

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

- 45000 equity shares of Rs. 10 each issued to the promoters on June 18, 1982, for acquisition of business of M/s Bharati Shipyard*.
- 22,011 equity shares of Rs.10 each issued to the promoters on June 29, 1983 for acquisition of business of M/s Bharati Shipyard*.

- 9,88,200,and 39,52,800 equity shares issued as Bonus shares to the Promoters on March 22,1996, and June 30,1996 respectively

Our company came into existence on 22nd June 1976. On 24th July, 1973, a partnership firm, named M/s. Bharati Shipyard was constituted with Mr. P. C. Kapoor, Mr. Vijay Kumar and Mr. Suresh Jagtiani as partners. In April 1979, Bharati Shipyard Pvt. Ltd., our company was admitted as a partner. On 31st December 1979, our company took over the running business of the firm i.e. it acquired all the assets, liabilities, trade name, goodwill etc. Statutory reserves were credited to all partners in the existing profit sharing ratios. Final balance thus derived at was discharged by way of issue of equity shares in our company. In all 67,011 shares were issued which were divided equally among the three partners. 45,000 shares were issued on June 18, 1982 and the remaining 22,011 shares were issued on June 29, 1983.

Option to Subscribe

Equity shares being offered through this Red Herring Prospectus can be applied for in dematerialised form only.

Purchase of Property

No property which the Company has purchased or acquired or propose to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material.

  Except as elsewhere stated in this Red Herring Prospectus, we have not purchased any property in which any of our promoters and/or Directors, have any direct or indirect interest in any payment made thereof.

Terms of Appointment of Managing Directors

Mr. P. C. Kapoor:

The Board of Directors at their meeting held on June 07, 2004 appointed Mr P.C. Kapoor as a Managing Director for a term of five years. His appointment and remuneration were approved at the AGM held on July 12, 2004. The remuneration payable to him on his re-appointment is as detailed below:

Remuneration payable:

a. Salary:

   Rs.1.5 lacs per month or sums as may be determined by the board from time to time within the overall limits as prescribed in the Companies Act, 1956.

b. Leave:

   The Managing Director shall be entitled to leave as per the applicable rules of the company but not more than one month’s leave for every eleven months of service.

c. Company’s contribution towards provident fund:

   In accordance with the rules of the company & subject to the ceiling of 12% of salary or such other percentage as may be permitted by various laws.

d. Company’s contribution towards Pension/Superannuation Fund:

   As per the rules of the company, but so, however that it shall together with the company’s contribution to provident fund be limited to such amounts as are not taxable under the Income Tax Act, 1961.

During the previous year ended March 31, 2004, (i.e. before his appointment as Managing Director) the total compensation/ benefits paid to Mr. P.C. Kapoor were Rs. 4,98,000.

Mr. Vijay Kumar :

The Board of Directors at their meeting held on June 07, 2004 appointed Mr Vijay Kumar as Managing Director for a term of five years. His appointment and remuneration were approved at the AGM held on July 12, 2004. The remuneration payable to him on his re-appointment is as detailed below:

Remuneration payable:

a. Salary:

Rs.1.5 lacs per month or sums as may be determined by the board from time to time within the overall limits as prescribed in the Companies Act, 1956.

b. Leave:

The Managing Director shall be entitled to leave as per the applicable rules of the company but not more than one month's leave for every eleven months of service.

c. Company's contribution towards provident fund:

In accordance with the rules of the company & subject to the ceiling of 12% of salary or such other percentage as may be permitted by various laws.

d. Company's contribution towards Pension/Superannuation Fund:

As per the rules of the company, but so, however that it shall together with the company's contribution to provident fund be limited to such amounts as are not taxable under the Income Tax Act, 1961.

During the previous year ended March 31, 2004 (i.e. before his appointment as Managing Director), the total compensation/ benefits paid to Mr. Vijay Kumar were Rs. 4,98,000.

Note: As per the provisions of the Companies Act, a director liable to retire by rotation, if appointed by the Board as a Managing Director for a period of say five years, he cannot continue to hold the office of Managing Director after the expiry of a period of three years, which would normally be the maximum period for retiring by rotation, unless he is reappointed as a director.

Interest Of Promoters And Directors

Except as stated in "Related Party Transactions" on page 73 of the Red Herring Prospectus, the Promoters do not have any interest in the Company's business except to the extent of investments made by them in the Company and earning returns thereon.

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, Also fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or other reimbursement of expenses payable to them as per the Articles.

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.

Borrowing Powers of Directors

Article 80 provides that:

80. Subject to the provisions of Section 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 Members either in advance of calls or otherwise and generally raise or borrow or re-secure the payment of any sum or sums of money for the purposes of the Company, Provided, however, where the moneys already borrowed (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 (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.

Article 81 provides that:

81. Subject to the provisions of Article 78 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 Resolution shall prescribe including by the issue of debentures or debenture-stock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being; and debentures, debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

The Shareholders of the Company has passed a resolution in their meeting held on April 22, 2004, accorded their consent to the BoD to borrow from time to time any sum or sums of monies on such terms and conditions as they deem think fit which, together with the money already borrowed by the company (apart from temporary loans obtained by the Company from its bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the company and its free reserves provided that the total amount of money/ monies so borrowed shall not at any time exceed the limit of Rs. 5000 millions.

Further the BoD were authorized to mortgage and /or charge all the immovable and moveable properties, present and future, of the Company wheresoever situated and/or the whole of the undertaking of the Company in favour of its lenders from whom the Company enjoys facilities.

Revaluation of Assets

The company has revalued Building, Plant & Machinery and Shed as on May 24, 1994 and aggregate addition resulting therefrom amounting to Rs.144.31 mn has been credited to the revaluation reserve account.

Classes of Shares

The Company's authorised capital is Rs. 250 million, which is divided into 25mn Equity Shares of Rs.10/- each.

Payment or Benefit to Promoters or Officers of the Company

Except as stated otherwise in this 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 our promoters or officers except the normal remuneration for services rendered as directors, officers or employees.

MAIN PROVISIONS OF OUR ARTICLES OF ASSOCIATION

Increase, Reduction and Alteration of Capital and Variation of Rights

Article 5 provides that:

The Company in General Meeting may, from time to time by an Ordinary Resolution increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of sections 80, 81 and 85 to 90 of the Act, any shares of the original or 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, and with a right of voting at general meeting of the Company in conformity with Sections 87 and 88 of the Act. When 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.

Article 6 provides that:

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 original 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.

Article 7 provides that:

Where at any 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, whether out of unissued share capital or out of the increased share capital

(i) such further shares shall be offered to the persons who at the date of offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date.

(ii) the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than one month from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.

(iii) the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than one month from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.

(iv) after the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they are most beneficial to the Company.

Notwithstanding anything contained in the preceding sub-clause, the Company may by a special resolution; or

where no such special resolution is passed if the votes cast (whether on a show of hands or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company, offer further shares to any person or persons, and such person or persons may or may not include the person/s who at the date of the offer, are holders of the equity shares of the Company.

Notwithstanding anything contained in sub-clause (a) above, but subject, however, to Section 81 (3) of the Act, the Company may increase its subscribed capital on exercise of any option attached to the debentures issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.

Subject to the provisions of the Act and these Articles, the Directors may issue and allot shares in the capital of the Company on payment or part payment for any property or assets of any kind whatsoever sold or transferred, goods or machinery supplied or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if so issued, shall be deemed to be fully paid up or partly paid up share as the case may be.

Article 8 provides that:

Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the Company may issue preference shares which are or at the option of the Company are to be liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and condition of redemption: Provided that:

- no such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of Shares made for the purpose of redemption;
- no such shares be redeemed unless they are fully paid;
- the premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account before the shares are redeemed;
- where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividends, be transferred to a reserve fund, to be called "the capital redemption reserve account" a sum equal to the nominal amount of the shares redeemed; and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the capital redemption reserve account were paid-up share capital of the Company.

Subject to the provisions of Sections 80 of the Act and subject to the provisions on which any shares may have been issued, the redemption of preference shares may be affected on such terms and in such manner as may be provided in these Articles or by the terms and conditions of their issue and subject thereto in such manner as the Directors may think fit.

The redemption of preference shares under these provisions by the Company shall not be taken as reducing the amount of its authorized Share Capital.

Where in pursuance of this Article, the Company has redeemed or is about to redeem any preference shares, it shall have power to issue shares upto the nominal amount of the shares redeemed or to be redeemed as if these shares had never been issued; and accordingly the Shares Capital of the Company shall not, for the purpose of calculating the fees payable under Section 611 of the Act, be deemed to be increased by the issue of share in pursuance of this clause.

Provided that where new shares are issued before the redemption of the old shares, the new shares shall not so far as relates to stamp duty be deemed to have been issued in pursuance of this clause unless the old shares are redeemed within one month after the issue of the new shares.

The Capital Redemption Reserve Account may, notwithstanding anything in this article, be applied by the Company, in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

The preference shares shall be redeemed on the expiry of 10 years from the date of allotment provided, however, that the company shall have the option to redeem the same earlier.

The holder of preference shares shall have a right to vote only on Resolutions, which directly affect the rights attached to his preference shares. The Preference Shareholder shall also be entitled to vote on every kind of Resolution placed before the Company at any meeting until and then only for so long as their dividends are more than two years in arrears preceding the date thereof.

Subject to the rights of the holders of any other shares entitled by the terms of issue to preferential repayment over the equity shares in the event of winding up of the Company, the holders of the equity shares shall be entitled to be repaid the amounts of capital paid up or credited as paid up on such equity shares and all surplus assets thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid upon such equity shares respectively at the commencement of the winding up.

Article 9 provides that:

The Company shall be at liberty at any time, either at one time or from time to time as the Company shall think fit, by giving not less than one month previous notice in writing to the holders of the preference shares for the time being outstanding, by payment of the nominal amount thereof with dividend calculated upto the date or dates notified for payment (and for this purpose the dividend shall be deemed to accrue and due from day to day) and in the case of redemption of part of the preference shares the following provisions shall take effect :

(a) The shares to be redeemed shall be determined by drawing of lots which the Company shall cause to be made at its registered office in the presence of one director at least; and

(b) Forthwith after every such drawing, the Company shall notify to the shareholders whose shares have been drawn for redemption its intention to redeem such shares by payment at the registered office of the Company at the time and on the date to be named against surrender of the Certificates in respect of the shares to be so redeemed and at the time and date so notified each such shareholder shall be bound to surrender to the Company the Shares Certificates in respect of the Shares to be redeemed and thereupon the Company shall pay the amount payable to such shareholders in respect of such redemption. The shares to be redeemed shall cease to carry dividend from the date named for payment as aforesaid. Where any such certificates comprise any shares, which have not been drawn for redemption, the Company shall issue to the holder a fresh certificate thereof.

Article 10 provides that:

The Company may from time to time by special resolution, subject to confirmation by the Court and subject to the provisions of section 78, 80 and 100 to 104 of the Act, reduce its share capital and any capital redemption Reserve Account or premium account in any manner for the time being authorized by law and in particular without prejudice to the generality of the forgoing power may by:

(a) extinguishing or reducing the liability on any of its shares in respect of Share Capital not paid up;

(b) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company.

(c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up share capital which is in excess of the wants of the Company.

and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its share capital and of its shares accordingly.

Article 11 provides that:

Subject to the provisions of Section 94 of the Act, the Company in general meeting may by an ordinary resolution alter the conditions of its memorandum as follows:

(a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) Sub-divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act in that behalf and so however that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the holders of the shares resulting from such sub-division one or more of such shares may, subject to the provisions of the Act, be given any preference or advantage over the others or any other such shares;

(c) convert, all or any of its fully paid up shares into stock, and reconvert; that stock into fully paid up shares of any denomination.

(d) cancel, shares, which at the date of such general meeting have not been taken or agreed to be taken any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 12 provides that:

If the Company has: -

- Consolidated and divided its Share Capital into shares of larger amount than its existing shares;
- Converted any shares into stock;
- Reconverted any stock into shares;
- Sub-divided its share or any of them;
- Redeemed any redeemable preference shares; or
- Cancelled any shares otherwise than in connection with a reduction of Share Capital under Sections 100 to 104 of the Act, the company shall comply with the provisions of sections 95 of the Act.

Article 13 provides that:

If at any time the 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 Section 106 and 107 of the Act, and whether or not the Company is being would up, be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of the three-fourths in nominal value 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 this Article 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 in Article 96 is not present, those persons who are present shall be the quorum.

Share Certificates

Article 26 provides that:

Every member shall be entitled, without payment, to one Certificate for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such Certificates within the time provided by Section 113 of the Act unless the conditions of issue thereof otherwise provide. Every certificate of shares shall be Under the seal of the Company and shall specify the number and distinctive numbers of the shares in respect of which it is issued and the paid up thereon and shall be in such form as the Directors shall prescribe or approve provided that in respect of a Share or shares held jointly by several person the Company shall not be bound to issue more than one of several joint holders shall be sufficient delivery to all such holders.

The Company shall not entertain any application for split of share / debenture certificate for less than 10 shares / debenture (all relating to the same series) or in market lot as the case may be.

Provided however this restriction shall not apply to an application made by the existing member or debenture holder for split of share/debenture certificates with a view to make an odd lot holding into a marketable lot subject to verification by the Company.

Notwithstanding anything contained in Clause (a) above the Directors shall, however, comply with such requirements of the Stock Exchange where Shares of the Company may be listed or such requirements of the Securities Contracts (Regulations) Act, 1956 as may be applicable.

Article 27 provides that:

If any certificate be worn out defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, of then upon production and surrender thereof, the Company, a new certificate may be issued in lieu thereof, and if any Certificate be lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificates.

Every Certificate under this Article shall be issued without payment of fees if the Directors so decided or on payment of such fees (not exceeding Re. 1/- for each Certificate) as the Directors shall prescribe. Out of pocket expenses incurred by the Company if demanded by the Directors.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the Rules made under Securities Contracts (Regulation) Act 1956 or any other Act, or Rules Applicable in this behalf.

Dematerialization of Securities

Article 28 provides that:

Every person subscribing to the securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository Such a person who is beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.

If a person opts to hold security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter it in its record the name of the allottee as the beneficial owner of the security.

Article 29 provides that:

The provision of the Article under this heading shall mutatis mutandis apply to debentures of the Company.

Calls

Article 33 provides that:

The Directors may from time to time and subject to Section 91 of the Act and subject to the terms on which any shares/ debentures may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as they think fit upon the members/debentures holders in respect of all moneys unpaid on the shares/ debentures held by them respectively and each member/debenture holders shall pay the amount of every call so made on him to the person and at the times and places appointed by the Directors. A call may be made payable by installment. A call may be postponed or revoked as the Board may determine.

Company's Lien on Shares

Article 46 provides that:

The Company shall have a first and paramount lien upon all the shares debentures (other than fully paid–up share / debentures) registered the name of each member / debenture holder (whether solely or jointly with other) and upon the proceeds of sale thereof for all money (whether presently payable or not) called or payable at a fixed time in respect of such share / debenture and no equitable interest in any share / debenture shall be created except upon the footing and condition that Article 23 hereof will have full effect, And such lien shall extend to all dividends and bonuses from time to time declared in respect of such share / debenture. Unless otherwise agree the registration of a transfer of share / debenture. Shall operate as a waiver of Company's line, if any, on such share / debenture. The Directors may at any time declare any share / debenture wholly or in part to be exempt from the provision of this clause.

Article 47 provides that:

For the purpose of enforcing such lien, the Board may sell the Share/debenture subject thereof in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such share and/or debentures and may authorize one of their member or appoint any officer or Agent to execute a transfer thereof on behalf of and in the name of such member/debenture holder. No sale shall be made until such period, as may be stipulated by the board from time to time, and until notice in writing of the intention to sell shall have been served on such member and/or debenture holder or his legal representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debt, liabilities or engagements for fourteen days after such notice.

Article 48 provides that:

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 which the line exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the share before the sale) be paid to the persons entitled to the shares and/or debenture at the date of the sale.

The Company shall be entitled to treat the registered holder of any share or debenture as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or by statute required) be bound to recognize equitable or other claim to, or interest in, such share or debentures on the part of any other person. The Company's lien shall prevail notwithstanding that it has received notice of any such claims.

Forfeiture

Article 49 provides that:

If any member or debenture holder fails to pay the whole or any part of any call or installment or any money due in respect of any share or debenture either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or any installment or any part thereof or other money as remain unpaid or a judgment or decree in respect of thereof remain unsatisfied in whole or in part serve a notice on such member or debenture holder or on the person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof or other money as remain unpaid together with any have been incurred by the Company by reason of such non payment.

The notice shall name a day not being less than 14 (Fourteen) days from the date of the notice and a place or places, on and at which such call, or installment or such part or other money as aforesaid and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of call amount with interest at or before the time and at the place appointed, the share or debenture in respect of which the call was made or installment or such part or other moneys is or are payable will be forfeited.

Article 50 provides that:

If the requirements of any such notice as aforesaid are not complied with any share/debenture in respect of which such notice has been given, may at any time thereafter before payment of all call or installment, interest and expenses or other money due in respect thereof, be forfeited by a resolution of the Directors to that effect. Neither the receipt by the company of a portion of any money which shall from time be due from any member of the Company in respect of his share, either by way of principal or interest, nor any indulgence granted by the company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such share herein provided. Such forfeiture shall include all dividends declared or interest paid or any other money payable in respect of the forfeited share or debenture and not actually paid the forfeiture.

Article 51 provides that:

When any share/debentures shall have been so forfeited, notice of the forfeiture shall be given to the member or debenture holder in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof, shall forthwith be made in the register of member or debenture holder but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.

Article 52 provides that:

Any share or debenture so forfeited shall be deemed to be the property of the Company, and may be sold, re-allotted or otherwise disposed of either to original holder or to any other person upon such terms and in such manner as the Director shall think fit.

Article 53 provides that:

The Directors may, at any time, before any share or debentures so forfeited shall have been sold, re-allotted or otherwise disposed of, annul forfeiture thereof upon such conditions as they think fit.

Article 54 provides that:

Any member or debenture holder whose shares or debentures have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, all calls, installments, interest, expenses and other money owing upon or in respect of such shares or debentures at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Director may determine, and the Directors may determine, and the Directors may enforce the payment of the whole or a portion thereof, if they think fit, but shall not be under any obligation to do so.

Article 55 provides that:

The forfeiture of a share or debenture shall involve extinction at the time of forfeiture, of all interest in and all claims and demands against the Company, in respect of the share or debenture and all other rights incidental to the share or debenture, except only such of those rights as by these Articles are expressly saved.

Article 56 provides that:

A certificate in writing under the hand of any one of the Directors or any Officer authorized by the Directors for the purpose, that the call in respect of a share or debenture was made and notice thereof given and that default in payment of the call was made and that the forfeiture of the share or debenture was made by a resolution of Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.

Article 57 provides that:

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinabove give, the Directors may, if necessary, appoint some person to execute an instrument of transfer of the shares or debentures sold and cause the purchaser's name to be entered in the Register of members or Register of debenture holders in respect of the shares or debentures sold, and the purchasers shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register of members or debenture-holders in respect of such shares or debenture the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be for damages only and against the Company exclusively.

Article 58 provides that:

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate/s originally issued in respect of the relative shares or debentures shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member of debenture holder) stand cancelled and become null and void and be no effect, and the directors shall be entitled to issue a duplicate certificate/s in respect of the said share or debentures to the person/s entitled thereto

Article 59 provides that:

The Company may receive the consideration, if any, given for the share or debenture on any sale, re-allotment or other disposition thereof, and the person to whom such share or debenture is sold, re-allotted or disposed of may be bound to see to application of the consideration if, any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to forfeiture, sale, re-allotment or other disposal of the share or debenture.

Article 60 provides that:

The Directors may, subject to the provision of the act, accept a surrender of any share or debenture from or by any member or debenture-holder desirous of surrendering them on such terms as they think fit.

Transfer and transmission of Shares

Article 62 provides that:

The instrument of transfer shall be in writing and all the provisions of Section 108 of Act, shall be duly complied with in respect of all transfer of shares and registration thereof.

Article 63 provides that:

Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the register of Members in respect thereof.

Article 64 provides that:

Subject to the provisions of Section 111 of the Act, the Directors may, at their own absolute and uncontrolled discretion, decline to register or 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 member of the Company but in such cases 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 a transfer shall not be refused on the ground of the transferor being either along or jointly with any other person or person indebted to the Company on any account whatsoever except where the Company has a lien on the shares.

Nothing in Section 108,109 & 110 of the Act shall prejudice this power to refuse to register the transfer of, or the transmission by operation of law of the rights to, any shares or interest or a member in, or debentures of the Company.

Article 65 provides that:

It shall be lawful for the company to register a transfer of shares unless a proper instrument to transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the Company along with the certificate is in existence, along with the letter of allotment of 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 Transferee and the transferee has been lost, the company may, if 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.

Borrowing Powers

Article 80 provides that:

Subject to the provisions of Section 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 Members either in advance of calls or otherwise and generally raise or borrow or re-secure the payment of any sum or sums of money for the purposes of the Company, Provided, however, where the moneys already borrowed (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 (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.

Article 81 provides that:

Subject to the provisions of Article 78 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 Resolution shall prescribe including by the issue of debentures or debenture-stock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being; and debentures, debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

General Meetings

Article 87 provides that:

Subject to the provisions contained in Section 166 and 210 of the Act, as far as applicable, the Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting, and shall specify, the meeting as such in the Notice calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.

Provided that if the Registrar for any special reason, extends the time within which any annual general meeting shall beheld, then such annual general meeting may be held within such extended period.

Proceedings at General Meetings

Article 98 provides that:

Five members personally present shall be the quorum for a meeting of the Company.

- if within half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, if called upon by requisition of members, shall stand dissolved.
- in any other case, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and places as the Board may determine.

If at the adjourned meeting also, a quorum is not present within half an hour from the time appointed for holding the meeting, the members present shall be the quorum.

Article 99 provides that:

No business shall be transacted at any general meeting unless the requisite quorum be present at the commencement of the business.

No business shall be discussed or transacted at any general meeting except the election of a Chairman whilst the Chair is vacant.

The Chairman of the Board of Directors shall be entitled to take 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 the Chairman and in default of their doing so, the member present shall choose one of the Directors to be Chairman and if no Directors present be willing to take the chair, the members present shall choose one of themselves to be the Chairman.

The Chairman with the consent of the meeting may adjourn any, meeting from time to time and from place to place in the city, town or village where the registered office of the Company is situate.

No business shall be transacted at any adjourned meeting other than the business, which might have been transacted at the meeting from which the adjournment took place.

When a meeting is adjourned only for thirty days or more, notice of the adjourned meeting shall be give as in the case of original meeting.

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, save a aforesaid, any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

Article 100 provides that:

Any member of the Company entitled to attend and vote a meeting of the Company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself. A member (and in case of joint holders all holders) shall not appoint more than on person as proxy. A proxy so appointed shall not have any right to speak at the meeting.

Provided that unless where the proxy is appointed by a body corporate a proxy shall not be entitled to vote except on a poll.

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 of authority shall be lodged with the Company not later than 48 (Forty-eight) hours before the meeting in order that the appointment may be effective thereat.

The instrument appointing a proxy shall:

(i) be in writing, and

(ii) be signed by the appointer or his attorney duly authorized in writing or, if the appointer is a corporate, be under its seal or be signed by an office or any attorney duly authorized by it.

Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in such other form as the Directors may approve from time to time.

Vote of Members Article 101 provides that:

No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.

Article 102 provides that:

A member is not prohibited from exercising his voting on the ground that he has not held his share or other interest in the Company for a specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 99.

Article 103 provides that:

At any general meeting a resolution to vote at the meeting shall unless a poll is demanded under Section 179 of the Act be decided on a show of hands.

Article 104 provides that:

Subject to the provisions of the Act and these Articles upon show of hands every member entitled to vote and present in person shall have one vote, and upon a poll, of every member entitled to vote and present in person or proxy shall be in proportion to his share of the paid up equity share capital of the Company.

Board of Directors

Article 113 provides that:

Unless otherwise determined by the company in general meeting the number of directors shall not be less than 3 (three) and more than 12 (twelve)

Remuneration of Directors

Article 120 provides that:

Subject to the provisions of the act, a Managing Director or a Director who is in the whole-time employment of the company may be paid remuneration either by way of monthly payment or at specified percentage of the net profits of company or partly by one way or partly by other.

Subject to the provisions of the Act, a Director who is neither in the whole-time employment nor a Managing Director may be paid remuneration either:

(i) by way of monthly, quarterly or annual payment with the approval of the Central Government, or

(ii) by way of commission if the company by a special resolution has authorized such payment.

The fee payable to Directors (other than Managing or whole-time Directors, if any) for attending each meeting of the board or committee thereof shall be such sum as may be prescribed by the Act or the Central Government from time to time.

Article 121 provides that:

The Board may allow and pay to any Director for the purpose of attending the meeting such a sum either as fixed allowance and / or actual as the Board may consider fair compensation for traveling, Board and lodging and incidental and/or such actual out of pocket expenses incurred by such Director in addition to his fees, for attending such meetings to and from the place at which the meetings of Board and committee thereof or general meetings of the Company are held from time to time or any other place at which the Director executes his duties .

Article 122 provides that:

If any Director being willing shall be called upon to perform the extra services or to take any special extension for any of the purposes of Company and in that event the company may subject to the provisions of the act, remunerate such Director either by fixed sum or by percentage of profit or otherwise, as may be determined by the Directors but not exceeding that permitted under section 309 of the Act and such remuneration may be either in addition to or in substitution for his share in the remuneration above provided .

Rotation of Directors

Article 128 provides that:

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 the company, also be appointed by the Company, in general meeting.

Power of Directors

Article 143 provides that:

The Board shall be competent to exercise all or any of the authorities, powers and discretions, which by or under the Act of the Articles of the Company are for the time being vested in or exercisable by the Board generally.

Article 144 provides that:

Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the company and they shall do so only by means of resolution passed at meetings of the Board:

- The power to make calls on shareholders in respect of money unpaid on their shares;
- The power to issue debentures;
- The power to borrow moneys otherwise than on debentures;
- The power to invest the funds of the Company, and
- The power to make loans.

Provided that the Board may be resolution at the meetings, delegate to any Committee of Directors, the Managing Director, the Manager or to any other principal officer of the branch office, the powers specified in sub-clause (iii), (iv) and (v) to the extent specified in clauses (b), (c) and (d) respectively on such condition as the Board may prescribe.

Every resolution delegating the power referred to in sub-section clause (iii) of clause (a) shall specify the total amount outstanding at any one time upto which moneys may be borrowed by the delegate.

Every resolution delegating the power referred to in sub -section clause (iv) of clause (a) shall specify the total amount upto which the funds of the Company may be invested and the nature of the investments which may be made by the delegate.

Every resolution delegating the powers referred to in sub-clause (v) of clause (a) shall specify the total amount upto which loans may be made by the delegates, the purpose for which the loans may be made for each such purpose in individual cases.

Nothing in this article contained shall be deemed to affect the right of the Company in general meeting to impose restrictions and condition on the exercise by the Board of any of the powers referred to in sub-clause (i), (ii), (iii), (iv) and (v) of clause (a) above.

Managing Directors

Article 147 provides that:

Subject to provisions of the Act and these Articles, the Board shall have power to appoint from time to time any of its members as Managing Director or Managing Director or Managing Directors and / or wholetime Directors and / or special Director like Technical Director, Financial Director, etc. of the Company for a fixed term not exceeding five years at time and upon such terms and condition as the Board thinks fit and the Board may by resolution vest in such Managing Director or Managing Directors / Whole time Director/s, Technical Director(s) financial Director(s) and Special Director(s) such of the powers hereby vested in the Board generally as it thinks fit, and such power may be made exercisable for such period or periods and upon such condition and subject to such restrictions as it may determine. The remuneration of such Directors may by way of monthly remuneration of such for each meeting and / or participation in or of any other mode not expressly prohibited by the Act.

The Directors may whenever they appoint more than one Managing Director, designate one or more of them as “Joint Managing Director” or “Joint Managing Directors” as the case may be.

Capitalisation

Article 170 provides that:

Any general meeting may resolve that any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realization and where permitted by law, form the appreciation in value of any capital assets of the company) standing to the credit of the General Reserve, Reserve or any Reserve Fund or any other fund of the Company or in the hands of the Company and available for dividend may be capitalized. Any such amount (excepting the amount standing to the credit of the Share Premium Account and / or the Capital Redemption Reserve account) may be capitalized:-

(i) By the issue and distribution as fully paid shares, debentures, debenture-stock, bonds or obligations of the Company or,

(ii) By crediting the shares of the Company which may have been issued and are not fully paid, with the whole or any part of the sum remaining unpaid thereon.

Provided that any amount standing to the credit of the Share Premium Amount be applied on:

1. Paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.
2. In writing of the preliminary expenses of the Company;
3. In writing off the expenses of, or the commission paid or discount allowed on any issue of shares or debentures of the Company; or
4. In providing for the premium payable on the redemption of any redeemable preference shares or of any debenture of the Company. Provided further that any amount standing to the credit of the Company Redemption Reserve

Account shall be applied only in paying up unissued shares of the Company to be issued to the members of the Company as fully paid bonus shares.

Such issue and distribution under Sub-clause (a) (1) above and such payment to the credit of unpaid share capital under sub-clause (a) (ii) above shall be made to among and favour of the members of any class or them or any or them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under Sub-clause (a) (i) or payment under Sub-clause (a) (ii) above shall be made on the footing that such members become entitled thereto as capital.

The Director shall give effect to any such resolution and apply portion of the profits, General Reserve Fund or any other fund or account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture-stock, bonds or other obligation of the Company so distributed under sub-clause (a) (i) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully up under sub-clause (a) (ii) above provided that no such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalized sum.

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, Maharashtra at Mumbai 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. Memorandum of Understanding between the Company and the Book Running Lead Manager, SBI Capital Markets Limited and Enam Financial Consultants Private Limited dated September 13, 2004.
2. Memorandum of Understanding between the Company and the Registrar to the Issue dated July 20, 2004.
3. Appointment and Consent of BRLM's and Registrar to the Issue.

MATERIAL DOCUMENTS

1. Memorandum and Articles of Association of the Company.
2. Certificate of Incorporation dated June 22, 1976 with a stamp from RoC for conversion from deem public to public with effect from April 22, 2004
3. Copy of the resolution of Board of Directors of the Company at the Board Meeting held on June 07, 2004 and July 15, 2004 for the IPO.
4. Copy of the Shareholders resolution passed in the AGM held on July 12, 2004 authorising the issue
5. Consent dated September 07, 2004 from M/s. Shantilal Mehta & Co. to act as auditors of the Company.
6. Audit Report dated October 18, 2004 from M/s. Shantilal Mehta & Co.
7. Consent dated September 13, 2004 from M/s Bhuta Shah & Co. for inclusion of their report on Tax Benefit in the Offer document
8. Tax benefit report dated September 11, 2004 from M/s. Bhuta Shah & Co..
9. Copies of the Audited Balance Sheet and Profit and Loss Accounts of the Company for the years ended March 31st, 2001, 2002, 2003, 2004 and for the six months ended September 30, 2004.
10. Copies of the resolution passed at the board meeting held on April 22, 2004 and July 12, 2004 appointing the lead managers to the issue and registrars to the issue respectively.
11. Consent letters from Lead Managers to the Issue, Registrars to the issue, Bankers to the issue, Bankers to the Company, Directors, Auditor, Tax Consultant, Legal Advisor, Compliance Officer, Company Secretary as referred to in this Prospectus to act in their respective capacities.
12. Copy of Initial Listing Applications dated September 17, 2004 made to the Stock Exchanges at The Stock Exchange Mumbai, and the National Stock Exchange of India Limited for listing of equity shares of the Company.
13. Copy of the letter dated October 08, 2004from the Stock Exchange, Mumbai and letter dated October 12, 2004 from the National Stock Exchange Ltd. granting In-principle listing approval.
14. Copy of SEBI observation letter No. CFD/DIL/ISSUES/V/24678/2004 dated October 29, 2004 issued in respect of this Prospectus.
15. Agreement dated October 12, 2004 and October 12, 2004 between the Company, the Registrars to the Issue and NSDL and CDSL respectively for dematerialisation of shares.
16. Copy of the Memorandum of understanding with Pinky Shipyard Private Limited dated March 03, 2004 and September 14, 2004.

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. P. C. Kapoor – Managing Director

Mr. Vijay Kumar – Managing Director

Mr. J.M Gandhi - Director

Mr. Sherali M Sheikh - Director

Mr. B.L. Patwardhan – Nominee Director

Signed by the Senior Manager Accounts

Mr. A. O. Thomas

Signed by the Compliance Officer

Ms. Arti Shetty

Place : Mumbai

Date : November, 17, 2004