

DRAFT PROSPECTUS

ARS SYSTEMS & COMMUNICATIONS LIMITED

(Incorporated on April 10, 2000. Converted from a partnership firm Viz Sangeeta Sales (existing since 1986) vide Chapter IX of the Companies Act, 1956. The certificate of incorporation was received on April 10, 2000 and the certificate for commencement of business was received on May 01, 2000 from Registrar of Companies, Maharashtra.)

Registered & Corporate Office: 41, Pali Hill, Bandra (W), Mumbai – 400 050.

Phone No: 26000555, 26480743 **Fax:** 022-26499118 **Email:** info@arssystems.com

Website: www.arssystems.com

**PUBLIC ISSUE OF 56,00,000 EQUITY SHARES OF Rs. 10/- EACH FOR CASH AT PAR
AGGREGATING TO RS. 560 LAKHS**

RISKS IN RELATION TO THE FIRST ISSUE

"This being the first issue of the company, there has been no formal market for the securities of the company. The issue price (has been determined and justified by the Lead Merchant Banker and the issuer company) should not be taken to be indicative of the market price of the equity shares after the shares are listed. No assurance can be given either regarding an active and sustained trading in the shares of the company or regarding the price at which the equity shares will be traded after listing."

GENERAL RISKS

"Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this

offering. For taking an investment decision investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document”.

Investors are advised to refer to the page no.--- for the statement on risk factors pertaining to this offer.

ISSUER'S ABSOLUTE RESPONSIBILITY

"The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Offer Document contains all information with regard to the Issuer and the issue, which is material in the context of the issue, that the information contained in this Offer Document is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING ARRANGEMENTS

Application has been made to The Stock Exchange, Mumbai, for permission to deal in the shares and for an official quotation in respect of the Equity Shares being offered in terms of this Prospectus.

LEAD MANAGER TO THE ISSUE	REGISTRARS TO THE ISSUE
<div data-bbox="349 1283 443 1371">  </div> <p data-bbox="349 1346 938 1409">ARYAMAN FINANCIAL SERVICES LIMITED</p> <p data-bbox="349 1451 764 1482">SEBI Regn No. – INM 000006807</p> <p data-bbox="237 1520 659 1551">208, Maker Chambers V, 2nd Floor,</p> <p data-bbox="237 1589 643 1621">Nariman Point, Mumbai – 400021</p> <p data-bbox="237 1659 662 1690">Contact Person : Mr. Alpesh Parmar</p> <p data-bbox="237 1728 894 1759">Tel : (022) 2282 6464, 2288 3134 Fax : (022) 22882590</p> <p data-bbox="237 1797 514 1829">E-mail : afsl@vsnl.com</p>	<p data-bbox="964 1283 1555 1314">BIGSHARE SERVICES PRIVATE LIMITED.</p> <p data-bbox="964 1352 1294 1383">SEBI REG. NO. INR 1385</p> <p data-bbox="964 1421 1273 1453">E-2 Ansa Industrial Estate</p> <p data-bbox="964 1491 1463 1522">Saki Vihar Road, Saki Naka, Andheri East</p> <p data-bbox="964 1560 1180 1591">Mumbai – 400072</p> <p data-bbox="964 1629 1526 1661">Contact Person: Mr. Mahindra Gaur/ Mr. Satish</p> <p data-bbox="964 1698 1378 1730">Tel: 28560652 / 53 Fax: 28525207</p> <p data-bbox="964 1768 1378 1799">Email : bigshare@bom7.vsnl.net.in</p>

ISSUE OPENS ON	
ISSUE CLOSES ON	
EARLIEST CLOSING DATE	

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I N D E X

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DEFINITIONS

Application Form	The form in terms of which the investors shall apply for the Equity Shares of the company.
Articles	Articles of Association of ARS Systems & Communications Limited
BOD / Board	Board of Directors of ARS Systems & Communications Limited or a Committee thereof
Company, Issuer,	ARS Systems & Communications Limited

Draft Offer Document	This document which is not a Prospectus under section 60 of the Companies Act, 1956.
Issue/Offer	Public issue of 56,00,000 equity shares of Rs.10 /- each for cash at par aggregating to Rs. 560 Lakhs
Issue Opening Date	The date on which the issues opens for subscription.
Issue Closing Date	The date on which the issue closes for subscription.
Issue Period	The period between the Issue Opening Date and Issue Closing date
Memorandum	Memorandum of Association of ARS Systems & Communications Limited
Public Issue Account	Account opened with Bankers to the Issue for collection of Application Money.
BSE	The Stock Exchange, Mumbai
DSE	Designated Stock Exchange
Registrars to the Issue	Bigshare Services Private Limited.
Lead Manager to the issue	Aryaman Financial Services Ltd.

ABBREVIATIONS

ARS	ARS Systems & Communications Ltd.
AGM	Annual General Meeting.
BA	Beneficiary Account
BV / NAV	Book value / Net asset value
EPS	Earnings Per Share.
NRI(s)	Non-Resident Indian (s)
FII(s)	Foreign Institutional Investors, who are registered with SEBI.
HUF	Hindu Undivided Family
AOP	Association of Persons
BOI	Body of Individuals
GOI	Government of India.
I.T. Act	Income-tax Act 1961.
RBI	Reserve Bank of India.
DSE	Designated Stock Exchange
BSE	The Stock Exchange, Mumbai
NSDL	National Securities Depository Limited
CDSL	Central Depository Services (India) Ltd.

In the Draft Offer Document all reference to “Rs” refer to Rupees, the lawful currency of India, reference to one gender also refers to another gender and the word “Lakh” or “Lac” means “one hundred thousand” and the word “million” means “ten lac” or “ten lakhs” and the word “crore” means “ten million”.

RISK FACTORS & MANAGEMENT'S PERCEPTION TO THE RISK FACTORS

Investors should consider carefully the following risk factors, together with the other information contained in this Prospectus, before they decide to buy the Company's Equity Shares. If any of the following risks actually occur, the Company's business, financial condition and results of operations could suffer, the trading price of the Company's Equity Shares could decline and you may lose all or part of your investment.

INTERNAL TO THE COMPANY

1. There are no standard valuation methodology or accounting practices in the information technology and related industries. The financials of the issuer are not comparable with the players in the industry.
2. The registered office of the company situated at Bandra is not owned by the company but has been taken on lease from Smt. Padma J. Mehra, relative of directors of the company on monthly tenancy basis.

M.P

The company has been operating from the same premises since inception as a partnership concern i.e. from the year 1986. This premises has also been provided as a collateral security to the company's bankers against working capital facility obtained from them and the lesser has also provided her personal guarantee for the loan taken. In view of the above and given the fact that the company proposes to acquire new premises for the purpose of its corporate and registered office, it does not perceive any risk in the above.

3. Mr. Sanjay Mehra – one of the director of ARS has promoted a proprietary concern in the name Mastermind Computers to carry on business relating to computer and related activities and hence there may be conflict of interest and it has incurred a minor loss of Rs. 23.18 for the year ended 31.03.03.

M.P

Mastermind has ceased the operations since the last one year and the minor loss incurred of Rs. 23.18 was on account of the closing down of the activities and for recovery of debtors and payments to creditors. Hence the promoters do not foresee any conflict of interest.

4. Mr. Sudhir Mehra and Mr. Sanjay Mehra, the director of ARS along with their spouse, have promoted a partnership concern in the name India Peripherals to carry on business relating to computer and related activities and hence there may be conflict of interest.

M.P

As per the management of the company, both the concerns have co-existed for the past 12 years and are profit making. Hence it is of the opinion that the conflict if any would not affect the profitability of the company.

5. The Company is promoted by first generation entrepreneurs and therefore the project bears all the risks associated with such ventures.

M.P

The promoters are in the business for over 17 years. Moreover, the promoter, Mr. Sudhir Mehra is one of the founder members of the Trade Association of Information Technology, hence they do not foresee risks associated with first generation entrepreneurs.

6. The proposed project is entirely financed by the present issue of equity shares and any delay in raising funds from the public issue will adversely affect the future performance of the Company.
7. The proposed project is mainly for Enhancement of Working Capital the cost of project and means of finance has not been appraised by any bank or financial Institution and are based on the Company's own estimates. The deployment of funds collected in this issue will be at the sole discretion of the management of the company. Thus there will be no independent Body monitoring the use of Proceeds and the Utilisation of issue proceeds is at the total discretion of the management.

M.P.

The Company is already in the same business for more than 17 years and the promoters are experienced in this field and are confident of the viability of the project. The working capital requirement is in proportion with the existing working of the Company

8. The company is yet to identify the premises for its expansion for which an amount of Rs. 158.00 lacs has been set aside towards the cost of project.

M.P

The promoters are in the process of identifying the premises and the same shall be done shortly.

9. The company is yet to place orders for office equipments (Rs. 19.00 lacs) and Furniture and Fixtures (Rs. 24.00 lacs).

M.P

The company has obtained requisite quotations from various suppliers for its office equipments and has also received quotations for furniture and fixtures from interior decorators and the same shall be processed at an appropriate time in line with the proposed implementation schedule

10. Though the Company has existing working capital limits sanctioned from Oriental Bank of Commerce yet the Company is not approaching the same for additional facilities.

M.P

The normal increase in limits sanctioned from the banks is very low as compared to the requirement of the company, which is a hindrance to the growth of the company. Further since the company is in trading activities, there is no infrastructure asset available to offer to banks as a collateral security to increase the limit.

11. The company shall face competition from existing companies and potential new entrants

12. The Authorised capital of the company has been increased from Rs. 140 lacs to Rs. 890 lacs vide resolution dated February 21, 2004. However the ROC formalities in respect of the same are yet to be completed.

M.P

The company is in process of completing the ROC formalities and the same shall be completed shortly

13. The company markets its general merchandise products under the brand name “Diamond” and “Master Chef”. ARS has applied to the Government of India – Trade Marks Registry Department for registration of the brands. The certificate of registration is yet to be issued to the company.

M.P

The brands have been approved for trade mark registration and the process of final registration would be completed within 3 months which is the balance time required by the Registrar of Trade Marks to notify in the trade magazine for any objections to be taken by any party for use of these trade marks. Till such time the company has the right to use the trademark insignia TM along with the respective brand names of “Diamond” and “Master Chef”.

14. The company has made a SWOT analysis, identifying its opportunities and strengths as well as taking cognizance of certain threats and weaknesses. Details can be referred on page no.45

M.P

The threats given in the SWOT analysis are general in nature

EXTERNAL TO THE COMPANY

1. The company is subject to risks arising from exchange rate fluctuations.
2. Any change in the Government regulations may have an adverse effect on the business of the company.
3. The performance of the company is linked to the performance of the Indian economy and the economies of the countries wherein the exports of the company takes place.
4. Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the business of the company.
5. Competition is perceived from other Asian exporters such as China, Malaysia, Indonesia etc, who are price competitive
6. Possible in-stability in the socio-economic and political climate of the developing nations where the products are being exported shall effect the profitability of the company.

M.P. for 1-6 above

All the above external factors are generic in nature and are not specifically applicable only to the company

NOTES:

1. Investors may note that in the event of over subscription, the Lead Manager to the issue and the Registrar to the issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.
2. The book value per Equity share of the company is Rs.13.27 and Rs.14.54 as at March 31, 2003 and as at December 31, 2003 respectively.
3. The net worth of the company is Rs.172.95 lacs and Rs.189.51 lacs as at March 31, 2003 and as at December 31, 2003 respectively.
4. The average cost of acquisition of Equity shares by the promoters is Rs. 10/-
5. Related Party Transactions,

(Rs. In Lacs)

S. No.	Name of Person	Nature of Relation (Whole Time Director / Key Personnel / Relative of Whole Time Directors / Key Personnel / Group Concern)	Nature of Transaction	31 st December 2003 (nine months)	31 st March 2003	31 st March 2002
1	Mr. Sudhir Mehra	Whole Time Director	Remuneration	2.70	2.70	2.05
2	Mr. Sanjay Mehra	Whole Time Director	Remuneration	2.70	2.60	1.85
3	Mr. Brijmohan Mehra	Whole Time Director	Remuneration	2.70	2.40	1.40
4	Mr. Vinod Mehra	Whole Time Director	Remuneration	2.70	2.40	1.50
5	Mr. Deepak Sumani	Key Personnel	Remuneration	1.08	-	-
6	Mrs. Sangeeta Mehra	Wife of Mr. Sudhir Mehra	Interest	-	0.04	0.04
7	Mrs. Usha Mehra	Mother of Mr. Sudhir Mehra	Remuneration	-	-	1.02
8	Mrs. Tripta Mehra	Mother of Mr. Sanjay Mehra	Remuneration	-	-	1.02
9	Ms. Sanna Mehra	Daughter of Mr. Sudhir Mehra	Interest	-	0.14	0.14
10	Aditya Mehra	Son of Mr. Sanjay Mehra	Interest	0.07	0.09	0.09
11	Mrs. Padma Mehra	Grand Mother of Mr. Sudhir & Mr. Sanjay Mehra	Rent	0.27	0.33	0.36
12	Mrs. Anita Sumani	Wife of Mr. Deepak Sumani	Remuneration	1.08	-	-
13	India Peripherals	Group Concern	Purchases	324.59	746.37	414.33
			Sales	479.10	575.59	236.66
14	Mastermind Computer Consultants	Group Concern	Purchases	-	12.18	680.91
			Sales	-	-	219.24
15	Lens Light	Promoted by Mr. Brijmohan Mehra & Vinod Mehra	Rent Received	-	0.50	0.60

6. Public issue of 56,00,000 equity shares of Rs. 10/- each for cash at par aggregating to Rs. 560 lakhs
7. The investors are requested to note that trading in the securities of the Company will be in dematerialized form only.

8. Investors are advised to refer to the paragraph entitled “Basis for Offer Price” on page ----- of this draft prospectus.

I. GENERAL INFORMATION

A. Name and address of the Company:

ARS SYSTEMS & COMMUNICATIONS LIMITED

(Incorporated on April 10, 2000. Converted from a partnership firm Viz Sangeeta Sales (existing since 1986) vide Chapter IX of the Companies Act, 1956. The certificate of incorporation was received on April 10, 2000 and the certificate for commencement of business was received on May 01, 2000 from Registrar of Companies, Maharashtra.)

Registered & Corporate Office: 41, Pali Hill, Bandra (W), Mumbai – 400 050.

Phone No:26000555, 26480743 Fax:022-26499118 Email: info@arssystems.com

Website: www.arssystems.com

<p>PUBLIC ISSUE OF 56,00,000 EQUITY SHARES OF Rs. 10/- EACH FOR CASH AT PAR AGGREGATING TO RS. 560 LAKHS</p>

AUTHORITY FOR THE PRESENT ISSUE

The present issue of equity shares is being made pursuant to a special resolution passed by the shareholders in accordance with the provisions of Section 81(1A) of the Companies Act, 1956, at the Extraordinary General Meeting held on February 21, 2004. The board of directors of ARS have vide resolution passed at its meeting held on 23rd February 2004 approved the draft prospectus.

LICENSES AND OTHER APPROVALS

No approvals from any Government Authority / Reserve Bank of India are required by the Company to undertake the proposed activities save and except those approvals which may be required to be taken in the normal course of business from time to time.

ELIGIBILITY OF THE COMPANY TO ENTER THE CAPITAL MARKETS

The Company is fulfilling the eligibility criteria as per 2.2.1 of the SEBI Guidelines 2000, and subsequent amendments thereto as shown herein below :

- a. The Company has net tangible assets of atleast Rs.3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets; Provided that if more than 50% of the net tangible assets are held in monetary assets, the Company has made firm commitments to deploy such excess monetary assets in its business/ project.

Net Tangible Assets for preceding 3 years are as follows;

(Rs. in lakhs)

PARTICULARS	2003	2002	2001
Fixed Assets	25.51	27.41	30.69
Investments	-	-	-
Current Assets	774.67	761.59	467.44
Net Tangible Assets	800.18	789.00	498.13

Monetary Assets for preceding 3 years is as follows;

(Rs. in lakhs)

Particulars	2003	2002	2001
Investments	-	-	-
Current Assets	774.67	761.59	467.44
Total	774.67	761.59	467.44

It can be seen from above that the net tangible assets of the Company as of the last date of preceding 3 accounting years has not been less than Rs.3 crores. Since more than 50% of the net tangible assets are held in monetary assets, the Company has given an undertaking to deploy such excess monetary assets in its business/ project.

- b. The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for atleast three out of immediately preceding five years. Extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of the Companies Act, 1956.

Year	Distributable Profits
	(Rs. in lakhs)
31.03.1999	1.24
31.03.2000	3.28
31.03.2001	6.11
31.03.2002	23.21
31.03.2003	43.27

Thus, it can be seen from above that the company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for atleast three out of immediately preceding five years.

- c. The Company has a net worth of atleast Rs. 1 crore in each of the preceding 3 full years (of 12 months each).

Net worth of the Company for preceding 3 full years (of 12 months each) is as follows;

Year	Net Worth
	(Rs. in lakhs)
31.03.2001	135.79
31.03.2002	152.88
31.03.2003	172.95

Thus it can be seen from above that the Company satisfies the criteria of net worth of at least Rs.1 crore in each of the preceding 3 full years (of 12 months each)

- d. In case the company has changed its name within the last one year, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by new name.

The name of the Company has not changed within the last one year.

Thus, it can be seen that the Company satisfies the abovementioned criteria.

e.	Net Worth (31.03.2003) latest audited Balance Sheet) lakhs	:	Rs.	172.95
	5 times pre issue net worth lakhs	:	Rs.	864.75
	Issue Size (including promoters contribution) lakhs	:	Rs.	675.00

Thus the issue size does not exceed five times its pre issue net worth hence the company is eligible to come out with an issue as per SEBI Guidelines.

It shall be noted that ARS has been formed by conversion of partnership firm – Sangeeta Sales on 10th April, 2000 as per Chapter IX of the Companies act 1956. As required under clause 2.2.2B, the financial statements of the partnership business for the years 1998-99 and 1999-2000 conform to and are revised in the format prescribed for companies under the Companies Act, 1956 and also comply with the following :

- a. adequate disclosures are made in the financial statements as required to be made by the companies as per Schedule VI of the Companies Act, 1956;
- b. The financial statements are certified by M/s. Dhirajlal Desai & Co - Chartered Accountants vide their certificate dated February 23, 2004 and it states the following :
 - i. the accounts as revised or otherwise and the disclosures made are in accordance with the provisions of Schedule VI of the Companies Act, 1956; and
 - ii. the accounting standards of the Institute of Chartered Accountant (ICAI) have been followed and that the financial statements present a true and fair picture of the firm's accounts.

PROHIBITION BY SEBI

The Company, its Promoters, Directors or any of the concerns promoted by the promoters / directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

DISCLAIMER CLAUSES

SEBI DISCLAIMER CLAUSE:

It is to be distinctly understood that submission of offer documents 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 offer document. The lead merchant banker, Aryaman Financial Services Limited has certified that the disclosures made in the offer document are generally adequate and are in conformity with SEBI (Disclosures and Investor Protection) guidelines in force for the time being. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue.

It should also be clearly understood that while the issuer company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the offer document, the lead manager is expected to exercise due diligence to ensure that the company discharges its responsibility adequately in this behalf and towards this purpose, the lead manager, M/s. Aryaman Financial Services Limited, has furnished to SEBI a due diligence certificate dated March 3, 2004 in accordance with SEBI (Merchant Bankers) Regulations, 1992, which reads as follows :-

- I. We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc., and other materials in connection with the finalisation of the draft prospectus pertaining to the said issue;**
- II. On the basis of such examination and the discussion with the company, its Directors and other officers, other agencies, independent verification of the statements concerning objects of the issue, projected profitability, price justification and the contents of the documents and other materials furnished by the company,**

We confirm that :-

- A. The offer document 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 and 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 offer document are true, fair and adequate to enable the investors to make a well-informed decision as to the investment in the proposed issue.**

III. We confirm that beside ourselves, all the intermediaries named in the prospectus are registered with SEBI and that till date such registration is valid.

IV. We certify that written consent from shareholders has been obtained for inclusion of their securities as part of promoters' contribution subject to lock-in and the securities proposed to form part of promoters' contribution subject to lock-in, will not be disposed / sold / transferred by the promoters during the period starting from the date of filing the draft prospectus with the board till the date of commencement of lock-in period as stated in the draft prospectus.

The filing of offer document does not, however, absolve the company from any liabilities under Section 63 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed issue. SEBI, further reserves the right to take up, at any point of time, with the lead manager(s) (Merchant Bankers) any irregularities or lapses in offer document.

GENERAL DISCLAIMER

It should be noted that Company accepts no responsibility for statements made otherwise than in the Prospectus or in the advertisement or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at his / her own risk.

All information shall be made available by the company and the Lead Manager to the issue 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.

FILING

A copy of this prospectus having attached thereto the documents required is filed with SEBI, Mumbai. A copy of the draft prospectus has also been filed with the Stock Exchange, Mumbai. A copy of this prospectus, having attached thereto, the documents required to be filed under Section 60 of the Companies Act, 1956, (hereinafter referred to as the "ACT") will be delivered for registration with the Registrar of Companies, Maharashtra at Mumbai.

LISTING

Initial listing application has been made to The Stock Exchange, Mumbai (BSE) for permission to deal in and for an official quotation of the equity shares now being issued in terms of this Prospectus. BSE will be the Designated Stock Exchange.

In case the permission to deal in and for official quotation of the shares is not granted by the Stock Exchanges, the Issuer shall forthwith repay without interest, all monies

received from applicants in pursuance of this Offer Document and if such money is not repaid within 8 days after the day from which the company become liable to repay it from the date of refusal or within 70 days from the offer closing date, whichever is earlier, then the Company and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money with interest at the rate of 15% per annum on application money , as prescribed under Section 73(2) of the Companies Act.

CORPORATE GOVERNANCE

“The SEBI Guidelines in respect of Corporate Governance shall be applicable to the company immediately upon listing of its shares on the various stock exchanges. The Company undertakes that it shall take necessary steps to comply with all the requirements of the guidelines on Corporate Governance as would be applicable. In this regard, the Company will take steps to further broad base its Board of Directors and also set-up the necessary committees as per the requirements of the revised guidelines.”

APPLICATION IN FICTITIOUS NAMES

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

"Any person who –

- i) makes in a fictitious name an application to a Company for acquiring, or subscribing for any Shares therein, or**
- ii) 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 the Company does not receive the minimum subscription of 90% of the issued amount, on the date of closure of the issue or if the subscription level falls below 90% after the closure of the issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act, 1956.

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ISSUE PROGRAMME

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON THE DATES AS MENTIONED BELOW.

ISSUE OPENS ON	
ISSUE CLOSES ON	
EARLIEST CLOSING DATE	

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ISSUE MANAGEMENT TEAM

LEAD MANAGER TO THE ISSUE		REGISTRARS TO THE ISSUE
 ARYAMAN FINANCIAL SERVICES LIMITED SEBI REGN. NO. : MB/INM000006807 208, Maker Chambers V, 2 nd Floor, Nariman Point, Mumbai – 400021 Contact Person : Mr. Alpesh Parmar		BIGSHARE SERVICES PRIVATE LIMITED. SEBI REGN. NO. INR 1385 E-2 Ansa Industrial Estate Saki Vihar Road, Saki Naka, Andheri East Mumbai – 400072 Contact Person: Mr. Mahindra Gaur/ Mr. Satish Tel: 28560652 / 53 Fax: 28525207

Tel : (022) 2282 6464, 2288 3134 Fax : (022) 22882590 E-mail : afsl@vsnl.com	Email : bigshare@bom7.vsnl.net.in
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AUDITORS	BANKERS TO THE COMPANY
Dhirajlal Desai & Co. Chartered Accountants A-33, Navyug Niwas, 167, Lamington Road, Opposite Minerva Cinema, Mumbai – 400 007.	Oriental Bank of Commerce Ajay Apartments, S.V. Road, Santacruz (West), Mumbai – 400 054

COMPANY SECRETARY	COMPLIANCE OFFICER
The Company has not yet appointed the Company Secretary.	Mr. Sudhir Mehra 41, Pali Hill, Bandra (W), Mumbai – 400 050

The investors are hereby invited to contact Mr. Sudhir Mehra (Compliance Officer) in case of any pre/post issue related problems such as non-receipt of letter of allotment/ share certificates / refund orders.

BANKERS TO THE ISSUE

UNDERWRITERS TO THE ISSUE

Underwriting being optional, the Company does not propose to underwrite the issue.

BROKERS TO THE ISSUE

All the brokers of the Designated Stock Exchange in India will be brokers to the issue.

CREDIT RATING

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

TRUSTEES

Since the proposed issue is of equity shares only, trustee is not required to be appointed.

II. CAPITAL STRUCTURE OF THE COMPANY

	PARTICULARS		NOMINAL VALUE Rs.
A.	AUTHORISED CAPITAL		
	89,00,000	Equity Shares of Rs.10/- each	8,90,00,000
B.	ISSUED, SUBSCRIBED & PAID UP CAPITAL		
	13,03,433	Equity Shares of Rs.10/- each	1,30,34,330
C.	PRESENT ISSUE		
	67,50,000	Equity Shares of Rs.10/- each for cash at par	6,75,00,000
D.	OUT OF WHICH		
	11,50,000	Equity Shares of Rs.10/- each for cash at par is reserved for Promoters, Directors, Relatives, Friends & Associates	1,15,00,000
E.	NET OFFER TO PUBLIC IN TERMS OF THIS PROSPECTUS		
	56,00,000	Equity Shares of Rs.10/- each for cash at par	5,60,00,000
F.	PAID UP CAPITAL AFTER THE ISSUE		
	80,53,433	Equity Shares of Rs.10/- each	8,05,34,330

- a. The authorised share capital of the company was increased from Rs. 1.40 crores to Rs. 8.90 crores through a special resolution passed at the Extra Ordinary Meeting held on February 21, 2004. The ROC formalities relating to the same are yet to be completed.

- b. In view of the proportionate Basis of Allotment in the event of over-subscription, to ensure Allotment in marketable lots (in terms of SEBI RMB (DIP Series) Guidelines 2000, the Company will make such adjustments in the basis of Allotment as may be necessary in consultation with the Designated Stock Exchanges / Securities and Exchange Board of India and consequently the allotment may go up by a maximum of 10% of the Net offer to the public as a result of which the post issue paid up capital after the issue would also increase by the excess amount of allotment so made. In such an event, the shares held by the promoters and subjected to lock in, shall be suitably altered, so as to ensure that 20% of the ultimate post issue capital is locked in.

Notes to the Capital Structure:-

-

- a. The Promoter group presently holds 13,03,433 Equity Shares i.e. 100% of the share capital of the Company. The Promoter Group's holding after the issue shall be 30.46% of the Post Issue paid- up capital.

- b. Details of Shares held by Promoter group and lock in period are as follows :-

(i) Shares held by the Promoter group: -

S. No.	Date of Allotment	Date when made fully paid-up	Consideration (Cash, Bonus, Kind, etc.)	No. of Shares	Face Value Rs.	Issue Price Rs.	%age of Post Issue Capital	Lock in period
1.	10.04.2000 (Subscribers to the Memorandum)	10.04.2000	Cash	8,42,726	10/-	10/-	10.46	1 year
2.	10.04.2000 (Subscribers to the Memorandum)	02.04.2002	Cash	20	10/-	10/-	Nil	1 year
2.	10.04.2000 (Subscribers to the Memorandum)	10.04.2000	Cash	4,60,687	10/-	10/-	5.72	3 years
3.	To be brought in by the promoters		Cash	11,50,000	10/-	10/-	14.28	3 years
	TOTAL			24,53,433			30.46	

The lock-in-period for the shares would commence from the date of allotment of this issue or from the date of commencement of commercial operation, whichever is later

- c. Details of contribution and lock-in in respect of core promoters whose name figures in the paragraph on “promoters and their background”

Sr. no.	Name of the promoter	Date of allotment	Date of transfer	Date when made fully paid up	Consideration	No. of shares	Face Value (Rs.)	Issue price (in Rs.)	% of post issue paid up capital	Lock in period
1.	Mr. Sudhir Mehra	10-04-2000	NA	10-04-2000	Cash	2,60,682	10/-	10/-	3.64	3 years
		NA	31-05-2002	31-05-2002	Cash	1,30,342	10/-	10/-	1.82	1 year
	TOTAL					391024				
2.	Mr. Sanjay Mehra	10-04-2000	NA	10-04-2000	Cash	1,30,341	10/-	10/-	1.82	3 years
		NA	31-05-2002	31-05-2002	Cash	1,30,340	10/-	10/-	1.82	1 year
	TOTAL					260681				

- d. Details of Sale / Purchase / Financing of Shares by Promoters / Directors :-

The Promoters Group / Directors have not purchased and or sold / financed any shares of the Company during the past six months except the allotment of Equity Shares made to the promoters group for the application money brought in by them.

- e. The Promoters, Directors and Lead Merchant Banker of the Issue have not entered into any buy-back or "similar" arrangement for the securities being issued through this prospectus.
- f. The securities offered through this offer document shall be made fully paid up or shall be forfeited within 12 months from the date of allotment of the securities.
- g. List of top 10 Shareholders of the Company :-

Sr. No.	Name of the Top Ten Shareholders	Ten days prior to date of filing with SEBI (No. of	On the date of filing with SEBI (No. of shares)
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		shares)	
1	Mr. Sudhir Mehra	391024	391024
2	Mrs. Usha Mehra	260682	260682
3.	Mrs. Tripta Mehra	260682	260682
4.	Mr. Sanjay Mehra	260681	260681
5.	Mr. Vinod Mehra	65172	65172
6.	Mr. Brijmohan Mehra	65172	65172
7.	Mr. Sanjiv Mehrotra	10	10
8.	Mr. Sanjay Gupta	10	10

As on two years prior to the filing of the offer document with SEBI

Sr. No.	Name of the Top Ten Shareholders	Two years prior to date of filing with SEBI (No. of shares)
1	Mr. Sudhir Mehra	260682
2	Mrs. Usha Mehra	260682
3	Mrs. Tripta Mehra	260682
4	Mrs. Nita Mehra	260682
5	Mr. Sanjay Mehra	130341
6	Mr. Vinod Mehra	65172
7	Mr. Brijmohan Mehra	65172
8	Mr. Sanjiv Mehrotra	10
9	Mr. Sanjay Gupta	10

h. Bridge Loans

The Company has not resorted to any kind of bridge loan or stand-by arrangement for incurring expenditure on the project that would be repaid out of Issue proceeds.

i. Commitment of Issue of Shares in Future :-

The Shareholders of the Company do not hold any warrant, options, convertible loan or any debenture, which would entitle them to acquire further shares of the Company.

j. The marketable lot of shares will be One share since the shares are to be traded under demat. As the process of rounding off to the nearest multiple of 100 may result in the actual allotment being higher than the shares offered, the final allotment may be higher up to 10% of the size of the issue.

k. Investors may note that in case of over-subscription, the allotment will be on proportionate basis:

- a. A minimum of 50% of the net offer of securities to the Public shall initially be made available for allotment to retail individual applicants, as the case may be.
- b. The balance net offer of securities to the public shall be made available for allotment to
 - i. individual applicants other than retail individual investors, and;
 - ii. other investors including corporate bodies/ institutions irrespective of the number of shares, debentures, etc. applied for.
- c. The unsubscribed portion of the net offer to any one of the categories specified in (a) and (b) shall/ may be made available for allotment to applicants in the other category, if so required.

l. No single applicant can make an application for number of securities, which exceeds the securities offered.

m. The Company has not re-valued its assets since inception. The Company has not purchased any, assets from the promoters and has not allotted any shares in consideration thereof.

n. As on 31.03.2003, total paid up equity share capital is Rs.130.34 Lakhs. Total numbers of Shareholders are 8.

- o. Present Shareholding pattern of the Company (No. of Shares)

	Pre-issue shareholding		Post issue shareholding	
	No. of shares	%age	No. of shares	%age
Promoters	13,03,433	100.00	24,53,433	30.46
Public	NIL	NIL	56,00,000	69.54
Total	13,03,433	100.00	80,53,433	100.00

- p. The promoters` contribution shall be brought in denomination of minimum Rs. 25,000 per application from each individual and minimum Rs. 1,00,000 from firms and companies (not being business associates like dealers and associates) as applicable. No shares forming part of the Promoters` contribution consist of any private placement made by solicitation of subscription from unrelated persons either directly or indirectly. Specific written consent has been obtained from the Promoters in respect of the lock-in on their respective shareholding.
- q. No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by the issuer company or the promoters to the persons who receive firm allotment in the public issue.
- r. The issuer shall undertake that at any given time there shall be only one denomination for the shares of the Company and that the issuer shall comply with such disclosure and accounting norms specified by SEBI from time to time.
- s. The issuer shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from the submission of offer document to SEBI for public issue till the securities referred in the offer document have been listed or application moneys refunded on account of failure of issue.
- t. The company does not have any proposal, intention, negotiations, consideration to alter the capital structure by way of split / consolidation of the denomination of the shares, or issue of shares on preferential basis or issue of bonus or rights or further

public issue of shares or any other securities, within a period of 6 months from the date of opening of the present issue

III. TERMS OF THE PRESENT ISSUE

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81 (1A) of the Act, the present issue of Equity Shares has been authorised by the Shareholders of the Company by a Special Resolution passed at the Extra Ordinary General Meeting of the Company held on February 21, 2004.

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

The Equity Shares being issued are subject to the terms of this Prospectus, the terms and conditions contained in the Application Form, the Memorandum and Articles of Association of the Company, provisions of the Act, other applicable Acts and the Letters of Allotment / Equity Share Certificates or other documents and the Guidelines issued from time to time by the Government of India and SEBI.

FACE VALUE

Each Equity Share shall have a face value of Rs.10/-

INTEREST IN CASE OF DELAY IN DESPATCH OF ALLOTMENT LETTERS / REFUND ORDERS

The company agrees that as far as possible allotment of securities offered to public shall be made within 30 days of the closure of public issue. The company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants within 30 days from the date of closure of the issue.

JURISDICTION

This Offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized 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, or any other Trust law and who are authorized under their constitution to hold and invest in shares) and to NRIs, and FII's as defined under the Indian laws. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this draft Prospectus comes is required to inform himself 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 India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this draft Prospectus has been submitted to the SEBI and to the Stock Exchanges where the securities are proposed to be listed. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction.

DISTRIBUTION OF INFORMATION TO INVESTORS

All information shall be made available by the Lead Manager and the Company to the public and investors at large and no selective or additional information would be available to section of investors in any manner, whatsoever.

RANKING OF EQUITY SHARES

The Equity Shares to be issued vide this prospectus shall be subject to the Memorandum & Articles of Association of the Company and shall rank pari-pasu with the existing equity shares of the company in all respects including dividend.

TERMS OF PAYMENT

The application should be for a minimum of 200 equity shares and thereafter in multiples of 100. The amount payable is as under:

- Promoters group - Rs. 10/- per share on application.
- Others - Rs. 10/- per share payable as follows :-

Particulars	Total (Rs.)
On Application	5.00
On Allotment	5.00
TOTAL	10.00

Where an applicant is allotted lesser number of shares than he/she has applied for, the excess amount paid on application will be adjusted against the allotment money payable, if any, on the equity shares allotted to him/her and the balance amount if any remaining thereafter will be refunded to the applicant in the manner elsewhere in the offer document.

NOMINATION FACILITY TO INVESTOR

In accordance with Section 109 A of the Companies Act, the sole or first holder, along with other joint holders, may nominate any one person in whom, in the event of the death of sole holder or in case of joint holders, death of all the holders, 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(SEBI) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(SEBI) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment/transfer of Equity Shares in the offer will be made only in dematerialized form, 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 to change the nomination, they are requested to inform their respective depository participate.

RIGHTS OF THE MEMBERS

1. Right to receive dividend if declared.
2. Right to attend general meeting and exercise voting rights unless prohibited by law.
3. Right to vote either personally or by proxy.
4. Right to receive offer for rights shares and be allotted bonus shares.
5. Right to receive surplus on liquidation.
6. Right to nominate

HOW TO APPLY

GENERAL INSTRUCTIONS

Availability of Prospectus & Application Forms

Application forms along with Memorandum containing salient features of the prospectus may be obtained from the Registered office of the Company, Lead Managers, Brokers and Bankers to the Issue named herein or from their branches, as stated in the Application Form. A copy of the Prospectus may be obtained from the Lead Manager to the issue or from the Registered office of the Company.

Who Can Apply

Applications may be made by: -

- a) Indian nationals resident in India who are majors, in single or joint names (not more than three)
- b) Hindu Undivided Families in the individual name of the Karta.
- c) Companies, Corporate Bodies and / Societies registered under the applicable law in India and authorised to invest in the shares.
- d) Indian Mutual Funds registered with SEBI, Indian Financial Institution, Commercial Banks and Regional Rural Banks, Co-operative Banks may also apply subject to permission from RBI.
- e) Trusts registered under Society Registration Act, 1860, or any other Trust law and are authorised under their constitution to hold and invest in shares.
- f) Permanent and regular employees of UAL and its subsidiaries, if any.
- g) Non Resident Indians on repatriable basis.

PROCEDURE OF MAKING APPLICATION

Application By Resident Indian Public

Application must be :-

- a. Application must be made only in the prescribed application form.
- b. Completed in full in block letters in English except signatures in accordance with the instructions contained herein and in the Application form. Applications not so made are liable to be rejected.
- c. For a minimum of 200 equity shares and in multiples of 100 thereafter.
- d. In the name of Resident Indian Individuals, limited companies, statutory corporations / institutions incorporated in India, Indian Mutual Funds registered with SEBI and Banks. Applications in the name of minors, foreign nationals, Trusts not registered under the Societies Registration Act, 1860, or any other Trust laws, partnership firms or their nominees will be treated as invalid.
- e. Applicants residing at places where no collection centres have been opened may submit / mail their applications at their sole risk along with application money due there unto by Demand Draft to the Registrar to the Issue, superscribing the envelope "**ARS SYSTEMS & COMMUNICATIONS LTD.- PUBLIC ISSUE**" so as to reach the Registrar on or before the closure of the Subscription List. Such demand drafts should be payable at Mumbai only. The charges, if any, for purchase of the demand draft will have to be borne by the applicant.
- f. All cheques / bank drafts accompanying the application should be crossed " A/c payee only" and made payable to any of the Bankers to the Issue and lodged at any of their nominated branches and should bear the words "**BANK NAME A/C ARS SYSTEMS & COMMUNICATIONS LTD. - PUBLIC ISSUE**".
- g. Applicants should indicate the application numbers on the reverse of the instrument through which the payment is made.
- h. Thumb impression or signature in language other than English, Hindi or any other language specified in the 8th Schedule of the Constitution of India must be attested by Magistrate or Notary Public or a special Executive Magistrate under his official seal.
- i. All communications should be addressed to the Registrar to the Issue.
- j. The applicant should mention the Application Form number on the reverse of the instrument through which payment is made.

For further instructions please read Application Form carefully.

APPLICATIONS WHICH ARE NOT COMPLETE IN EVERY RESPECT OR IN CONTRAVENTION OF ANY PROVISIONS/ INSTRUCTIONS CONTAINED IN THIS OFFER DOCUMENT OR IN, THE MEMORANDUM CONTAINING SALIENT FEATURES OF OFFER DOCUMENT ARE LIABLE TO BE REJECTED.

APPLICATION BY INDIAN MUTUAL FUNDS / BANKS AND FINANCIAL INSTITUTIONS

Application by Mutual Funds and Financial Institutions / Banks must be made only: -

1. On the prescribed PINK application form which can be obtained from the Registered Office of the Company, Lead Managers and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein, and is liable to be rejected if not so made.
2. All cheques or drafts accompanying form should be drawn in favors of the Bankers to the Issue, with whom the application is lodged and marked "..... Bank Ltd A/C ARS SYSTEMS & COMMUNICATIONS LTD.- MF (for Mutual Funds) / Bank Ltd A/C ARS SYSTEMS & COMMUNICATIONS LTD.- FI/BANK (for Financial Institutions / Banks) (for example "..... Bank Ltd A/C ARS SYSTEMS & COMMUNICATIONS LTD. MF / FI / BANK") and crossed A/C PAYEE ONLY".
3. For minimum of 10,000 Shares and in multiples of 1000 shares thereafter.
4. Payments should be made in Cash or by Cheque / Bank Draft drawn on any bank (including a co-operative bank) which is situated at and is a member or sub-member of the Bankers Clearing House located at the centre where the application form is submitted. Outstation cheques / bank drafts will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Money orders / postal orders will not be accepted.
5. All application forms duly completed together with cash / cheques / bank drafts for the amounts payable thereon, must be delivered before the closure of the subscription list to any of the Bankers to the Issue named herein or to any of the branches of Bankers to the Issue at the places mentioned against their name in the application form and NOT to the Company or Lead Manager or Registrars to the Issue.

6. A separate application can be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such application will not be treated as multiple application provided that the applications made by the AMCs / Trustees / the custodians clearly indicate the intention as to each scheme for which application has been made.

Other terms and conditions as mentioned under "Application by Resident Indian Public" to the extent applicable, shall apply mutatis-mutandis.

Application by NRIs /FIIs

1. On the prescribed BLUE application form which can be obtained from the Registered Office of the Company, Lead Managers and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein, and is liable to be rejected if not so made.
2. In the case of NRIs applications must be in the name of individuals or bodies corporate predominantly owned (at least to the extent of 60%) by Non-resident individuals of Indian nationality/origin and NOT in the name of firms, partnership firms, foreign nationals or their nominees. Application by Bodies corporate must be accompanied by a certificate in the prescribed form OAC / revised OAC-1 from an Overseas auditor/Chartered Accountant/Certified Public Accountant.
3. Application forms duly completed together with remittance from abroad to the extent of application money payable through approved banking channels or out of the funds held in NRE / FCNR Account maintained with Banks authorised to deal in foreign exchange in India, along with a certificate from the Bank issuing the draft confirming that the draft has been issued by debit to the NRE / FCNR Account must be delivered before the closure of the Subscription list to any of the Bankers to the Issue or to any of their branches mentioned on the reverse of the prescribed Application form and NOT to the Company or to the Managers to the Issue or Registrars to the Offer (save as otherwise provided elsewhere mentioned in this Prospectus). For further instructions, please read the application form carefully.
4. In case payment is made out of Non-resident ordinary accounts, the application shall be treated as an application without repatriation.

5. Refunds, interest, dividends and other distributions, if any will be payable in Indian Rupees only in the case of applicants who remit their application money from funds held in NRE / FCNR accounts. Such payments shall be credited to their respective NRE / FCNR accounts. Such payments shall be credited to their respective NRE / FCNR account, details of which should be furnished in the space provided for this purpose in the application form. In case of applicants who remit their money abroad, such payments in Indian Rupees will be converted into US Dollars or any other currency as may be permitted by RBI at the rate of exchange prevailing at the time of remittance and will be dispatched through Registered Post for refund and by Ordinary Post for interest, dividend and other distributions at the applicant's risk or at the request of the applicants would be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the application form. The exchange risk on such refunds and other distributions shall be exclusively borne by the applicants.
6. Applicants, who have applied under Repatriation benefits, shall fill up all the particulars required under the head 'Particulars of Remittance' in the application form.
7. Allocation of the equity shares under this category with repatriation will be subject to the approval of Reserve Bank of India.

INSTRUCTIONS FOR PAYMENT

Payments should be made in cash or cheque or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member or a sub-member of the Bankers' "Clearing House" located at the Centres (indicated in the Application Form) where the Application is accepted. A Separate cheque /demand draft should accompany each Application. Applicants are requested to mention the number of application form on the reverse of the instruments, to avoid misuse of the instrument.

Money orders, postal orders, outstation cheques or demand drafts, cheques / draft drawn on banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected. Bank charges, if any for the purchase of the instrument will have to be borne by the applicant.

In case payment is effected in contravention of the conditions mentioned herein, the application money will be refunded and no interest will be paid thereon.

APPLICATION(S) WILL NOT BE ACCEPTED BY THE LEAD MANAGER OR REGISTRAR TO THE ISSUE.

GENERAL INFORMATION

JOINT APPLICATION

An application may be made in single or joint names (not more than three) as mentioned elsewhere in the prospectus. In case of a joint application, refund pay order (if any) and dividend/warrants etc. will be made out in favour of the first applicant.

All communication will be addressed to the applicant whose name appears first and will be dispatched

to the first applicant's address stated in the Application Form.

MULTIPLE APPLICATIONS

An applicant should submit only one application (and not more than one) for the total number of equity shares required. Applications may be made in single or joint names (not more than three). Two or more applications, in single and / or in joint names will be deemed to be multiple applications if the sole and / or first applicant is one and the same. The Board reserves the right to reject in its absolute discretion all or any multiple application(s).

MULTIPLE APPLICATIONS BY MUTUAL FUNDS

However separate applications can be made in respect of each scheme of Indian Mutual Fund registered with SEBI and that such applications will not be treated as multiple application provided that the applications made by AMC/ Trust/Custodians clearly indicated their intention as to each scheme concerned for which application has been made.

APPLICATION UNDER POWER OF ATTORNEY OR BY LIMITED COMPANIES

In case of applications under power of attorney or by limited companies or body corporates or societies, the relevant power of attorney or the relevant resolution or authority to make the application, as the case may be, together with a certified true copy thereof along with a copy of Memorandum and Articles of Association and / or byelaws must be attached to the application form at the time of making the application or lodged for scrutiny separately indicating the serial number of the application form with the Registrars to the issue.

SECTION 269SS OF INCOME TAX ACT, 1961

Having regard to Provision of Section 269SS of the Income Tax Act, 1961, the subscription against the equity shares application for an amount of Rs.20,000/- or more should not be effected in cash and must be offered only by an A/c. payee cheque / bank draft. In case payment is effected in contravention of this provision, the application is liable to be rejected and application money will be refunded without interest.

DISCLOSURE OF P.A.N/ G.I.R. NUMBER

Where an application is for allotment of equity shares for a total value of Rs.50,000/- or more i.e. the total number of securities applied for multiplied by the Issue price is Rs.50,000/- or more, the applicant or in the case of application in joint names, each of the applicants should mention his/her permanent account number (PAN) allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR number and the Income Tax Circle / Ward / District should be mentioned. In case where neither the PAN nor the GIR number has been allotted, the fact of non allotment should be mentioned in the application form. Application forms without this information will be considered incomplete and will be liable to be rejected.

Further to this, if the amount payable on application is Rs.20,000/- or more, such payment should not be effected in cash and must be effected only by way of an Account Payee cheque or an Account Payee draft, in terms of Section 269 SS of the Income Tax Act, 1961. Otherwise the application will be rejected and application money refunded without any interest.

PARTICULARS RELATING TO SAVING BANK / CURRENT ACCOUNT NUMBER:

The applicant shall have to mention particulars relating to his saving bank / current account number and the name of the bank with whom such account is held in the respective spaces provided in the application form, to enable the registrars to print the said details in the refund orders after the names of the payee to prevent fraudulent encashment of refund order(s). Application forms without this information will be considered incomplete and will be liable to be rejected.

APPLICATION(S) WILL NOT BE ACCEPTED BY THE LEAD MANAGER OR REGISTRAR TO THE ISSUE

ALLOTMENT MONEY AND FORFEITURE

Failure to pay the amount due on allotment on or before the appointed date for payment thereof will render the allottee liable to pay interest at the rate of 15% per annum or such other lower rate as the Board of Directors may determine on the amount outstanding from the date so appointed for payment thereof to the time of actual payment and will also render the Equity Shares including the amount already paid liable for forfeiture in terms of the Articles of Association of the company.

DISPOSAL OF APPLICATION AND APPLICATION MONEY

No receipt will be issued for application money. However, the Bankers to the issue receiving the application will acknowledge the receipt of the application by stamping and returning the detachable acknowledgement slip appended to each application.

The sum received in respect of the issue will be kept in separate bank accounts and the Company will not have any access to the funds unless approval of the Designated Stock Exchange i.e. The Stock Exchange, Mumbai, is obtained for the Basis of Allotment and listing Approval is obtained from all the stock exchanges where the shares are proposed to be listed.

The Company reserves the full unqualified and absolute right to accept or reject any application in whole or part and in either case without assigning any reason thereof.

ALLOTMENT LETTERS AND REFUND ORDERS

After the Company has received the minimum subscription, it will proceed to complete the allotment formalities. After allotment all investors will receive credit for these shares directly in their depository accounts.

The dispatch of refund orders and demat credit would be completed and the allotment and listing documents shall be submitted to the stock exchange within 2 working days of the finalisation of the basis of allotment.

All steps for completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the securities are to be listed shall be taken within 7 working days of finalisation of the basis of allotment.

Allotment Letter(s) and/or /Letter of Regret as the case may be together with refund cheques / pay order shall be dispatched by registered post (refund cheques / pay order of value up to Rs. 1500/- by ordinary post under postal certificate) at the sole/first named applicant address within 10 weeks from the date of closing of the subscription list. If such money is not repaid within 8th day from the day the company becomes liable to pay. The Company and every Director of the Company who is an officer in default shall on and from the expiry of the 8th day be jointly and severally liable to repay that money with interest @ 15% per annum. In case of joint applications, Refund Orders, if any, will be made out in the First applicant's name and all communication will be addressed to the person whose name appears first on the Application form.

Where the permission has been applied for dealing and listing of the equity shares in the stock exchanges referred to above and if such permission has not been granted by the Stock Exchange within 78 days of closure of the Issue, then the Company shall forthwith repay with interest all monies received from applicants in pursuance of this letter of Issue and if any such money is not refunded within 8 days after the Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the closure of the subscription list, whichever is earlier), the Company and every Director of the Company who is an officer in default, shall on and from the expiry of the 8 days be jointly and severally liable to repay the money with interest @15 % p.a. If however an appeal against the decision of any recognised Stock Exchange refusing permission for the shares to be dealt in the Stock Exchange has been preferred under Section 22 of the Securities Contract Regulation Act, 1956 any Allotment made under this letter of Issue shall not be void until the appeal is dismissed.

Refunds will be made by cheques or pay orders drawn on the bank(s) appointed by the company as refund banker. Such instruments will be payable at par at the places where applications are accepted. Bank charges, if any, for encashing such cheques or pay orders will be payable by the applicant

BASIS OF ALLOTMENT

In the event of public issue of equity shares being over-subscribed, the basis of allotment will be finalised by the Board of Directors of the Company in consultation with Designated Stock Exchange i.e. The Stock Exchange, Mumbai, Lead Manager & Registrar to the Issue in marketable lots and on a proportionate basis.

The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the Designated Stock Exchange i.e. The Stock Exchange, Mumbai. The basis of allotment shall be signed as correct by the Executive Director/Managing Director of the Designated Stock Exchange i.e. The Stock Exchange, Mumbai and the public representative (where applicable) in addition to the lead merchant banker responsible for post issue activities and the Registrar to the Issue.

DEPOSITORY OPTION TO INVESTORS

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AS PER SEBI GUIDELINES TRADING IN SECURITIES OF COMPANIES MAKING A PUBLIC OFFER SHALL BE IN DEMATERIALISED FORM ONLY.

The Company shall issue the securities only in dematerialized form as per Section 68 B of Companies Act, 1956. Details of Depositories Account is mandatory and applications without Depository account would be treated as incomplete and rejected. Investors will not have the option of getting the allotment of physical shares. However, they may get the shares rematerialized subsequent to allotment.

The Company shall make an application for dematerialization of its shares to NSDL and CDSL for tripartite Agreement through the Registrars to the Issue.

- a. The Company shall enter into a tripartite agreement between the Company, the Registrar and the depository Participant viz NSDL/ CDSL.
- b. Investors who wish to apply for equity shares need to have at least one Beneficiary Account with a Depository Participant prior to the application.
- c. Allotment Advice / Refund orders will be directly send to the investors by the Registrar.
- d. If incomplete / incorrect investor account details are given in the application form; it may result in rejection of application form.
- e. Responsibility for correctness of applicant's demographic details given in the Application Form vis-à-vis those with his / her Depository Participant, would rest with the investor.
- f. Shares in electronic form can be traded only in Stock Exchange having electronic connectivity with NSDL./CDSL

UNDERTAKING BY THE ISSUER COMPANY

The Issuer Company accepts that:

- a). The complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily.

- b). All steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed shall be taken within 7 working days of finalisation of basis of allotment.
- c). The issuer company shall apply in advance for the listing of equities on the conversion of Debentures/ Bonds
- d). The funds required for dispatch of refund orders/allotment letters / certificates by registered post shall be made available to the Registrar to the Issue by the issuer company,
- e). The promoters' contribution in full , wherever required, shall be brought in advance before the Issue Opens for public subscription and the balance, if any, shall be brought in pro rata basis before the calls are made on public,
- f). The certificates of the shares / refund orders to the non-residents Indians shall be dispatched within specified time.
- g). No further issue of securities shall be made till the securities offered through this offer document are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.
- h). Necessary co-operation with the credit rating agency(ies) shall be extended in providing true and adequate information till debt obligations in respect of the instrument are outstanding.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors of the Company undertake that:

- (a) All the monies received out of shares or debentures to public shall be transferred to a separate bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) Details of all monies utilised out of the issue referred to in sub-item (i) shall be disclosed under an appropriate head in the Balance Sheet of the Company indicating the purpose for which such monies had been utilised; and
- (c) Details of all unutilised monies out of the issue of shares or debentures, if any, referred to in sub-item (i) shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the form in which such unutilised monies have been invested.

DECLARATION:

The Board of Directors of the Company declare that :

1. The utilisation of monies received under promoters' contribution and from firm allotments and reservations shall be disclosed under an appropriate head in the Balance Sheet of the company indicating the purpose for which such monies have been utilised.
2. The details of all unutilised monies out of funds received under promoters contribution and from firm allotments and reservations shall be disclosed under a separate head in the Balance Sheet of the company indicating the form in which such unutilised monies have been invested.

TAX BENEFITS

The company has been advised by the Auditors of the company, M/s. Dhirajlal Desai & Co. vide their letter dated February 20, 2004 that under the current provisions of the Income Tax Act, 1961 and the existing laws for the time being in force, the following benefits, inter-alia, will be available to the company and the members :-

TAX BENEFITS TO THE COMPANY AND ITS SHARE HOLDERS

I. BENEFITS AVAILABLE TO THE COMPANY

Under the Income Tax Act, 1961 (hereinafter referred to as the IT Act):

- (i) The Company will be entitled to claim depreciation allowance at the prescribed rates on tangible and intangible assets under Section 32 of the IT Act.
- (ii) Dividend income referred to in section 115-O earned by the Company from domestic companies, will be exempt under section 10(34) of the IT Act. Similarly income received by the Company in respect of units of Mutual Funds specified under clause 10(23D) will be exempt under section 10(35) of the IT Act.

- (iii) The Company will be entitled to a deduction equal to 30% in respect of profits from export of goods for the assessment year 2004-05 under Section 80HHC of the IT Act subject to availability of gross total income.

II. BENEFITS TO THE MEMBERS OF THE COMPANY

Under the Income Tax Act, 1961 (hereinafter referred to as the IT Act):

(a) RESIDENTS:

- (i) Dividend Income earned on shares of the Company will be exempt in the hands of shareholders under section 10(34) of the IT Act.
- (ii) No Income Tax will be deducted at source under the provisions of section 194 of the Income Tax Act by the company from the dividends distributed by it to its shareholders.
- (iii) In terms of section 10(36) of the IT Act, any income arising from the sale of equity shares in a company through a recognized stock exchange, allotted through a public issue on or after 1st day of March, 2003 and before the 1st day of March, 2004 and listed in a recognized stock exchange in India before 1st day of March, 2004 and held for a period of twelve months or more will be exempt from tax.
- (iv) In accordance with Section 48 of the IT Act, long term capital gains arising out of the sale of shares of the Company shall be computed after indexing the cost of acquisition / improvement and by deducting expenditure incurred wholly and exclusively in connection with such sale from the sale proceeds. Under Section 112 of the IT Act, such capital gains shall be taxed at the rate of 20% (plus surcharge as applicable). However as per the proviso to Section 112 of the IT Act, where the tax payable in respect of any income arising from a long term capital asset, being listed securities, exceeds ten percent of the amount of capital gains before giving effect to the provisions of second proviso to section 48, then such excess shall be ignored for the purpose of computing the tax payable by the assessee.

In case of individuals and HUF's, where the total income as reduced by long term capital gains is below the maximum amount which is not chargeable to tax, then such long term capital gains will be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income tax and only the balance long term capital gains will be subjected to tax in terms of proviso to sub section (1) (a) of section 112 of the IT Act.

- (v) In accordance with, and subject to the conditions and to the extent specified in Section 54EC of the IT Act, long term capital gains arising on transfer of the shares of the Company shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase of long-term specified assets.
- (vi) In accordance with, and subject to the conditions and to the extent specified in Section 54ED of the IT Act, long term capital gains arising on transfer of the shares of the Company shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in acquiring Equity Shares forming part of an eligible issue of capital.
- (vii) In accordance with, and subject to the conditions and to the extent specified in Section 54F of the IT Act, long term capital gains arising on transfer of the shares of the Company held by an Individual or Hindu Undivided Family shall be exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, for the purchase of a new residential house, or is utilized for construction of a residential house within three years.

(b) NON-RESIDENTS:

- (i) Dividend Income earned on shares of the Company will be exempt in the hands of shareholders under section 10(34) of the IT Act.
- (ii) In accordance with, and subject to Section 48 of the IT Act, capital gains arising out of transfer of capital assets being shares in the Company shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer of the capital assets into the same foreign currency as was initially utilized in the purchase of shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing / arising from every reinvestment thereafter and sale of shares of the Company.
- (iii) In accordance with, and subject to the conditions and to the extent specified in Section 54EC of the IT Act, long term capital gains arising on transfer of the shares of the Company shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase of long-term specified assets.
- (iv) In accordance with, and subject to the conditions and to the extent specified in Section 54ED of the IT Act, long term capital gains arising on transfer of the shares of the Company shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in acquiring Equity Shares forming part of an eligible issue of capital.
- (v) In accordance with, and subject to the conditions and to the extent specified in Section 54F of the IT Act, long term capital gains arising on transfer of the shares of the Company held by an Individual or Hindu Undivided Family shall be exempt from

capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, for the purchase of a new residential house, or is utilized for construction of a residential house within three years.

(c) NON-RESIDENTS INDIANS:

- (i) Dividend Income earned on shares of the Company will be exempt in the hands of shareholders under section 10(34) of the IT Act.
- (ii) Under Section 115E of the IT Act, Non-Resident Indians will be taxed at 10% on long-term capital gains arising on sale of shares of the Company which are acquired in convertible foreign exchange. This said tax will be subject to applicable surcharge.
- (iii) Under Section 115F of the IT Act, and subject to the conditions and to the extent specified therein, long-term capital gains arising to a Non-Resident Indian from transfer of shares of the Company acquired out of convertible foreign exchange shall be exempt from capital gains tax if the net consideration is invested within six months of the date of transfer of the asset in any specified asset or in any saving certificates referred to in clause (4B) of Section 10 of the IT Act.
- (iv) Under Section 115G of the IT Act, it is not necessary for a Non-Resident Indian to file a return of income under Section 139(1) of the IT Act, if his total income consists only of long-term capital gains earned on transfer of long term capital assets acquired out of convertible foreign exchange and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the IT Act.
- (v) Under Section 115I of the IT Act, where a Non-Resident Indian opts not to be governed by the provisions of Chapter XII-A of the IT Act for any assessment year, his total income for that assessment year will be computed according to the other provisions of the IT Act, and he will therefore be eligible to get concessions applicable to a resident individual and will be liable to tax accordingly.

(d) FOREIGN INSTITUTION INVESTORS (FIIs):

- (i) Dividend Income earned on shares of the Company will be exempt in the hands of shareholders under section 10(34) of the IT Act.
- (ii) In accordance with the provisions of Section 115AD of the IT Act, FIIs will be taxed at 10% on long-term capital gains and at 30% on short term capital gains arising on the sale of the shares of the Company. Such taxes will be subject to applicable surcharge.

(e) MUTUAL FUNDS:

- (i) Under Section 10(23D) of the IT Act, any income, earned by a Mutual Fund registered under Securities and Exchange Board of India or a Mutual Fund set up by a public sector bank or a public financial institution or authorized by the Reserve

Bank of India will be exempt from income-tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

WEALTH TAX AND GIFT TAX:

- (i) 'Asset' as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, these are not liable to wealth tax
- (ii) Gift tax is not leviable in respect of any gifts made on or after 1st October, 1998. Therefore, any gift of shares of the Company will not attract gift tax.

Notes

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

IV. PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

The company is into trading of computer parts and various other products. Through the proceeds of the public issue, the company intends to expand the existing business by acquisition of new premises and increasing its working capital requirement. The company is also intending to get its shares listed on the stock exchange and thereby get the benefits of listing.

COST OF PROJECT & MEANS OF FINANCE

a. COST OF THE PROJECT

Particulars	Amount (Rs. In lacs)
Building	158.00
Furniture & Fixtures	24.00
Office Equipment	19.00
Public Issue Expenses	49.00
Long Term Working Capital	425.00
TOTAL	675.00

b. MEANS OF FINANCE

Particulars	Amount (Rs. In lacs)
Equity Capital	
- Promoters	115.00
- Public	560.00
TOTAL	675.00

DETAILS OF THE COST OF THE PROJECT:

BUILDING (Rs. 158.00 lacs)

The Company has multi-faceted products and is continuously exploring the possibility of new products and avenues. It is necessary to invite various international buyers to visit the Company's premises to explore business opportunities. It is also necessary to provide space to display the growing products of the Company and have conferencing facilities. Additional staff will also be required as the business of the Company expands. It is proposed to acquire a new office premises and equip it with the necessary furniture and other related infrastructural office equipment.

The company proposes to acquire an office of around 1800 sq. ft near the place of its existing rented premises. The company estimates the cost per sq.ft to be Rs. 8000 and including other incidental expenses the total cost would be around Rs. 158.00 lacs. The premises has not yet been identified and the same shall be done in due course of time.

FURNITURE AND FIXTURES (Rs. 24.00 lacs)

The cost of furniture and fixtures is inclusive of the interior decoration of the new premises which is estimated at Rs. 1200 per sq. ft. excluding professional fees for designing, works contract tax which is 8% and 4% respectively of the total cost. The company has received an estimation from Mordani Interiors having their office at Khar, Mumbai for the interior work which would include Flooring job, Masonry job, P.O.P. job, Electrical work including electrical fittings, furniture including tables, chairs, etc.

OFFICE EQUIPMENT (Rs. 19.00 lacs)

The office equipments proposed to be purchased by the company includes the cost of Air conditioners, Fax machines, Xerox machines and Computers and are based on the quotations received details of which are as follows :

Product	Name of the supplier	Date of quotation	Quantity	Amount (Rs. In lacs)
Xerox Machine	Xerox Modicorp Ltd	09/02/04	1	1.92
Air Conditioner (including cost of installation)	Finefab Engineers Pvt. Ltd.	07/02/04	3	4.60
EPABX system	Solution Enterprises	14/02/2004	1	1.23
Desktop Computers / Laptops (including UPS, 6 Printers, Software etc.)	Lym Computers	23/01/04	8/4	11.07
TOTAL				18.82 (rounded off to 19.00)

PUBLIC ISSUE EXPENSES (Rs.49.00 lacs)

The public issue expenses as estimated by the company includes expenses to be incurred on Stamp Duty & ROC charges, Fees payable to SEBI, BSE, Lead Manager, Registrar to the issue, Expenses relating to Printing, Postage, Advertisement and other miscellaneous expenses.

LONG TERM WORKING CAPITAL (Rs. 425.00 lacs)

As the company is mainly into trading activities and a significant volume of the business is in export trade the major requirement of the company is for long term working capital. As the company exports a variety of products in bulk to South Africa the shipment time involved is nearly 2 months and the credit period to be provided to the customers is nearly 4 months, requiring a significant amount of the company's resources being tied up in Receivables and Stocks. Export incentives are also receivable only after the money is received from the customers. In respect of certain products, the market practice is to provide advances to suppliers further blocking the resources of the company. Due to the large potential of the company's products in the export market the company requires to have a large amount of working capital available at any point in time.

The details of the working capital needs as estimated by the company and certified by the auditor vide its certificate dated February 23, 2004, are as follows :

(Rs. In

Lacs)

Particulars	Period	Year ended 31/03/2005
Stock	5 weeks	264.69
Export Debtors (net of bill discounting facility Rs. 300.00 lacs)	4 months	166.67
Local Debtors	3 months	350.00
Advance to Suppliers	Avg 25% of 2 months	49.00

	Cost of Export Sales	
Incentive Receivable	40% of Incentive Income	28.00
Sub – Total		858.36
Less: Creditors	1 month	162.75
		695.61
Less: Present Cash Credit & Packing Credit Limits		250.00
Working Capital Required		445.61

c. DEPLOYMENT OF FUNDS IN THE PROJECT:

The details of the deployment and sources of funds as certified by the auditors M/s. Dhirajlal Desai &

Co. – Chartered Accountants vide their certificate dated 28/02/04 is as under :

(Rs. In Lacs)

Particulars	Amount
SOURCES OF FUNDS	
Share Application Money from Promoters	2.00
APPLICATION OF FUNDS	
Issue Expenses	1.65

d. YEAR WISE BREAK-UP OF EXPENDITURE

The entire proceeds of the issue shall be deployed on the project during the current year 2004-05.

e. INVESTMENT AVENUES IN WHICH THE MANAGEMENT PROPOSES TO DEPLOY ISSUE PROCEEDS PENDING ITS UTILISATION IN THE PROPOSED PROJECT.

Pending the deployment of funds towards the various objects of the issue, the funds would be deployed in interest bearing liquid instruments including deposits with banks for the necessary duration. Such investment would be authorized by the Board of Directors or a committee thereof, duly empowered in this regard.

V. COMPANY MANAGEMENT & PROJECT

BRIEF HISTORY, PRESENT BUSINESS AND MAIN OBJECTS OF THE COMPANY

BRIEF HISTORY AND PRESENT BUSINESS OF THE COMPANY

ARS was incorporated by taking over the business of the Partnership Concern – M/s. Sangeeta Sales under Chapter IX of the Companies Act, 1956, during April 2000. The brief history of the company can be traced as under :

- The company initially commenced business in 1986 as a partnership firm under the name and style of Sangeeta Sales. The firm carried out the business of software development and peripheral sales.
- In 1990 the firm became a major distributor for a number of companies like Epson, Taiwan Video Monitor, DATAS and Jetway Technologies.
- In 1995 the firm commenced export of computer systems under the brand name ARS systems.
- In 2000 Sangeeta Sales was converted into a limited company viz ARS Systems & Communications Ltd under Chapter IX of the Companies Act, 1956.



- From 2001 onwards the company ventured into the export market and commenced export of dehydrated onions to U.S.A. Slowly the company also expanded into export of general merchandise which includes Kitchen items like cutlery, cookware, bar accessories, kitchen tools, bathroom ranges, stainless steel utensils, hotpots, casseroles, sports goods toys and games biscuits and

confectionaries, hygiene products etc. and entered in the South African market. The sales break up of the company into local and exports is as shown below :

- Currently the company is exporting more than 100 products to South Africa which is the feeder market for a large number of countries such as Botswana, Zimbabwe, Zambia, Mozambique, Namibia, Angola, Lesotho etc. Hence the demand for the products exported is huge. The countries wherein the exports of the company are made are as depicted herein under :

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WORLDWIDE COVERAGE & SUPPLIES



- The company markets its general merchandise products under the brand name “Diamond” and “Master Chef”. ARS has applied to the Government of India – Trade Marks Registry Department for registration of the brands. The certificate of registration is yet to be issued to the company.

- The company is enjoying credit facilities from its bankers viz Oriental Bank of Commerce, Santacruz Branch since 1990. The initial limit enjoyed was Rs. 5 lacs and since then the limits have been consistently enhanced as the business has steadily grown. Presently the Company enjoys a working capital limit of Rs. 600 lacs from Oriental Bank of Commerce.



- The sales of the company has increased continuously over the past five years as depicted below :

Presently the company is having orders on hand for export worth over Rs. 600.00 lacs details of which are as given herein under :

Name of the Party	Items Description	Amount (Rs. In lacs)
Everoll Pty Ltd. – South Africa	General Merchandise	107.88
Future Way Distribution Pty. Ltd., Republic of South Africa.	General Merchandise	113.00
White Lace Trading CC, South Africa	General Merchandise	39.66
Golden Dirham Trading Est., Dubai, UAE	General Merchandise	122.50
Aztech Trading C.C, South Africa	General Merchandise	73.51
Sierra Worldwide	Dehydrated Onions	62.52
Sharp Finance CC, Republic of South Africa	General Merchandise	84.12
Sunil Trading Co. [L.L.C], Dubai, UAE	General Merchandise	8.33
OY McCormick Ab, Kerava Finland	Dehydrated Onions	23.38
M/s. Ghana Engineering Supports Co. Ltd., Ghana	General Merchandise	9.45

MAIN OBJECTS OF THE COMPANY

The main objects of the Company as set out in its Memorandum and Articles of Association are as follows :-

1. To carry on all or any of the business of Broadcasting, Producing, Buying, Selling, Trading, Distributing, Exhibiting, Transmitting, Telecasting and Exporting Programs, produced in-house or taken on franchise, through various media including Video, Satellite, Direct to Home, Direct to Operator, Satellite Television, Cable Television and Radio and to provide, install, operate and maintain, buy, sell, import, export, design, develop, renovate, discover, research, improve, relay, distribute, redistribute, transmit, receive, broadcast, exhibit all kinds of communications, cable operations, wireless networking, wireless communications, telephonic and telegraphic communications, wave communications, under water

communications, service network media, satellite communications including value added services such as interactive Television, Internet, E-Mail, V-Sat, Telephony, Video Shopping, Entertainment, Infotainment, Teleshopping, E-commerce, Games, Data Transmission, Computer networking, Video conferencing etc. And to establish links via. Satellite uplink and downlink through available reception systems and to carry on the business as dealers in Computers, Accessories & components of Computer, Computer hardware and software items & other allied lines in Electronics & Computers and such other business.

2. To manufacture, assemble, buy, sell, import, export, design, develop, renovate, discover, research, and improve satellite communication equipments for individual users as well as Cable Television networks, antennas, dish antennas, digital switching and such other parts, instruments and equipments required for transmission, telecasting and broadcasting and to engage into the production of multimedia kits, compact discs, CD-ROMs, digital discs, receivers, coders and decoders, modems and other instruments and apparatuses for electronic data transmission and usages.

In compliance with the provisions of Section 149(2A), the company has by a special resolution passed at the Extra Ordinary General Meeting held on 27th October, 2001 approved of the commencement of the following business in relation to objects other than the main objects .

63. To purchase, manufacture, produce, refine, prepare, import, export, sell and generally deal in which rice, maize, corn, dal, gram, grains, pulse, atta, suji, maida, regi seeds, ground-nuts, oil seeds, cotton, sugar-cane, sugre molasses, oil cakes, manure and all products and other by-products thereof and food produce generally and in connection therewith to acquire, erect, construct and operate buildings factories, mills, distilleries, refineries and other works, to plant, cultivate, grow, produce, or purchase wheat, rice, maize, corn, dal, gram, grains, pulse, regi seeds, groundnuts, caster seed, oil seeds, cotton, sugarcane etc.
72. To carry on business as manufacturers, importers and exporters of, and dealers in plastic, bakelite, celluloids and other similar materials and goods, articles and products of every kind and description manufactured wholly or partly out of any of the chemicals and allied substances.

80. To carry on the business of general stores, buyers and sellers of and dealers in all kinds of goods, merchandise and consumables and household stores, importers, exporters and dealers in wholesale and retail in cotton, cotton yarn and cloth, silk yarn, cloth and rayon, nylon and all kinds of cloth and textiles goods, all kinds of fats, tallow's, oil, oil seeds and goods and other grain, seeds and pulses and all kinds of stores and goods, dyes, chemicals, drugs, provisions, articles and things, whether for commercial use or for public or private consumption.
85. To carry on the business of buying, selling, importing, exporting, producing, manufacturing or otherwise dealing in all food and food products, all agricultural and dairy products, all alcoholic and non-alcoholic drinks and beverages.
90. To carry on the business of manufacturing, producing, buying, selling, importing, exporting or in any manner dealing in foods and other products made from oils, meat, fish, poultry, vegetable, fruits and other substances.
92. To carry on the business of manufacturing, processing, calendaring including running of hand and power process house, buying, selling, importing, exporting, distributing, and dealing in textiles, cotton woollen, synthetics and synthetic fibres and blends, both with natural (viz. vegetable and/or animal) and man made and artificial fibres, polyester, polyamide, acrylic poly propylene, polynisic, poly methane, poly acrylic and any other synthetic fibre, including running of a manufacturing unit, either unitary or composite.
94. To undertake and carry on the business of marketing, distribution sales, export, import, dealing in development and maintenance of software, information technology and program products of any and all descriptions and to carry on business of manufacture, purchase, sell or otherwise transfer, lease, import, export, hire, licences, uses dispose of, operate, fabricate, construct, distribute, assemble, design, charter, acquire, market, recondition, work upon otherwise, generally deal in any electronic, electrical, products, machine apparatus, appliance, custom products relating to software, merchandise system, software procedures, peripheral products, computers, tabulators, data processing machines and system components thereof electrical calculators, electric and electromechanical accounting systems, terminal products and systems, machines for registering, data, preparation, recording, perforating, tabulating, sorting, painting, typewriting, products which possess an internal intelligence for recognizing and correlating any type of data or information to be processed, recognition and memory systems.

95. To establish, set-up, maintain and conduct training schools, courses, and programs in connection with the use, purchase, sale, import, export, license, distribution, design manufacture or rental of the aforesaid types of machines apparatus, appliances, systems, merchandise, software and programme products and of articles requires in the use thereof or used in connection therewith and to render technical assistance and services including maintenance in connection with the use, purchase, sale, import, export, lease or distribution, license, design, manufacture, of any machines, apparatus, appliance, system components, electronic products and system and program products.
97. To manufacture, process, derive, buy, sell, import, export, or otherwise deal in pharmaceutical, medicinal, diagnostic, antibiotic, antiseptic, disinfectants, optical, biological, immunological, therapeutic and healthcare products, preparations, compounds and intermediate and to manufacture, process, derived, buy, sell, import, export or otherwise deal in cosmetics whether herbal or otherwise deal in cosmetics whether herbal or otherwise hair, skin, nail or other beauty preparations perfumes, aromatic chemicals, toiletries, deodorants, hair dyes and hygienic household consumer products.
99. To carry on the business of dealers, general order suppliers, contractors, importers, exporters, merchants, stockists, buyers, sellers, growers, agents, brokers, commission agents, and dealer, in cotton, jute, tea, coffee, rubber, oil, grains, pulses, seeds, vegetable products, cotton goods, jute goods, textiles, garments, yarn, synthetic goods, fibrous materials, mill stores, coal, chemicals, fertilisers, building materials, office appliances, domestic appliances, furnitures, decorative items, gift items, steel utensils, plastics goods, rubber items, pulp, paper, engineering goods, electrical items, electronics items, and cast iron items.

The Lead Manager confirms that the main object clause and the other objects clause of the Memorandum of Association of the company enables the company to undertake the activities for which the funds are being raised for the present issue and also the activities, which the company has been carrying out till date.

CHANGES IN THE MEMORANDUM

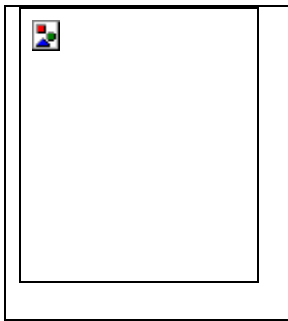
Date	Particulars
February 21, 2004	Increase in Authorised Capital of the Company from 14,00,000 equity shares of Rs.10/- each to 89,00,000 equity shares of Rs.10/- each.

DETAILS OF SUBSIDIARIES

The Company does not have any subsidiaries.

PROMOTERS AND THEIR BACKGROUND

Mr. Sudhir Mehra and Mr. Sanjay Mehra are the core promoters of the Company.

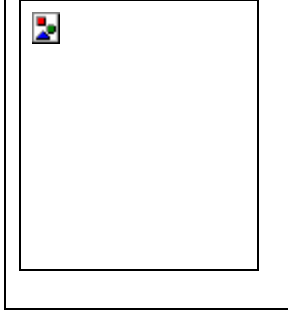


MR. SUDHIR MEHRA

Mr. Sudhir Mehra is one of the main promoter and key architect of the company. Mr. Sudhir Mehra aged 42 years has done BSc in Statistics (Honor's) & Computer Management. He is involved in the Information Technology industry for the past 20 years. In the initial period, he started off with a training institute and then diversified into consultancy of tailor made software. After going through with the changing times and technological advances he started trading and imports in computer systems and its related peripherals. He is responsible for providing turnkey solutions in hardware, software, networking and support to customers for the past 4 years. He has been responsible for building up the company with significant achievements & milestones. He is the founder member of the "Trade Association of Information Technology" (TAIT), which was founded on March 1996 to represent the interest of Computer Resellers and Service Providers. He was the TAIT, Vice President for the year 1998-99.

He has been responsible for initiating brand development of ARS. He has also been a major force for the company to open new business of exports of General merchandise to various South African countries. His portfolio includes sourcing new products and supplier identification and getting the right team of suppliers who can support continuous supplies at stable prices. He is also responsible for handling the finance portfolio of the company.

The passport number of Mr. Sudhir Mehra is Z1588016, driving license number is 80/20/16603, voter ID Number is MT/08/036/210293 and PAN is AADPM8053A.



MR. SANJAY MEHRA

Mr. Sanjay Mehra aged 38 years has done his B.A. and has more than 16 years of experience in business. His key role is in assisting of purchase, imports and identifying new products for the company in the business of information technology & exports.

Mr. Sanjay Mehra is member of Institute of food Technologists. He is also responsible in identifying new avenues and markets for the expansion of the different products of the company especially for the exports of Dehydrated Onions and other assorted general items. New buyer identification and newer product identification as per the requirement of the buyer and thereby being able to supply the same by sourcing those products from various manufacturers across various countries is also looked after by him.

The passport number of Mr. Sanjay Mehra is Z-1589664, driving license number is 83/W/25987 and PAN is AAZPM0857G.

We confirm that the PAN, Bank Account details and Passport No. of the Promoters has been submitted to the Stock Exchanges on which shares are proposed to be listed at the time of filing the draft prospectus to them.

GROUP COMPANIES :

The company does not have any group companies but following are the details of the partnership / proprietary firms wherein the promoters of ARS are partners/proprietors.

INDIA PERIPHERALS:

India Peripherals is a partnership firm presently having Mr. Sudhir Mehra, Mr. Sanjay Mehra, Mrs. Sangeeta Mehra and Mrs. Shobna Mehra as partners. The firm has commenced operations since the year 1992. The firm was importing Packard Bell systems and is currently carrying on the business of manufacturing of computer systems including high-end servers and end to end networking solutions.

The brief financials of the firm for the past 3 years are as follows;

(Rs. In lacs)

Particulars	Year ended 31.03.01	Year ended 31.03.02	Year ended 31.03.03
Total income	18.12	45.39	36.32
Total expenditure	16.25	22.24	27.52
Profit before tax	1.87	23.15	8.80
Profit after tax	1.87	23.15	8.80
Partners capital	31.69	53.42	58.03

MASTERMIND COMPUTER CONSULTANTS:

Mastermind is a proprietary concern of Mr. Sanjay Mehra. The firm started business as a training institute in 1984 and also carried out software consultancy and maintenance services from 1990. The firm subsequently carried out the business of manufacturing of systems. However the firm is inactive since May 2003.

The brief financials for the past 3 years are as follows;

(
Rs. in
lacs)

Particulars	Year ended 31.03.01	Year ended 31.03.02	Year ended 31.03.03
Total income	17.66	13.59	2.30
Total expenditure	14.96	11.14	2.30
Profit before tax	2.70	2.45	NIL
Profit after tax	2.70	2.45	NIL
Partners capital	12.67	13.90	13.53

BOARD OF DIRECTORS:

The details of the present Directors of the Company are as follows:-

Name of the Director	Address	Designation	Occupation	Qualification	Other Directorship
Mr. Sudhir B. Mehra	403, Shailja Appartments, Pali Hill, Bandra, Mumbai 400 050	Whole Time Director	Business	B. Sc, Diploma in Computer Management	NIL
Mr. Sanjay V. Mehra	202, Neptune Apparments, Pali Hill, Bandra, Mumbai 400 050	Whole Time Director	Business	B. A.	NIL
Mr. Brijmohan J. Mehra	403, Shailja Apartments, Pali Hill, Bandra, Mumbai 400 050	Whole Time Director	Business	B. Sc	NIL
Mr. Vinod J. Mehra	202, Neptune Apartments, Pali Hill, Bandra, Mumbai 400 050	Whole Time Director	Business	B. A.	NIL
Mr. Mukesh Dhruve	501, Morning Glory, Aram Society Road, Thakkar Park, Santacruz (E), Mumbai 400 055	Independent Director	Business	FCA	Repro India Ltd.

MANAGEMENT

The operations of the company are managed by Mr. Sudhir Mehra and Mr. Sanjay Mehra under the guidance of the Board of Directors. Besides them the Board of Directors consists of Mr. Brijmohan Mehra, Mr. Vinod Mehra and Mr. Mukesh Dhruve and it is assisted by Mr. Deepak Sumani and a team of committed personnel.

MR. BRIJMOHAN MEHRA

Mr. Brijmohan Mehra, aged 68 years, a graduate in Science has been handling the total administration of the organization. He has 40 years of work experience in various departments of various organizations. He has been handling all Income tax matters and sales tax matters for the company. His vision and experience in handling business activities is his greatest asset to the company.

MR. VINOD MEHRA

Mr. Vinod Mehra aged 64 years a graduate in arts having business experience of more than 40 years. He is handling the HRD activities of the company. He has been entrusted the task of building the organization of the company based on value, principal, growth and commitment and also evolve the best personnel policy. He also assists in handling the portfolio of developing and designing new products for the export market

MR. MUKESH DHRUVE

Mr. Mukesh Rajnikant Dhruve, aged 43 years, is a Fellow Member of The Institute of Chartered Accountant of India. He has been a Promoter-Director of a printing organizations viz , Repro India Ltd. He has an experience spreading over a period of 20 years in practically all areas of Company activities which includes the areas of Finance, Legal, Secretarial and Insurance.

Mr. Dhruve would be playing a vital role in formulating strategies for achieving the goals, both domestic and international, of the organization, which inter alia, include framing corporate policies, procuring finance at very competitive rates, compliance of all statutory requirements, protection of assets, meeting export obligations, etc.

PARTICULARS OF KEY MANAGEMENT PERSONNEL

Name	Qualifications	Experience No. of years	Designation	Date of Joining	Previous employment
Mr. Deepak Sumani	B. Sc, Diploma in Computer Technology, MBA.	15 years	VP-Marketing	1 st April, 2003	Director Marketing, Value Information Technologies Ltd.

Mr. Deepak Sumani aged 37 years has done his graduation in Computer Science and post Graduation in Business Management. He has experience in communications, marketing and new concept developments. He has in depth exposure to the present trends of imports, exports and logistics.

CHANGES IN THE KEY MANAGERIAL PERSONNEL DURING THE LAST 12 MONTHS:

Name	Designation	Date of Change	Reason
Mr. Deepak Sumani	VP-Marketing	1 st April, 2003	Appointed

LOCATION

REGISTERED OFFICE

Presently, the registered office of the company is situated at 41, Pali Hill, Bandra (W), Mumbai 400050. The company does not own its registered office. It has been taken on lease from the relative of directors of the company. The terms of the agreement entered into for the same are as follows;

Name of the Lessor	Smt. Padma J. Mehra
Name of the Lessee	M/s. Sangeeta Sales
Area	550 sq. ft.
Date of agreement	7 th May, 1999
Period of Agreement	Monthly Tenancy
Amount of lease rent payable	Rs.3000/-

The company has its other office at 407 New Udyog Mandir, Behind Johnson & Johnson, Mahim (West), Mumbai – 400 016. This premises is owned by the company and the area of this premises is 864 sq.ft. The company uses this office as a warehouse to stock the goods that it trades.

PRODUCT

The business segments of the company are broadly classified into the following product categories:

- I. General Merchandise
- II. Dehydrated Onions and other Foodstuff
- III. Computer Systems & Peripherals

I. General Merchandise is further presently classified into the following broad categories:

a. Household Plastic ware

The company deals in varieties of plastic products like super buckets, waste paper buckets, cycle baskets, Fruit baskets / trays, bowls, plates & glasses, multipurpose crates, thermoware, decorative planters and container crates.

b. Home Furnishing & Kitchen Items

The Company deals in the following Home Furnishing & Kitchen Items;

1. Kitchen Items

Kitchen items include Aprons, Mittens, Pot Holders, Kitchen Towels & Dish Towels. The kitchen items are made of the superior quality raw material that ensures their reliability. The finish is absolutely flawless and polish is sure to remain new for a long time. Kitchen items are available in a variety of sizes and designs.

2. Dining Items

Dining items include Straw Mats, Table Clothes, Place Mats, Table Runners, Toaster Covers, Bread Baskets, Tissue Cover & Napkins. The dining items are available in a variety of designs, styles, sizes and finishes.

3. Living Room Items

The Living Room Items product range includes flawless Floor coverings, Cushion covers, Curtains, Valance, Fabrics, Throws, Wall pockets & Shopping bags.

4. Towels

This product range includes Jacquard Towels designer towels & premium towels.

c. Stainless Steel

The product range under stainless steel includes the following;

- Stainless Steel Cookware , Dinnerware / Flatware
- Stainless Steel Bowls & Storage Item
- Stainless Steel Cutlery, Serving / Kitchen Tools
- Stainless Steel Miscellaneous Item

d. Lighting

The product range under Lighting includes the following;

- GLS Clear Lamps, GLS Milky Lamps, GLS Bowl Reflector Lamps and GLS Frosted Lamps.
- Wattage: 25 W, 40 W, 60 W, 75 W and 100 W, with BC (B22) or ES (E27) Cap Lamps.

e. Other Miscellaneous Products

The company is also dealing in various other products of general merchandise such as:

- **Biscuits & Cookies**
- **Hygiene Products**
- **Sports Equipment**

II. Dehydrated Onions and other Foodstuff

III. Computer Systems & Peripherals

This includes the desktop PCs, Notebooks, Dot Matrix Printers, Laser printers, Inkjet Printers and UPS

UTILITIES:

Raw Material

The company is into trading of computer, peripherals, dehydrated onions and other general merchandise. The products traded / exported by the company are sourced from reputed manufacturers as per details given, based on the specifications provided by the company. The

products are sold in the export / local market as a product of ARS and under the brand names “Diamond” and “Master Chef”.

Category of goods	Sourced from
Computers and related parts	Mumbai
Dehydrated onions	Rajkot
General merchandise :	
Plastic	Mumbai, Daman Calcutta
Steel	Mumbai, Delhi
Furnishings	South India, Panipat
Electricals	Delhi, Calcutta
Sports goods	Punjab
Biscuits and cookies	Ahmedabad, Mumbai, Lucknow

INFRASTRUCTURE

The company is having its rented registered office at Bandra in Mumbai and its owned warehouse at Mahim, Mumbai. The company proposes to purchase its own premises for its registered cum corporate office.

MANPOWER

Presently the company employs 15 personnel. The company will require around 10 additional manpower mostly in the cadre of rank and file and the same are available locally. The Company will hire the required manpower at the appropriate time

MARKETING STRATEGY

1. GENERAL MERCHANDISE

The Company has identified certain wholesale buyers in African countries who place regular orders in bulk on the Company based on the requirements and specifications of the products in their area of operation. These buyers in turn receive orders from large chain stores which have 50 – 60 retail outlets all over Africa from where the products are sold to the end user. As the Company deals mainly with household consumable products the orders are received from the buyers on a continuous basis where a six months forecast is made available to the Company. This forecast is fine tuned at the time of actual delivery. Based on the past experience, the Company is also able to anticipate the orders and also provide the buyers with innovative products and designs for the various markets.

2. DEHYDRATED ONIONS

In respect of dehydrated onions and other foodstuff the Company also carries out product promotion through various media such as e-mails, letters and product brochures through CD's to potential buyers. The company also contacts various buyers through food trade magazines and enquiries generated through intermediaries. The buyers of the company also participate in exhibitions and food shows whereby their product are promoted which creates an indirect avenue of marketing for the products and the company supports them by sending relevant product samples, technical details as may be required during the show. The company also makes presentations at the exhibition / food show thereby helping them to market our products.

3. COMPUTER SYSTEMS

In respect of computer systems and peripherals, the Company supplies to OEM customers and also to retail customers. There are nearly 400 dealers in Mumbai, Government departments as well as end users. The products sold by the Company are the whole range of IT products from Notebook PC's, ARS Desktop Computers, Printers, Monitors, Modems and other related peripherals. The Company also participates in various exhibitions and road shows. Orders are also received through references of satisfied customers and as the Company has been in this line of activity for more than 17 years it is well known to its customers and orders are received on a regular basis.

INDUSTRY SCENARIO:

The business segments of the company are broadly classified into the following product categories:

- I. General Merchandise
- II. Dehydrated Onions and other Foodstuff
- III. Computer Systems & Peripherals

Out of the above the company is exporting to various countries items of general merchandise and also dehydrated onions and other foodstuff. The sale of computer hardware and peripherals is so far restricted to the local market.

South Africa is the major market for the company as regards general merchandise. The South African market has a huge export potential as the same is the feeder market to several adjoining countries such as Botswana, Zimbabwe, Zambia, Mozambique, Namibia, Angola, Lesotho etc.

India's Total Export Trade with South Africa

SOUTH AFRICAN IMPORTS (Rand)					
IMPORTS	1999	2000	2001	2002	2003
ANNUAL TOTAL	1,512,306	1,764,805	2,113,505	2,943,267	2,612,840

<http://www.dti.gov.za/econdb/raportt/R100446.html>

India's export trade with South Africa has grown from 107,646 (Rand '000) in 1992 to 2,943,267 (R '000) in 2002 – an increase of more than 27 times in 10 years. Exports to South Africa have grown consistently over the last 3 years (Based on 2000 prices) showing a growth of 26.4% from 2001 to 2002.

As per the Global Economic Outlook 2004 by Dun & Bradstreet the outlook for South Africa will improve. Economies of Angola, Botswana & Mozambique are expected to improve. Hence the export potential to these markets is huge.

The scope of the market is very wide as can be seen from the steady growth of exports. South Africa is a growing market as it is a feeder market for the adjoining countries. The items exported are items of general household utilities and there is a regular demand for such products. Thus the efforts required to sell the product in this industry are relatively much lower.

The company has an able in-house team to promote the various products of the company and also to develop new product lines adapting to customer requirements. The company is also in the process of identifying newer product categories for expansion in different markets.

I. GENERAL MERCHANDISE

General merchandise is classified into the following categories:

a. Household Plastic ware

The company's export of plastic products is mainly to South Africa which in turn is a feeder market for other African countries.

India's export of Plastics to South Africa

India's export to South Africa of plastic ware has increased from 1812 (Rand '000) in 2002 to 3667 (Rand '000) in 2003 registering a growth of 142.80% and its ranking has jumped from 29 in 2002 to 14 in 2003 in these products. This is despite an overall reduction in imports from 442480 (R '000) in 2002 to 278211 (R '000) in 2003. In respect of tableware, kitchenware etc of plastics, India's share has increased from 1168 (Rand '000) in 2002 to 1781 (Rand '000) in 2003 registering a growth of 76.90% and its ranking has jumped from 11 in 2002 to 6 in 2003 in these products. The table below provides the details of imports by South Africa from various countries

3923. Articles for The Conveyance or Packing of Goods, of Plastic; Stoppers, Lids, Caps and Other Closures

Country	IMPORT (R 000)					R a n k		Proportion 2003		Annual Growth
name	OCT-2003	2003	2002	2001	2000	2003	2002	% Total	Cum.	2003 - 2002
UNITED STATES	5,268	45,879	90,602	73,898	46,564	1	1	16.5%	16.5%	-39.2%
CHINA	4,047	27,053	35,865	29,391	43,630	2	3	9.7%	26.2%	-9.5%
UNITED KINGDOM	1,452	25,122	38,527	26,209	24,464	3	2	9.0%	35.2%	-21.8%
AUSTRALIA	2,740	22,921	23,352	9,967	7,578	4	7	8.2%	43.5%	17.8%
ITALY	2,100	21,822	28,157	18,400	13,951	5	4	7.8%	51.3%	-7.0%
MALAYSIA	656	20,987	24,212	6,459	826	6	6	7.5%	58.9%	4.0%
GERMANY	1,592	17,883	26,070	27,288	27,785	7	5	6.4%	65.3%	-17.7%
ISRAEL	1,498	14,250	19,048	14,740	9,889	8	10	5.1%	70.4%	-10.2%
FRANCE	599	11,493	19,291	16,358	13,218	9	9	4.1%	74.6%	-28.5%
TAIWAN	537	9,658	18,104	14,620	11,892	10	11	3.5%	78.0%	-36.0%
HONG KONG, China	1,983	9,329	22,358	16,786	16,814	11	8	3.4%	81.4%	-49.9%
NETHERLANDS	946	8,007	13,423	12,167	5,379	12	12	2.9%	84.3%	-28.4%
SPAIN	334	5,578	8,682	5,467	7,327	13	13	2.0%	86.3%	-22.9%

INDIA	1,010	3,667	1,812	1,292	2,102	14	29	1.3%	87.6%	142.8%
KOREA REP SOUTH	985	3,482	5,674	7,453	8,259	15	18	1.3%	88.8%	-26.4%
SINGAPORE	1,029	3,328	7,548	8,812	5,801	16	14	1.2%	90.0%	-47.1%
AUSTRIA	376	3,297	5,321	1,008	1,264	17	19	1.2%	91.2%	-25.6%
SWEDEN	140	3,135	6,343	6,474	3,817	18	16	1.1%	92.3%	-40.7%
CANADA	21	2,389	6,778	759	557	19	15	0.9%	93.2%	-57.7%
SOUTH AFRICA	190	2,006	3,350	487	2,599	20	23	0.7%	93.9%	-28.2%
DENMARK	279	1,953	3,429	1,029	2,182	21	22	0.7%	94.6%	-31.7%
SWITZERLAND	93	1,581	3,781	2,480	1,397	22	20	0.6%	95.2%	-49.8%
THAILAND	374	1,572	3,435	1,971	1,893	23	21	0.6%	95.8%	-45.1%
BELGIUM	67	1,566	1,286	1,384	1,863	24	32	0.6%	96.3%	46.1%
IRELAND	119	1,437	2,733	6,398	5,083	25	24	0.5%	96.8%	-36.9%
Total: countries	29,140	278,211	442,480	328,125	287,450	111	0	100.0%	100.0%	-24.5%

3924. Tableware, Kitchenware, Other Household Articles and Toilet Articles of Plastics :										
Country	IMPORT (R 000)					R a n k		Proportion 2003		Annual Growth
name	OCT-2003	2003	2002	2001	2000	2003	2002	%Total	Cum.	2003 -2002
CHINA	4,865	28,888	41,657	32,583	30,566	1	1	41.7%	41.7%	-16.8%
THAILAND	1,996	13,893	21,196	19,694	19,207	2	2	20.0%	61.7%	-21.3%
UNITED STATES	953	5,653	10,532	9,570	5,461	3	3	8.2%	69.9%	-35.6%
TAIWAN	574	4,567	6,557	7,576	8,262	4	5	6.6%	76.5%	-16.4%
HONG KONG, China	595	4,299	7,674	6,348	6,914	5	4	6.2%	82.7%	-32.8%
INDIA	445	1,721	1,168	3,580	3,073	6	11	2.5%	85.1%	76.9%
ITALY	176	1,706	3,862	5,000	3,726	7	6	2.5%	87.6%	-47.0%
UNITED KINGDOM	182	1,286	3,183	2,190	2,074	8	7	1.9%	89.5%	-51.5%
GERMANY	142	1,211	1,523	1,512	1,155	9	8	1.7%	91.2%	-4.6%
KOREA REP SOUTH	196	656	1,481	1,011	1,040	10	9	0.9%	92.2%	-46.9%
SOUTH AFRICA	123	644	48	722	100	11	31	0.9%	93.1%	1510.8%
FRANCE	57	534	1,389	1,276	1,814	12	10	0.8%	93.9%	-53.8%
SWITZERLAND	46	438	623	210	115	13	17	0.6%	94.5%	-15.7%
NETHERLANDS	12	437	952	735	671	14	13	0.6%	95.1%	-44.9%
NEW ZEALAND	199	394	797	456	737	15	15	0.6%	95.7%	-40.8%
INDONESIA	108	380	1,094	904	1,223	16	12	0.5%	96.2%	-58.3%
PORTUGAL	1	299	813	351	504	17	14	0.4%	96.7%	-55.8%
GREECE	64	252	32	36	291	18	34	0.4%	97.0%	848.1%
ISRAEL	175	243	143	758	1,380	19	23	0.3%	97.4%	103.1%
TURKEY	37	207	22	40	1	20	35	0.3%	97.7%	1050.6%
BELGIUM	26	207	260	555	1,604	21	20	0.3%	98.0%	-4.7%
UNITED ARAB EMIRATES	1	187	684	186	102	22	16	0.3%	98.2%	-67.1%
DENMARK	1	178	154	79	89	23	21	0.3%	98.5%	39.3%
MALAYSIA	34	145	312	24	432	24	18	0.2%	98.7%	-44.2%
AUSTRALIA	3	142	51	510	14	25	29	0.2%	98.9%	232.7%
Total: countries	11,137	69,319	107,344	96,694	92,252	83	0	100.0%	100.0%	-22.5%

<http://www.dti.gov.za/econdb/raportt/textIM39.html>

India's Region wise exports of plastic are as under:-

E.U. Countries & West Europe	27%
Gulf & Middle East Region	19%
USA, Canada, LAC Region	22%
Far East & South East Asian	12%
African Countries	10%
CIS & Russia	02%
Others	08%
Total	100%

Projection of India's Exports:

Abundant availability of various polymers has also played a pivotal role in ensuring the growth of our industry. India meets a very large part of requirements through indigenous production and is a net exporter of certain polymers, besides, the finished goods.

India's export growth amounted to 16% during the last year and touched a figure of US \$ 600 million during 1999-2000.

PROJECTION OF EXPORTS	
2003-2004	1250 US \$ MLN
2004-2005	1500 US \$ MLN

The
expected
growth of
exports
for the

next two years is projected as under:-

(Source: www.indianplasticportal.com)

The company's turnover in plastics has increased from Rs 21.49 lacs during 2002-2003 to Rs 168.50 lacs for the nine months ended 31/12/2003 i.e. a growth of 945.46% on an annualized basis. The company has so far only ventured in the South African market. As can be observed from the above region wise table the African countries account for only 10% of India's total export market in plastics. Hence there is a huge demand potential in these markets as well as the other markets.

b. Home Furnishing & Kitchen Items

The Indian Textile Industry is one of the largest segments of Indian Economy accounting for over one fifth of the industrial production. The winds of change have transformed a traditional art to a modern industry, employing state of the art technology and providing employment to around 15 million people.

This combination of traditional art and contemporary design has produced a variety of yarn, fabric, home textiles and other textile products sought after the world over. With over 9 million hectares under cotton cultivation and an annual crop of around 3000 million kgs., India is amongst the world's largest reservoirs of this popular fibre.

One of the most vibrant segments of the new look dynamic Indian cotton textile industry, is cotton made-ups. Ultra modern plants for continuous dyeing, bleaching, and printing have accelerated India's emergence as a global major in all kinds of made-ups including printed bed-linen, bath towels and soft touch towels. Of course, this modernization has not been restricted to the installation of sophisticated machinery alone, but also to the adaptation of quality systems conforming to ISO 9000 standards.

India manufactures and exports a wide variety of made-ups, which are at home in many a home and spruce up many an office in several parts of the world. These made-ups range from the very simple to the really exquisite and include wide variety of bed, table, kitchen, toilet and other home furnishing items.

The major made-ups exported include : Bed linen, Bags, Blankets, Curtains, Towels, Napkins, Pillowcases, Shawls, Cushion covers, Sacks Tarpaulins etc.

In 1999-2000 India exported cotton made-ups worth about US\$ 1009. 64 million compared to made-ups worth US\$ 631.26 million that were exported in 1995-96, registering an increase of about 60% during the last 4 years. The major markets for cotton made-ups are USA, Germany, UK, France, Belgium, Italy, Holland, Japan, Denmark etc. This gives ample testimony to the ever increasing popularity of Indian cotton made-ups the world over and reveals the fact that the Indian cotton textiles industry has adapted itself to meet the ever changing needs of the world market. Today, it's Advantage India. Indian cotton made-ups have cornered a fair share of glory, in every corner of the world. From USA to Australia. From exclusive department stores to mega-malls.

India Zone wise Exports				
ZONES	2001-2002		2000-2001	
	Mn. Rs	% SHARE	Mn. Rs	% SHARE
ASIA	54104.97	35.76	54604.36	37.03
EUROPE	42917.08	28.37	41863.82	28.39
AMERICA	31037.59	20.51	30494.10	20.68
AFRICA	20927.12	13.83	18241.27	12.37
OCEANIA	2303.76	1.52	2244.17	1.52
GRAND TOTAL	151295.57	100.00	147447.72	100.00

From the above table it can be observed that Africa accounted for 13.83% of the total exports of cotton products. The total export market is Rs. 151295.57 mn and spread over different markets. The company has a huge potential to tap into these markets over a period of time.

India's export to South Africa

India's export to South Africa in respect of terry towels has increased from 7 (R '000) in 2002 to 330 (R '000) in 2003 registering a growth of 5815.7% and a cumulative growth of 87.5% from 2000 to 2003. India's ranking has also jumped from number 7 in 2002 to number 3 in 2003. In respect of narrow woven fabrics, India's share has gone up from 48 (R '000) in 2002 to 405 (R '000) in 2003. In respect of bed linen etc India's exports have increased from 32290 (R '000) in 2002 to 33803 (R '000) in 2003 and India is ranked number 1 exporter of these products to South Africa.

The company commenced this product line only in 2002 – 03 and had a sale of Rs. 143.93 lacs during that period. During the nine months ended 31/12/03 the company had a sale of Rs. 108.03 lacs to South Africa alone.

Stainless Steel

Stainless steel is a value-added product that does not deteriorate during its life time. It is highly corrosion resistant and has robust tensile strength with excellent fatigue properties. It is economical in the long run though the initial cost is high. It has ease of fabrication property. Stainless steel is cent percent recyclable and environment friendly. It is the material of choice for hygienic conditions.

India's export of utensils and kitchenware during 2000-01 was about 50,000 tonnes. The value of utensil export by India in 2000-01 was about US \$ 17 million to Middle-East, The USA, Africa, Latin America, Far East and Japan. **Source:** <http://www.steelworld.com/ssi.htm>

India's export of Stainless Steel to South Africa

India's export to South Africa of articles of steel is 13.30% of the country's imports in such products during 2003. India's export is showing a fluctuating trend from 12302 (R '000) in 2000 to 10534 (R '000) in 2001 and again up to 14460 (R '000) in 2002 and then a marginal fall to 11786 (R '000) in 2003. India is ranked at number 3 in the overall ranking of import of such products into South Africa.

The company's turnover in respect of stainless steel products has increased from Rs. 30.31 lacs in 2002 – 03 to Rs. 47.56 lacs during the nine month ended 31/12/03 i.e. a growth of 109.20% on an annualized basis.

-

Lighting

India's export to South Africa

India's export to South Africa in this category has shown a mixed trend moving from 7925 (R '000) in 2000 down to 4105 (R '000) in 2001 before going up to 11187 (R '000) in 2002 and again falling to 6797 (R '000) in 2003. India has maintained a ranking of 10 over the last 2 years in this segment. In spite of an overall fall in 2003 over the previous year the company has in fact beaten this falling trend and has increased its turnover from Rs. 56.28 lacs in 2001 – 02 to Rs. 109.55 lacs in 2002 – 03 registering an increase of 94.65% during this period. During the nine months ended 31/12/03 the company has achieved a turnover of Rs. 70.25 lacs.

II. DEHYDRATED ONIONS & OTHER FOOD STUFF

India is the second largest producer of fruits and vegetables in the world. Agro products in either the raw or processed form constitute a major part of Indian exports. India's exports of canned and dehydrated vegetables have been showing a fluctuating trend, both in terms of quantities and value, in the past many years. The exports of canned vegetables range between 1,000 tonnes to 3,500 tonnes and dehydrated vegetables between 850 tonnes to 2,500 tonnes. The foreign exchange earnings from export of canned vegetables vary between Rs. 10 million to Rs. 90 million and that from dehydrated vegetables range from Rs. 15 million to Rs. 55 million. United Arab Emirates, United Kingdom, Germany, U.S.A, and Saudi Arabia are some of the countries to which India exports these products. Onions, peas, potatoes, carrots, etc., are some of the vegetables that are extensively used in this industry.

The market for dehydrated products is food processing industries and the domestic consumer market. Among the consumer markets, the product finds its placement in all self-service counters, departmental stores, "A" and "B" class retail outlets of groceries and provisions.

Owing to the advantages of occupying less storage space and also less transportation costs, the demand for these products is improving markedly. The Defence is the bulk purchaser of this commodity in the country; besides there is a good potential for exports.

Source: www.agroindia.org

The export of dehydrated vegetables from India is dominated by just five main products which are onion flakes and powder, tamarind powder, dehydrated vegetables, garlic powder/flakes and some small quantity of fruits. The main product of export is dehydrated onion flakes/powder which has been of the order of about 7224 MT valued at Rs.32.95 crores approximately in the year 2000-01. It has slightly come down from the previous year because of the mounting competition from other countries. Germany was the largest importer of dehydrated onion followed by Netherlands. The dehydrated vegetables from India in the same year was just 848 MT valued at Rs.6.16 crores.

The U.S. is a major market for dehydrated onions from India. U.S. imports from India have increased from 67 ('000 Dollars) in 1996 to 706 ('000 Dollars) in 2002 in value terms and from 26 MT to 543 MT during the same period. India is the 2nd largest supplier to the U.S.

Onions, Dried

U.S. Imports For Consumption

Annual Data

Country	1996	1997	1998	1999	2000	2001	2002
	In 1,000 Dollars						
Customs Value where quantities are collected in kilograms							
China	147	190	322	306	421	583	1,272
India	67	339	308	218	99	340	706
Canada	6	2	9	0	23	42	104
Germany	11	12	6	73	40	55	78
Japan	7	0	6	32	56	52	58
Israel	0	0	0	0	24	21	45
United Kingdom	0	3	0	0	0	0	31

Peru	46	89	350	43	0	31	24
Egypt	0	0	0	0	0	0	21
Netherlands	0	35	0	0	0	0	16
Taiwan	0	0	16	0	0	0	15
Vietnam	0	0	4	3	43	13	14
Hungary	0	0	0	0	0	0	11
Mexico	0	32	0	0	0	0	7
Thailand	0	0	0	0	0	0	4
United Arab Em	0	0	0	0	0	0	3
Iran	0	0	0	0	0	2	2
Argentina	0	0	0	46	18	0	0
Denmark	11	0	0	0	0	0	0
Italy	0	0	1	0	0	0	0
Philippines	0	0	0	3	0	0	0
Zimbabwe	0	0	0	20	23	0	0
Switzerland	26	0	0	0	0	0	0
Poland	0	0	0	0	0	5	0
Morocco	0	5	2	0	0	0	0
Korea	2	0	0	0	0	0	0
Guatemala	0	0	2	0	0	0	0
France	0	0	0	5	134	0	0
Total	323	707	1,026	749	881	1,144	2,412

Sources: Data on this site have been compiled from tariff and trade data from the U.S. Department of Commerce, the U.S. Treasury, and the U.S. International Trade Commission.

<http://www.agribusinessonline.com/stats/07122000%5Fonions%5Fdried.asp>

The company has increased its turnover of dehydrated onions from Rs. 20.06 lacs in 2000 – 01 to Rs. 233.15 lacs in 2002 – 03. The company has concentrated on the U.S. market. The other large importers are Japan, Germany, Singapore, Italy, France, U.K and the Netherlands. There is a large scope for export of these products. However the crop is seasonal and the purchase price can vary depending on the quantity and quality of the crop.

III. COMPUTER SYSTEMS AND PERIPHERALS

The buoyant IT consumption witnessed in FY 2002-03 continued undiminished in Q1 2003-04. With robust growth prospects, the IT market is expected to grow at 18% in FY 2003-04 over that in the last fiscal year. PC sales are expected to cross 27 lakh (2.7 million) units.

The growth in PC sales can be largely attributed to increased IT consumption by Industry verticals and corporate sectors such as Telecom, Banking & Financial Services, Manufacturing and IT-enabled services. Apart from these traditional sectors, higher consumption was also witnessed in SMEs, IT training institutes, and computer centric small enterprises like jobbers doing data entry/DTP. Growing number of retail outlets and malls have also added to the PC consumption. Major e-Governance and digital divide initiatives of the Central and State Governments are also driving IT consumption in the country. In addition, the trend of increased PC purchase in smaller towns and cities, witnessed last year, continued steadfast. Aggressive pricing by the PC vendors has also helped improve the PC penetration, especially, in the households and the SME segments.

www.mait.com

Industry Performance

MAIT's Industry Performance Review

As per quarterly market review carried out by the leading market research firm IMRB (Indian Market Research Bureau), the desktop PC market grossed 6.4 lakh units in Q1/2003-04 – a growth of 26% over Q1/2002-03. The sales in the First-half of FY 2003-04 are expected to cross 14.2 lakh units. The earlier projection of 12.1 lakh units in sales for H1/2003-04 has been revised upwards in light of the buoyant business sentiment in the market.



Chart 1 : Quartely PC sales Q1/2002-03 to Q2/2003-04

As per the MAIT-IMRB study **the Assembled PCs** – the smaller lesser known regional brands and unbranded systems, accounted for 65% of the PC sales in Q1/2003-04. The proportion of the assembled PC had risen significantly to 63% in Q3 (OND)/2002-03, however this was checked by increased consumption in the corporates from the organized sector in Q4 (JFM), more than neutralizing the impact and bringing the annual market share of assembled PCs to 46%. But once again in Q1 2003-04 the assembled PC market managed to garner a significant market. MNC brands accounted for 19% of the market while the Indian brands accounted for the rest 16%. The findings of the MAIT-IMRB Quarterly Study for Q1/2003-04 lend themselves to identifying significant trends in buying and usage patterns:

In the first Quarter of 2003-04, the desktop PCs, Notebooks, Dot Matrix Printers, Laser printers, Inkjet Printers and UPS have registered sales of close to 60% of their sales during the first half of 2002-03. Given the fact that the second Quarter (July-August-September) is normally a better quarter than the first (April-May-June), the market is clearly on a growth track.

Sr.No.	Products	Estimated Market Size for Q1/2003-04	Estimated Market Size for Q1/ 2002-03	Growth (%)
1	Desktop PCs	6,41,812	5,08,601,	26%
2	Notebooks / laptops	14,784	13,677	8%
3	Servers	28,046	12,694	25%
4	Dot Matrix Printers	87,349	99,833	(13)%
5	Ink Jet Printers	1,44,771	1,04,012	39%

6	Laser Jet Printers	27,627	17,269	60%
7	UPS	1,26,735	1,03,966	22%

Table 1 : IT Market for First-Quarter 2003-04

The Government is also very supportive of the IT industry and has recently announced a slew of initiatives to boost the IT industry a few of are given below :

Salient changes in the policy:

1. Special additional duty of customs (SAD) of 4% is being abolished.
2. Customs duty on Information Technology Agreement (ITA) bound items is being reduced as per our commitments.
3. Customs duty on specified raw materials/inputs used for manufacture of electronic components or optical fibres/cables is being reduced from 15%/ 5% to 5% / Nil.
4. Customs duty on specified capital goods used for manufacture of electronic goods is being reduced from 15%/10% to Nil.
5. Specified infrastructure equipment for basic/cellular/internet, V-SAT, radio paging and public mobile radio trunked services and parts of such equipments are being exempted from basic customs duty.
6. Excise duty on computers is being reduced from 16% to 8%.
7. Baggage rules are being liberalized - Laptops brought as part of baggage are being exempted from customs duty.
8. Manufacturers will now be allowed to remove semi-finished goods and finished goods for further processing or testing, without payment of excise duty.

The above initiatives will result in a cost reduction varying from 3 – 15% on various components and resulting in an overall reduction in the cost of computers. The reduced cost will further boost the demand for systems & peripherals.

The company has been in the IT industry since the last 17 years and has successfully been competitive with the best in industry. The turnover of the company from this sector has increased from Rs. 967.17 lacs in 2000 – 01 to Rs. 1355.29 lacs in 2002 – 03 resulting in a growth of 40.13% over the last 3 years. During the nine month period ended 31/12/03 the company recorded a turnover of Rs. 770.44 lacs in this sector.

COMPETITION

The opportunities for growth are tremendous. There can be no growth without competition. Some of the larger players are Adani Exports in the export market, Jain Irrigation in dehydrated onions and a host of MNC's and local manufacturers in the local computer hardware market. Competition in the export market is also faced from other countries such as China, Malaysia, Indonesia, Pakistan etc.

The Company is not in direct competition with the larger players. As the Company is in the export business it is aware of certain other traders and / or manufacturers such as Sonarch International, Prince Plastics, King Metal, Universal Impex, Supreme Industries etc who are exporting either some or all of the products presently being exported by the Company. As this sector is largely an unorganized sector more financial data are not available.

The Company is being managed by experienced people who have the requisite knowledge of the export market and conditions. The Company has been showing a consistent growth in business in spite of the competition available. The Company has identified and established a good rapport with its buyers and is in a position to continuously adapt and change as per the requirements of the buyer and the export markets. The Management is confident of increasing its share in the export market.

SCHEDULE OF IMPLEMENTATION:

The Schedule of implementation of the expansion activities of the company is as under

PARTICULARS	COMMENCEMENT	COMPLETION
Building	March 2004	July 2004
Furniture and Fittings	July 2004	September 2004
Office Equipments	July 2004	August 2004

Working capital	April 2004	
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SWOT ANALYSIS

STRENGTHS

- (1) The Company has been in the business since the last several years and has gained considerable experience
- (2) The Company is being managed by Professionally Qualified Management who have requisite experience and skill in the field.
- (3) There is a tremendous potential in the export market as is evident by the huge growth estimates made by various professional bodies
- (4) The Company has already established a loyal client base for its various products
- (5) The brands under which the products of the Company are being sold viz “Daimond” and “Master Chef” are creating an awareness of the Company
- (6) The Company deals in various products and is not dependent on any single product type
- (7) The Company is exporting to various countries such as USA, New Zealand, South Africa, UK, Germany, Finland etc

WEAKNESS

- (1) The market for dehydrated onions is seasonal and the prices are dependant on the crop
- (2) Foreign exchange fluctuation can affect the financials of the Company

OPPORTUNITIES

- (1) There is a huge demand potential in the developing economies for products exported from India
- (2) The Company is also dealing in food processing products that are more in demand
- (3) The South African market is a feeder market to several other countries whose economies are also expected to improve thus creating a huge demand potential
- (4) The opening up of the markets in developed countries will boost Indian exports

THREATS

- (1) Competition from domestic players
- (2) Competition from other Asian exporters such as China, Malaysia, Indonesia etc who are price competitive
- (3) Possible in-stability in the socio-economic and political climate of the developing nations where the products are being exported

STOCK MARKET DATA

As the shares of the Company are yet to be listed on any Stock Exchange, no quotation for the market price of its shares is available.

PAST FINANCIAL HIGHLIGHTS

Audited Financial Highlights of the Company for the past five years are as under :-

STATEMENT OF ADJUSTED ASSETS & LIABILITIES						(Rs. in lakhs)
As At	31-Dec-03 (9 months)	31-Mar-03	31-Mar-02	31-Mar-01	31-Mar-00	31-Mar-99
ASSETS						
Fixed Assets:						
Gross Block	35.91	35.27	34.24	34.24	32.83	121.93
Less: Depreciation	12.03	9.76	6.82	3.54	1.18	1.38
Net Block	23.88	25.51	27.41	30.69	31.64	120.55
Current Assets, Loans & Advances						
Inventories	60.86	77.13	220.93	107.18	61.87	103.69
Sundry Debtors	721.35	613.37	434.60	324.65	131.11	147.74
Cash & Bank Balances	61.13	46.09	43.20	10.19	1.45	1.27
Other Current Assets	0.22	0.50	0.58	0.22	0.16	0.22
Loans & Advances	65.34	37.58	62.29	25.19	20.26	19.46
Total Current Assets	908.89	774.67	761.59	467.44	214.85	272.37
Less: Current Liabilities & Provisions						
Current Liabilities	527.74	450.61	396.41	143.95	44.32	146.94
Provision	15.21	8.79	4.36	1.97	3.56	0.81
Total Current Liabilities	542.95	459.40	400.77	145.92	47.88	147.75
Net Current Assets	365.94	315.27	360.82	321.52	166.96	124.63
TOTAL ASSETS	389.82	340.78	388.23	352.22	198.61	245.18
LIABILITIES						
Shareholders Funds:						
Equity Capital	130.34	130.34	130.34	130.34	122.56	128.29
Reserves & Surplus	59.83	43.27	23.21	6.11	5.64	1.24
Total	190.18	173.62	153.55	136.45	128.20	129.53
Less: Misc. Expenditure						
to the extent not written off	0.67	0.67	0.67	0.67	0.67	-
Net worth Total (A)	189.51	172.95	152.88	135.79	127.54	129.53
Loan Funds:						
Secured Loans	191.01	157.53	224.10	204.18	57.82	71.15
Unsecured Loans	9.30	10.30	11.25	12.25	13.25	44.50
Total (B)	200.31	167.83	235.35	216.43	71.07	115.65
TOTAL LIABILITIES	389.82	340.78	388.23	352.22	198.61	245.18

None of the Fixed Assets have been revalued during the years

STATEMENT OF ADJUSTED PROFIT & LOSSES**(Rs. in lakhs)**

As At	31-Dec-03 (9 months)	31-Mar-03	31-Mar-02	31-Mar-01	31-Mar-00	31-Mar-99
INCOME						
Sales	1,199.01	1,986.99	1,718.05	1,035.90	525.91	476.67
Other Income	67.69	32.23	20.86	3.99	0.75	13.35
TOTAL INCOME	1,266.69	2,019.22	1,738.91	1,039.89	526.66	490.02
EXPENDITURE						
Purchases	1,099.01	1,715.61	1,735.50	1,039.00	447.94	484.49
(Increase) / Decrease in Stocks	16.28	143.79	(113.74)	(45.31)	41.81	(34.00)
Staff Costs	23.13	16.60	14.22	10.66	3.23	2.62
Administration, Selling & Distribution Expenses	45.80	48.71	27.87	10.71	15.70	5.39
Financial Expenses	57.22	67.14	47.99	13.21	12.01	18.09
Depreciation	2.27	3.22	3.28	3.54	1.18	1.38
TOTAL EXPENDITURE	1,243.71	1,995.09	1,715.12	1,031.81	521.87	487.98
Profit / (Loss) before exceptional items	22.98	24.13	23.79	8.08	4.79	2.05
Add: Exceptional Items	-	-	-	-	2.36	-
Profit / (Loss) before tax	22.98	24.13	23.79	8.08	7.15	2.05
Less: Provision for tax	6.42	4.43	2.40	1.97	2.75	0.81
Profit / (Loss) after tax	16.56	19.70	21.39	6.11	4.40	1.24

Statement of Cash Flow
(Rs. in lakhs)

For the year ended	31-Mar-03	31-Mar-02	31-Mar-01	31-Mar-00	31-Mar-99
Cash Flow from Operating Activities					
Net Profit Before Taxation & Extraordinary Items	24.13	23.79	8.08	4.79	2.05
Add:					
Depreciation	3.22	3.28	3.54	1.18	1.38
Financial Charges	67.14	47.99	13.21	12.01	18.09
Operating Profit before Working Capital Changes	94.49	75.06	24.83	17.98	21.52
Decrease in Stocks	143.80	(113.75)	(45.31)	41.82	(34.00)
Decrease in Debtors	(178.77)	(109.95)	(193.54)	16.63	(33.05)
Decrease in Other Current Assets	0.08	(0.36)	(0.06)	0.06	-
Decrease in Loans & Advances (excl tax)	27.35	(37.10)	(2.07)	0.62	(12.18)
Increase in Current Liabilities	54.20	252.46	99.63	(102.52)	20.23
Cash generated from Operations	141.15	66.36	(116.52)	(25.41)	(37.48)

Income Tax Paid	2.32	4.28	4.30	1.42	0.88
Incorporation Expenses				0.67	
<i>Net Cash from Operating Activities</i>	<i>138.83</i>	<i>62.08</i>	<i>(120.82)</i>	<i>(27.50)</i>	<i>(38.36)</i>
Cash Flows from Investing Activities					
Purchase of Fixed Assets	(1.59)		(2.59)		
Proceeds from Sale of Assets	0.31			90.00	27.00
<i>Net Cash from Investing Activities</i>	<i>(1.28)</i>	<i>-</i>	<i>(2.59)</i>	<i>90.00</i>	<i>27.00</i>
Cash Flows from Financing Activities					
Proceeds from Issue of Share Capital	-	-	-	(5.73)	(1.26)
Proceeds from Long Term Borrowings			0.78		
Repayment of Long Term Borrowings	(0.39)	(0.36)	(0.03)		
Increase in Short Term Borrowings	(66.18)	20.28	145.61	(13.33)	13.02
Increase in Unsecured Loans	(0.95)	(1.00)	(1.00)	(31.25)	18.50
Financial Expenses	(67.14)	(47.99)	(13.21)	(12.01)	(18.09)
<i>Net Cash from Financial Activities</i>	<i>(134.66)</i>	<i>(29.07)</i>	<i>132.15</i>	<i>(62.32)</i>	<i>12.17</i>
Net Increase in Cash & Bank Balances	2.89	33.01	8.74	0.18	0.81
Cash & Bank Balances at beginning of period	43.20	10.19	1.45	1.27	0.46
Cash & Bank Balances at end of period	46.09	43.20	10.19	1.45	1.27

Notes:

Interest earned on Fixed Deposits with Bank has been included as an operating activity as the Deposits have been placed for the purpose of the business and not as an investment Increase / Decrease in the amount of Equity Capital for the periods ended 31st March 1998, 31st March 1999 and 31st March 2000 is due to the drawings made by the erstwhile partners in the erstwhile partnership firm The difference between the Equity Share Capital as on 31st March 2000 and 31st March 2001 is on account of the reclassification of the financial statements for the periods ended 31st March 1999 and 31st March 2000 of the erstwhile partnership firm. The adjustments made on such reclassifications have not been considered and the amounts have been reflected accordingly.

Statement of Significant Accounting Policies and Notes to Accounts as at 31.12.03

A. Significant Accounting Policies

1. Basis of preparation

The financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in India and comply with the mandatory Accounting Standards and Statements issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956.

2. Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Examples of such estimates include provision for doubtful debts, useful life of fixed assets, etc. Actual results could differ from the estimates.

3. Fixed assets

Fixed assets are stated at cost less accumulated depreciation. All costs attributable to bringing fixed assets to their present location and condition have been included in the cost of fixed assets. The written down value of fixed assets on the date of conversion from a partnership firm to a limited company have been considered as the original cost to the company.

4. Depreciation

Depreciation is provided based on the written down value method (WDV) at the rates and in the manner specified under Schedule XIV to the Companies Act, 1956.

5. Inventories

Inventories are carried at cost or market value whichever is lower. Cost includes freight and other related incidental expenses.

6. Retirement benefits

Provision for Gratuity is made on the basis of actuarial valuation.

7. Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the dates of the respective transactions. Assets and liabilities designated in foreign currency are converted into

rupees at the rates of exchange prevailing on the balance sheet date and gain or loss on such transactions is recorded in the profit and loss account.

8. Prior Period and Extraordinary Items

Extra ordinary debited to Profit & Loss Account are shown separately.

B. Notes to Accounts

- 1.) Contingent Liabilities : Rs. Nil (Previous Year Rs. Nil)
- 2.) The company has made provision for tax for the earlier years and also an estimated provision for tax for the nine months ended 31st December 2003.
- 3.) The Company has made provision for gratuity on the basis of an actuarial valuation upto 31st December 2003.
- 4.) Based on the information available with the management the company does not owe any sum to any small scale industrial undertakings
- 5.) In the opinion of management, current assets, loans and advances are approximately of the value stated in the Balance Sheet if realized in the ordinary course of business
- 6.) Loans from bank are working capital loans and are secured by hypothecation of stocks and receivables and collateral security of equitable mortgage of the premises of the company of a relative of the directors of the company, personal guarantee of the directors and relatives, pledge of deposit and retention of 5% of the value of bills discounted as term deposit.
- 7.) Unsecured loans represent loans taken from Directors and friends and relatives existing at the time of conversion of the erstwhile partnership firm M/s Sangeeta Sales which was converted under Chapter IX of the Companies Act, 1956 into the company. No new loans have been taken by the company during the year. These loans have since been repaid
- 8.) Debtors include a sum of Rs. 1,83,51,885/- (previous year Rs. 1,47,85,070/-) due from a partnership firm in which some of the directors are partners.
- 9.) Expenditure incurred in foreign currency:

Amount (Rs.)

Particulars	Dec 2003	2002-03
Foreign travel	191510	168081
Certification charges	-	227000
Finished Goods (CIF) value	-	1814190
Total	191510	2209271

10.) FOB value of exports Rs. 4,28,57,012/- (Previous Year Rs. 6,31,70,134/-)

11.) Particulars of Earnings per Share

Net profit after tax for the period (Rs.)	929028
Number of equity shares - basic and diluted	1303433
Nominal value of the shares (Rs.)	10
Earnings per share (annualized) – basic and diluted (Rs.)	0.95

12.) Previous years figures have been regrouped / rearranged wherever necessary

13.) Previous year figures are not strictly comparable as the current period is for only nine months.

14.) Related Party Disclosures:

List of Related Parties with whom transactions have been carried out:

I. Key Managerial Personnel

1. Mr. Sudhir Mehra – Whole time Director
2. Mr. Sanjay Mehra - Whole time Director
3. Mr. Brijmohan Mehra - Whole time Director
4. Mr. Vinod Mehra - Whole time Director
5. Mr. Deepak Sumani

II. Relatives of Key Managerial Personnel

1. Sangeeta Mehra
2. Sanna Mehra
3. Aditya Mehra
4. Minal Mehra
5. Padma Mehra
6. Anita Sumani

III. Group Concerns

1. India Peripherals
2. Mastermind Computer Consultants
3. Lens Light

Related Party Transactions:

Transactions with Related Parties referred to in I above:

S. No.	Nature of Transaction	31 st December 2003 (nine months)	31 st March 2003
1	Remuneration to Key Management Personnel	11,88,000/-	7,70,000/-

Transactions with Related Parties referred to in II above:

S. No.	Nature of Transaction	31 st December 2003 (nine months)	31 st March 2003
1	Interest Paid	6,750/-	27,675/-
2	Rent	27,000/-	33,000/-
3	Remuneration	1,08,000/-	-

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Transactions with Related Parties referred to in III above:

S. No.	Nature of Transaction	31 st December 2003 (nine months)	31 st March 2003
1	Purchases	324,58,961/-	7,58,54,653/-
2	Sales	4,79,10,095/-	5,75,59,200/-
3	Rent Received	-	50,000/-

VI. MANAGEMENT DISCUSSION AND ANALYSIS OF PAST PERFORMANCE

FINANCIAL DATA FOR LAST THREE YEARS

Rs in lacs

Particulars	2003	2002	2001
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Total Income (A)	2019.22	1738.91	1039.89
% Change	16.12	67.22	
Total Expenditure (B)	1995.09	1715.12	1031.81
% Change	16.32	66.22	
Profit after Tax	19.70	21.39	6.11
% Change	(7.90)	250.08	

Analysis of Financial results :-

For the period 2002-2003:

Though the turnover of the company increased during the said period, the profits has showed a decline which is due to the fact that the company was in the experimental stage of identifying the optimum product mix, hence the marketing cost at that level was higher. Further the reduction in the tax benefits accruing to the company also resulted in lower profits after tax.

For the period 2001-2002:

The company commenced its exports at the end of 2000-01 and picked up during 2001-02. Hence the profits has increased substantially during that period.

-

Information Regarding: -

a) Unusual or infrequent events or transactions

There have been no unusual or infrequent transactions that have taken place.

b) Significant Economic Changes that materially affected or are likely to affect income from continuing operations.

There have been no significant economic changes, which materially affect or are likely to affect the income of the company from the continuing operations except increase in income, which would be due to the proposed expansion activity of the company.

c) Known Trends or uncertainties that have had or expected to have a material adverse impact on sales, revenue or income from continuing operations.

The changes in trends or uncertainties in business are negligible and will not have material adverse impact on the business of the company.

-

d) Future changes in relationship between costs and revenues

The future variable costs as a percentage of sales are not likely to register an adverse effect.

e) The extent to which material increase on net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.

The revenues of the company are entirely dependent on the sales volume of the company

f) Total turnover of each major industry segment in which the company operated

The details of turnover in different trading segments that the company operates for the last three years is as under :

(Rs. In Lacs)

Particulars	Mar 2003	Mar 2002	Mar 2001
Computers & Peripherals	1355	1319	967
Dehydrated Onions & Foodstuff	246	279	48
General Merchandise	386	120	21
TOTAL	1987	1718	1036

g) Status of any publicly announced new products or business segment

The company has not announced any new products or business segment.

h) The extent to which business is seasonal

The business of the company is seasonal in relation to its business in dehydrated onions

i) Any significant dependence on a single or few suppliers or customers

The company is not dependent on any single or few suppliers / customers

j) Competitive conditions

The company may face competition from other players in the industry

VIII. COMPANIES UNDER THE SAME MANAGEMENT

There are no Companies under the same management within the meaning of Section 370 (1B) of The Companies Act, 1956.

IX. BASIS FOR ISSUE PRICE

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Quantitative Factors

1. Adjusted EPS

	PARTICULARS	EPS	WEIGHTS USED
a.	2000-2001	0.47	1
b.	2001-2002	1.64	2
c.	2002-2003	1.51	3
	Weighted Average for last 3 years (Rs.)	1.38	

2. Price Earning Ratio (P/E Ratio) in relation to the company is not available since the company is not a listed company.

Industry P/E Ratio: -

	Trading
Highest	32.1
Lowest	3.5
Composite Average	21.7

(Source : Capital Market Jan 5-18, 2004)

3. Return on Net Worth

	RONW	Weights
2000-2001	4.64	1
2001-2002	14.82	2
2002-2003	12.09	3
Weighted Average	11.76	

4. Minimum return on total net worth after issue needed, to maintain EPS at Rs. 1.51 is 14.34%

5. Net Asset Value (NAV)

- a. As at 31.03.2003 : 13.27
- b. After Issue : 10.53
- c. Issue price : 10.00

6. Accounting Ratios : (Trading)

	Issuer Company	Industry Avg	Peer Group (Haria Exports as per turnover)
EPS (Rs.)	1.51	5.81	0.93
P/E Ratio	-	21.7	NA
Return on Net Worth (%)	12.09	3.86	1.73
NAV (Rs.)	13.27	53.59	69.98

MATERIAL DEVELOPMENT

The directors of the company hereby state that in their opinion there is no material development after the date of last financial statement disclosed in the offer document which is likely to 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.

X. OUTSTANDING LITIGATIONS, DEFAULTS AND MATERIAL DEVELOPMENTS.

There are no pending litigations, disputes, over dues, defaults to financial institutions/banks and instances of non-payment of statutory dues by the issuer company, promoters and the other companies/firms promoted by the promoters.

There are no cases pending litigation, disputes, defaults, etc in respect of companies to which the promoters were associated in the past but are no longer associated and their name continues to be associated with the particular litigation.

There are no litigations against the promoters or Directors involving violation of statutory regulations or a criminal offence.

There are no pending proceedings initiated for economic offences against the Directors, the promoters, companies and firms promoted by the promoters irrespective of the fact whether they fall under the purview of sec 370 (1B) of the Company's Act 1956.

There are no outstanding litigations, disputes pertaining to matters likely to affect operation and finances of the company including disputed tax liabilities, prosecution under any enactment in respect of schedule XIII against issuer company, promoters and other companies/ firms promoted by the promoters.

The Promoters /Directors/ have not violated the provisions of the Companies Act, 1956 and none of the promoters/ Directors/ promoters companies have been suspended by SEBI or any disciplinary action have been taken by SEBI

INVESTOR GREIVANCES AND REDRESSAL SYSTEM

Investor's grievances pertaining to this issue will be handled by the Registrar to the Issue namely Bigshare Services Pvt. Ltd. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with the Registrars to the Issue in attending to the grievances of the investors. The Company assures that the Board of Directors in respect of the complaints, if any, to be received shall adhere to the following schedules.

S.NO	NATURE OF COMPLAINT	TIME TAKEN
1.	Non receipt of the refund warrants or Share Certificates	Within 7 days of receipt of complaint, subject to production of satisfactory evidence
2.	Change of address notification	Within 7 days of receipt of information
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint and other relevant details

The Company has appointed Mr. Sudhir Mehra as Compliance Officer who would directly deal with SEBI officer with respect to implementation of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre issue/post issue related problems. The Compliance officer will be available at the registered office of the Company.

XI. RISK FACTORS & MANAGEMENT'S PERCEPTION TO THE RISK FACTORS

RISK FACTORS & MANAGEMENT'S PERCEPTION TO THE RISK FACTORS

Investors should consider carefully the following risk factors, together with the other information contained in this Prospectus, before they decide to buy the Company's Equity Shares. If any of the following risks actually occur, the Company's business, financial condition and results of operations could suffer, the trading price of the Company's Equity Shares could decline and you may lose all or part of your investment.

INTERNAL TO THE COMPANY

1. There are no standard valuation methodology or accounting practices in the information technology and related industries. The financials of the issuer are not comparable with the players in the industry.
2. The registered office of the company situated at Bandra is not owned by the company but has been taken on lease from Smt. Padma J. Mehra, relative of directors of the company on monthly tenancy basis.

M.P

The company has been operating from the same premises since inception as a partnership concern i.e. from the year 1986. This premises has also been provided as a collateral security to the company's bankers against working capital facility obtained from them and the lessor has also provided her personal guarantee for the loan taken. In view of the above and given the fact that the company proposes to acquire new premises for the purpose of its corporate and registered office, it does not perceive any risk in the above.

3. Mr. Sanjay Mehra – one of the director of ARS has promoted a proprietary concern in the name Mastermind Computers to carry on business relating to computer and related activities and hence there may be conflict of interest and it has incurred a minor loss of Rs. 23.18 for the year ended 31.03.03.

M.P

Mastermind has ceased the operations since the last one year and the minor loss incurred of Rs. 23.18 was on account of the closing down of the activities and for recovery of debtors and payments to creditors. Hence the promoters do not foresee any conflict of interest..

4. Mr. Sudhir Mehra and Mr. Sanjay Mehra, the director of ARS along with their spouse, have promoted a partnership concern in the name India Peripherals to carry on business relating to computer and related activities and hence there may be conflict of interest.

M.P

As per the management of the company, both the concerns have co-existed for the past 12 years and are profit making. Hence it is of the opinion that the conflict if any would not affect the profitability of the company.

5. The Company is promoted by first generation entrepreneurs and therefore the project bears all the risks associated with such ventures.

M.P

The promoters are in the business for over 17 years. Moreover, the promoter, Mr. Sudhir Mehra is one of the founder members of the Trade Association of Information Technology, hence they do not foresee risks associated with first generation entrepreneurs.

6. The proposed project is entirely financed by the present issue of equity shares and any delay in raising funds from the public issue will adversely affect the future performance of the Company.
7. The proposed project is mainly for Enhancement of Working Capital the cost of project and means of finance has not been appraised by any bank or financial Institution and are based on the Company's own estimates. The deployment of funds collected in this issue will be at the sole discretion of the management of the company. Thus there will be no independent Body monitoring the use of Proceeds and the Utilisation of issue proceeds is at the total discretion of the management.

M.P.

The Company is already in the same business for more than 17 years and the promoters are experienced in this field and are confident of the viability of the project. The working capital requirement is in proportion with the existing working of the Company

8. The company is yet to identify the premises for its expansion for which an amount of Rs. 158.00 lacs has been set aside towards the cost of project.

M.P

The promoters are in the process of identifying the premises and the same shall be done shortly.

9. The company is yet to place orders for office equipments (Rs. 19.00 lacs) and Furniture and Fixtures

(Rs. 24.00 lacs).

M.P

The company has obtained requisite quotations from various suppliers for its office equipments and has also received quotations for furniture and fixtures from interior decorators and the same shall be processed at an appropriate time in line with the proposed implementation schedule

10. Though the Company has existing working capital limits sanctioned from Oriental Bank of Commerce yet the Company is not approaching the same for additional facilities.

M.P

The normal increase in limits sanctioned from the banks is very low as compared to the requirement of the company, which is a hindrance to the growth of the company. Further since the company is in trading activities, there is no infrastructure asset available to offer to banks as a collateral security to increase the limit.

11. The company shall face competition from existing companies and potential new entrants

12. The Authorised capital of the company has been increased from Rs. 140 lacs to Rs. 890 lacs vide resolution dated February 21, 2004. However the ROC formalities in respect of the same are yet to be completed.

M.P

The company is in process of completing the ROC formalities and the same shall be completed shortly

13. The company markets its general merchandise products under the brand name “Diamond” and “Master Chef”. ARS has applied to the Government of India – Trade Marks Registry Department for registration of the brands. The certificate of registration is yet to be issued to the company.

M.P

The brands have been approved for trade mark registration and the process of final registration would be completed within 3 months which is the balance time required by the Registrar of Trade Marks to notify in the trade magazine for any objections to be taken by any party for use of these trade marks. Till such time the company has the right to use the trademark insignia TM along with the respective brand names of “Diamond” and “Master chef”.

14. The company has made a SWOT analysis, identifying its opportunities and strengths as well as taking cognizance of certain threats and weaknesses. Details can be referred on page no.45

M.P

The threats given in the SWOT analysis are general in nature

EXTERNAL TO THE COMPANY

1. The company is subject to risks arising from exchange rate fluctuations.
2. Any change in the Government regulations may have an adverse effect on the business of the company.
3. The performance of the company is linked to the performance of the Indian economy and the economies of the countries wherein the exports of the company takes place.
4. Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the business of the company.
5. Competition is perceived from other Asian exporters such as China, Malaysia, Indonesia etc, who are price competitive
6. Possible in-stability in the socio-economic and political climate of the developing nations where the products are being exported shall effect the profitability of the company.

M.P. for 1-6 above

All the above external factors are generic in nature and are not specifically applicable only to the company

PART - II

I. GENERAL INFORMATION

ARS SYSTEMS AND COMMUNICATIONS Limited (hereinafter referred to as 'the Issuer' or 'the Company') is offering for subscription to the public 56,00,000 Equity Shares of Rs. 10/- each for cash at par aggregating to Rs.560 Lakhs.

CONSENTS

Consents in writing of the Directors, Lead Manager to the Issue, Auditors, Bankers to the Company, Bankers to the Issue, Registrar to the Issue and Brokers to the Issue to act in their respective capacities have been obtained and filed with the Registrar of Companies along with a copy of this Prospectus, as required under Section 60 of the Companies Act 1956, and none of them have withdrawn the said consents up to the time of filing of this Prospectus for registration with the said Registrar of Companies.

M/s Dhirajlal Desai & Co., Chartered Accountants, the Auditors of the Company, has also given their consent for the inclusion of their Report as appearing herein in the form and context in which it appears in this Prospectus and also of the tax benefits accruing to the Company and to the members of the Company and such consent and reports have not been withdrawn up to the time of delivery of this prospectus for registration with the Registrar of Companies.

EXPERT OPINION

Save and except as mentioned elsewhere in the prospectus, the company has not obtained any expert opinion.

CHANGES IN DIRECTORS DURING THE LAST THREE YEARS

Name of the Director	Date of Appointment	Date of Resignation	Reasons
Mr. Sanjiv R. Mehrortra	10 th April, 2000	1 st November, 2001	Personal
Mr. Brijmohan J. Mehra	1 st November, 2001	NA	Appointed as additional Director
Mr. Vinod Mehra	1 st February, 2002	NA	Appointed as additional Director
Mr. Mukesh Dhruve	23 rd February, 2004	NA	Appointed as additional Director

CHANGES IN AUDITORS DURING THE LAST THREE YEARS

There was no change in the Auditors of the company for the past 3 years.

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81 (1A) of the Act the present issue has been authorized by a special resolution passed by the shareholders of the company at their Extraordinary General Meeting held on February 21, 2004.

DISPOSAL OF APPLICATION AND APPLICATION MONEY

No receipt will be issued for application money. However, the Bankers to the issue receiving the application will acknowledge the receipt of the application by stamping and returning the detachable acknowledgement slip appended to each application.

The sum received in respect of the issue will be kept in separate bank accounts and the Company will not have any access to the funds unless approval of the Designated Stock Exchange i.e. The Stock Exchange, Mumbai, is obtained for the Basis of Allotment and Listing Approval from the Stock Exchanges where listing is proposed.

The Company reserves the full unqualified and absolute right to accept or reject any application in whole or part and in either case without assigning any reason thereof.

ALLOTMENT LETTERS AND REFUND ORDERS

After the Company has received the minimum subscription, it will proceed to complete the allotment formalities. After allotment all investor who opted for shares in the electronic mode

will receive credit for these shares directly in their depository accounts and all investors who have opted for physical delivery of shares will receive the Share Certificates from the Registrars to the Issue.

The dispatch of refund orders and demat credit would be completed and the allotment and listing documents shall be submitted to the stock exchange within 2 working days of the finalisation of the basis of allotment.

All steps for completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the securities are to be listed shall be taken within 7 working days of finalisation of the basis of allotment.

Allotment Letter(s) and/or /Letter of Regret as the case may be together with refund cheques / pay order shall be dispatched by registered post (refund cheques / pay order of value up to Rs. 1500/- by ordinary post under postal certificate) at the sole/first named applicant address within 10 weeks from the date of closing of the subscription list. If such money is not repaid within 8th day from the day the company becomes liable to pay. The Company and every Director of the Company who is an officer in default shall on and from the expiry of the 8th day be jointly and severally liable to repay that money with interest @ 15% per annum. In case of joint applications, Refund Orders, if any, will be made out in the First applicant's name and all communication will be addressed to the person whose name appears first on the Application form.

Where the permission has been applied for dealing and listing of the equity shares in the stock exchanges referred to above and if such permission has not been granted by the Stock Exchange within 78 days of closure of the Issue, then the Company shall forthwith repay with interest all monies received from applicants in pursuance of this letter of Issue and if any such money is not refunded within 8 days after the Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the closure of the subscription list, whichever is earlier), the Company and every Director of the Company who is an officer in default, shall on and from the expiry of the 8 days be jointly and severally liable to repay the money with interest @15 % p.a. If however an appeal against the decision of any recognised Stock Exchange refusing permission for the shares to be dealt in the Stock Exchange has been preferred under Section 22 of the Securities Contract Regulation Act, 1956 any Allotment made under this letter of Issue shall not be void until the appeal is dismissed.

Refunds will be made by cheques or pay orders drawn on the bank(s) appointed by the company as refund banker. Such instruments will be payable at par at the places where applications are accepted. Bank charges, if any, for encashing such cheques or pay orders will be payable by the applicant

BASIS OF ALLOTMENT

In the event of public issue of equity shares being over-subscribed, the basis of allotment will be finalised by the Board of Directors of the Company in consultation with Designated Stock Exchange, Lead Manager & Registrar to the Issue in marketable lots and on a proportionate basis.

The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the DSE. The basis of allotment shall be signed as correct by the Executive Director/Managing Director of the DSE and the public representative (where applicable) in addition to the lead merchant banker responsible for post issue activities and the Registrar to the Issue.

INTEREST IN CASE OF DELAY ON ALLOTMENT & DESPATCH

As far as possible, allotment of securities offered to the public shall be made within 30 days of the closure of this offer. The issuer shall pay interest @ 15% per annum for the period of delay beyond 30 days if the allotment has not been made and / or refund orders have not been dispatched to the investors within 30 days from the date of closure of the offer.

ISSUE OF SHARE CERTIFICATES

The Share certificates will be delivered within three months from the date of allotment as per the provisions of section 113 and other relevant provisions of the Companies Act, 1956, in exchange of allotment letters, issued if any.

INTEREST ON EXCESS APPLICATION MONEY

Payment of interest at the rate of 15% per annum on the excess application money will be made to the applicants for the delayed period, if any, beyond 30 days from the date of closure of the subscription list, in terms of the provisions of the Companies Act, 1956 and the guidelines issued by the Ministry of Finance vide Letter No. F/8/6/SE/79 dated 21.7.83 and as amended by Letter No.F/14/2/SE/85 dated 27.9.1985 addressed to Stock Exchanges and as further modified by SEBI's circular dated May 15, 1996.

COMPANY INFORMATION AND PUBLIC ISSUE MANAGEMENT TEAM

REGISTERED OFFICE

ARS SYSTEMS AND COMMUNICATION LIMITED

41, Pali Hill, Bandra (W),
Mumbai – 400 050.

Phone No:26000555, 26480743

Fax:022-26499118

Email: info@arssystems.com

Website: www.arssystems.com

LEAD MANAGER TO THE ISSUE	REGISTRARS TO THE ISSUE
 ARYAMAN FINANCIAL SERVICES LIMITED SEBI REGN. NO. : MB/INM000006807 208, Maker Chambers V, 2 nd Floor, Nariman Point, Mumbai – 400021 Contact Person : Mr. Alpesh Parmar Tel : (022) 2282 6464, 2288 3134 Fax : (022) 22882590 E-mail : afsl@vsnl.com	BIGSHARE SERVICES PRIVATE LIMITED. SEBI REGN. NO. INR 1385 E-2 Ansa Industrial Estate Saki Vihar Road, Saki Naka, Andheri East Mumbai – 400072 Contact Person: Mr. Mahindra Gaur/ Mr. Satish Tel: 28560652 / 53 Fax: 28525207 Email : bigshare@bom7.vsnl.net.in

AUDITORS	BANKERS TO THE COMPANY
Dhirajlal Desai & Co. Chartered Accountants A-33, Navyug Niwas,	Oriental Bank of Commerce Ajay Apartments, S.V. Road,

167, Lamington Road, Opposite Minerva Cinema, Mumbai – 400 007.	Santacruz (West), Mumbai – 400 054
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COMPANY SECRETARY	COMPLIANCE OFFICER
The Company has not yet appointed the Company Secretary.	Mr. Sudhir Mehra 41, Pali Hill, Bandra (W), Mumbai – 400 050

The investors are hereby invited to contact Mr. Sudhir Mehra (Compliance Officer) in case of any pre/post issue related problems such as non-receipt of letter of allotment/ share certificates / refund orders.

BANKERS TO THE ISSUE

UNDERWRITERS TO THE ISSUE

Underwriting being optional, the Company does not propose to underwrite the issue.

BROKERS TO THE ISSUE

All the brokers of the Designated Stock Exchange in India will be brokers to the issue.

CREDIT RATING

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

TRUSTEES

Since the proposed issue is of equity shares only, trustee is not required to be appointed.

II. FINANCIAL INFORMATION

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AUDITORS REPORT

The Board of Directors

ARS Systems & Communications Ltd

Mumbai

1. We have examined the accompanying 'Statement of Adjusted Profits & Losses' of ARS Systems & Communications Ltd (the Company) for each of the financial periods ended 31st March 2001, 31st March 2002, 31st March 2003 and 31st December 2003 (9 months) and for each of the financial periods ended 31st March 1999 and 31st March 2000 of the erstwhile partnership firm M/s Sangeeta Sales and the accompanying 'Statement of Adjusted Assets & Liabilities' as at those dates read together with the notes thereon. These statements reflect the 'Profits or Losses' and 'Assets and Liabilities' for each of the relevant periods as extracted from the Profit & Loss Accounts and the Balance Sheets for the accounting periods ended 31st March 1999 audited by M/s A.B. Shah & Co., Chartered Accountants, the Profit & Loss Accounts and the Balance Sheets for the accounting periods ended 31st March 2000, 31st March 2001, 31st March 2002, 31st March 2003 and Profit & Loss Account and the Balance Sheet for the nine months ended on 31st December 2003 audited by us after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.7 of the Securities & Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000 subject to our comments given in Annexure 'A'. We confirm that, subject to our comments given in Annexure 'A', as required by clause 2.2.B(iii) of the SEBI DIP Guidelines 2000, as amended, the financial statements of the partnership business for the years ended 31st March 1999 and 31st March 2000 are revised in the format prescribed for companies under the Companies Act, 1956 and that adequate disclosures are made in the financial statements as required to be made by companies as per Schedule VI of the Companies Act, 1956. We certify that:

- a) the accounts as revised or otherwise and the disclosures made are in accordance with the provisions of Schedule VI of the Companies Act, 1956; and
- b) the accounting standards of the Institute of Chartered Accountants of India (ICAI) have been followed and that the financial statements present a true and fair picture of the firm's accounts.

2. We have examined the accompanying 'Statement of Accounting Ratios' of the Company for each of the financial periods ended 31st March 2001, 31st March 2002, 31st March 2003 and 31st December 2003 (9 months) and report that, in our opinion, the accounting ratios have been computed from the figures as stated in the 'Statement of Adjusted Profits & Losses' and 'Statement of Adjusted Assets & Liabilities' of the Company referred to paragraph 1 above.
3. We have also examined the accompanying 'Statement of Rates of Dividend' (wherein no dividends have been paid) paid in respect of any class of shares by the Company in respect of each of the financial periods ended 31st March 2001, 31st March 2002 and 31st March 2003.
4. We have also examined the accompanying 'Statement of Tax Shelter' of the Company for each of the financial periods ended 31st March 2001, 31st March 2002 and 31st March 2003 and report that, in our opinion, this has been computed from the figures as stated in the 'Statement of Adjusted Profits & Losses' and 'Statement of Adjusted Assets & Liabilities' of the Company referred to paragraph 1 above.
5. The 'Statement of Accounting Ratios', 'Statement of Rates of Dividend' and 'Statement of Tax Shelter' has not been prepared in respect of the accounting periods ended 31st March 1999 and 31st March 2000 as during those years the Company was a partnership firm and the provisions relating to share capital and number of shares, declaration of dividend (the entire profits were shared among the erstwhile partners in their profit sharing ratio) and tax shelters on account of difference in depreciation rates and provisions of MAT were not applicable.
6. We have also examined the accompanying 'Capitalisation Statement' of the Company pre-issue (as at 31st December 2003) and post issue and report that, in our opinion, this has been computed from the figures as stated in the 'Statement of Adjusted Assets & Liabilities' of the Company referred to paragraph 1 above.
7. This report as furnished hereunder stamped and initialed by us for identification purpose, is being provided solely for the use of ARS Systems and Communications Ltd, for the purpose of inclusion in the Offer Document in connection with the Initial Public Offer of the Equity Shares of the Company.

8. This report may not be used or relied upon by, or disclosed, referred to or communicated by yourself (in whole or in part) to, any third party for any purpose other than the stated use, except with our written consent in each instance, and which consent, may be given, only after full consideration of the circumstances at that time.

For Dhirajlal Desai & Co

Chartered Accountants

Sd/-

Rajesh Desai

Proprietor

Place: Mumbai

Dated: 23.02.04

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ANNEXURE 'A'

1. The Company was incorporated as a limited company vide conversion of a partnership firm viz M/s Sangeeta Sales under Chapter IX of the Companies Act, 1956 on April 10, 2000. All assets and liabilities of the erstwhile firm were taken over by the Company at their respective book values. For the financial periods ended 31st March 1999 and 31st March 2000 the financial statements of the partnership firm have been reclassified as per Schedule VI of the Companies Act, 1956. For the purpose of reclassification of the Balance Sheet and the Profit & Loss Account of the erstwhile firm the following adjustments have been made:

- Profit before tax originally credited to the partner's capital account has been deducted from the same.

- Provision for tax for the year has been made and disclosed under the head 'Provisions' and the profit after tax has been disclosed under the head 'Reserves & Surplus'.
 - Advance tax originally debited to the Partner's capital account has been added back to the same and disclosed under 'Loans & Advances'.
 - The capital accounts of the partners (net of drawings, if any) have been considered as the Equity Capital of the Company.
2. In respect of the periods ended 31st March 1999 and 31st March 2000, the written down values of the Fixed Assets at the beginning of the year have been considered as the Opening Gross Block for the respective year. In respect of the financial period ending 31st March 2001, the written down value of the Fixed Assets as on 31st March 2000 has been considered as the Opening Gross Block for the year and has been carried forward accordingly for the subsequent years.
 3. No provision for tax was paid by the Company for the financial periods ended 31st March 2001, 31st March 2002 and 31st March 2003. The company has made the provision for tax for the said years in the financial statements for the period ended 31st December 2003 (9 months) and the same has now been incorporated in the 'Statement of Adjusted Profits and Losses' for the respective periods and the Reserves of the Company have been adjusted by a corresponding amount and the adjusted amount of Reserves has been reflected in the 'Statement of Adjusted Assets & Liabilities' for the respective years.
 4. The company had not made provision for gratuity for the financial periods ending on 31st March 2001, 31st March 2002 and 31st March 2003. However the Company has made provision for gratuity for the entire period in the financial statements for the period ended 31st December 2003 (9 months) aggregating to Rs. 2.75 lacs. As it is not possible to bifurcate the provision for each year no adjustment for the same has been made in the 'Statement of Adjusted Profits & Losses' and 'Statement of Adjusted Assets & Liabilities' for the earlier years.

5. Figures for all the years have been regrouped and reclassified wherever considered necessary

STATEMENT OF ADJUSTED ASSETS & LIABILITIES

(Rs. in lakhs)

As At	31-Dec-03 (9 months)	31-Mar-03	31-Mar-02	31-Mar-01	31-Mar-00	31-Mar-99
ASSETS						
Fixed Assets:						
Gross Block	35.91	35.27	34.24	34.24	32.83	121.93
Less: Depreciation	12.03	9.76	6.82	3.54	1.18	1.38
Net Block	23.88	25.51	27.41	30.69	31.64	120.55
Current Assets, Loans & Advances						
Inventories	60.86	77.13	220.93	107.18	61.87	103.69
Sundry Debtors	721.35	613.37	434.60	324.65	131.11	147.74
Cash & Bank Balances	61.13	46.09	43.20	10.19	1.45	1.27
Other Current Assets	0.22	0.50	0.58	0.22	0.16	0.22
Loans & Advances	65.34	37.58	62.29	25.19	20.26	19.46
Total Current Assets	908.89	774.67	761.59	467.44	214.85	272.37
Less: Current Liabilities & Provisions						
Current Liabilities	527.74	450.61	396.41	143.95	44.32	146.94
Provision	15.21	8.79	4.36	1.97	3.56	0.81
Total Current Liabilities	542.95	459.40	400.77	145.92	47.88	147.75
Net Current Assets	365.94	315.27	360.82	321.52	166.96	124.63
TOTAL ASSETS	389.82	340.78	388.23	352.22	198.61	245.18
LIABILITIES						
Shareholders Funds:						
Equity Capital	130.34	130.34	130.34	130.34	122.56	128.29
Reserves & Surplus	59.83	43.27	23.21	6.11	5.64	1.24
Total	190.18	173.62	153.55	136.45	128.20	129.53
Less: Misc. Expenditure to the extent not written off	0.67	0.67	0.67	0.67	0.67	-
Net worth Total (A)	189.51	172.95	152.88	135.79	127.54	129.53
Loan Funds:						
Secured Loans	191.01	157.53	224.10	204.18	57.82	71.15
Unsecured Loans	9.30	10.30	11.25	12.25	13.25	44.50
Total (B)	200.31	167.83	235.35	216.43	71.07	115.65
TOTAL LIABILITIES	389.82	340.78	388.23	352.22	198.61	245.18

STATEMENT OF ADJUSTED PROFIT & LOSSES

(Rs. in lakhs)

As At	31-Dec-03 (9 months)	31-Mar-03	31-Mar-02	31-Mar-01	31-Mar-00	31-Mar-99
INCOME						

Sales	1,199.01	1,986.99	1,718.05	1,035.90	525.91	476.67
Other Income	67.69	32.23	20.86	3.99	0.75	13.35
TOTAL INCOME	1,266.69	2,019.22	1,738.91	1,039.89	526.66	490.02
EXPENDITURE						
Purchases	1,099.01	1,715.61	1,735.50	1,039.00	447.94	484.49
(Increase) / Decrease in Stocks	16.28	143.79	(113.74)	(45.31)	41.81	(34.00)
Staff Costs	23.13	16.60	14.22	10.66	3.23	2.62
Administration, Selling & Distribution Expenses	45.80	48.71	27.87	10.71	15.70	5.39
Financial Expenses	57.22	67.14	47.99	13.21	12.01	18.09
Depreciation	2.27	3.22	3.28	3.54	1.18	1.38
TOTAL EXPENDITURE	1,243.71	1,995.09	1,715.12	1,031.81	521.87	487.98
Profit / (Loss) before exceptional items	22.98	24.13	23.79	8.08	4.79	2.05
Add: Exceptional Items	-	-	-	-	2.36	-
Profit / (Loss) before tax	22.98	24.13	23.79	8.08	7.15	2.05
Less: Provision for tax	6.42	4.43	2.40	1.97	2.75	0.81
Profit / (Loss) after tax	16.56	19.70	21.39	6.11	4.40	1.24

ACCOUNTING RATIOS

Particulars	31-Dec-03 (9 months) Annualized	31-Mar-03	31-Mar-02	31-Mar-01
Net worth (Rs.) lacs	189.51	172.95	152.88	135.79
Earning per Share (Rs.)	1.69	1.51	1.64	0.47
Return on Net worth (%)	12.18	12.09	14.82	4.64
Book Value per Share (Rs.)	14.54	13.27	11.73	10.42

Note:

Net worth = Share Capital + Reserves - Miscellaneous Expenditure to the extent not w/off

Earning per Share = Adjusted Profit after tax / No. of shares

Return on Net worth = Adjusted Profit after tax / Average Adjusted Net worth

Book Value per Share = Net worth / No. of Shares

Related Parties are classified as under:

I. Key Managerial Personnel

1. Mr. Sudhir Mehra – Whole time Director
2. Mr. Sanjay Mehra - Whole time Director
3. Mr. Brijmohan Mehra - Whole time Director
4. Mr. Vinod Mehra - Whole time Director
5. Mr. Deepak Sumani

II. Relatives of Key Managerial Personnel

1. Sangeeta Mehra – Wife of Mr. Sudhir Mehra
2. Usha Mehra – Mother of Mr. Sudhir Mehra
3. Tripta Mehra – Mother of Mr. Sanjay Mehra
4. Sanna Mehra – Daughter of Mr. Sudhir Mehra
5. Aditya Mehra – Son of Mr. Sanjay Mehra
6. Padma Mehra – Grandmother of Mr. Sudhir & Mr. Sanjay Mehra,
Mother of Mr. Brijmohan & Mr. Vinod Mehra
7. Anita Sumani – Wife of Mr. Deepak Sumani

III. Group Concerns

1. India Peripherals
2. Mastermind Computer Consultants

3. Lens Light

-

Transactions with Related Parties referred to in I above:

(
Rs. in
lakhs)

S. No.	Name of Person	Nature of Transaction	31 st December 2003 (nine months)	31 st March 2003	31 st March 2002
1	Mr. Sudhir Mehra	Remuneration	2.70	2.70	2.05
2	Mr. Sanjay Mehra	Remuneration	2.70	2.60	1.85
3	Mr. Brijmohan Mehra	Remuneration	2.70	2.40	1.40
4	Mr. Vinod Mehra	Remuneration	2.70	2.40	1.50
5	Mr. Deepak Sumani	Remuneration	1.08	-	-

Transactions with Related Parties referred to in II above:

(Rs. in lakhs)

S. No.	Name of Person	Nature of Transaction	31 st December 2003 (nine months)	31 st March 2003	31 st March 2002
1	Mrs. Sangeeta Mehra	Interest	-	0.04	0.04
2	Mrs. Usha Mehra	Remuneration	-	-	1.02
3	Mrs. Tripta Mehra	Remuneration	-	-	1.02
4	Ms. Sanna Mehra	Interest	-	0.14	0.14
5	Aditya Mehra	Interest	0.07	0.09	0.09
6	Mrs. Padma Mehra	Rent	0.27	0.33	0.36
7	Mrs. Anita Sumani	Remuneration	1.08	-	-

Transactions with Related Parties referred to in III above:

(Rs. in lakhs)

S. No.	Name of Person	Nature of Transaction	31 st December 2003 (nine months)	31 st March 2003	31 st March 2002
1	India Peripherals	Purchases	324.59	746.37	414.33
		Sales	479.10	575.59	236.66
2	Mastermind Computer Consultants	Purchases	-	12.18	680.91
		Sales	-	-	219.24
3	Lens Light	Rent Received	-	0.50	0.60

**TAXATION STATEMENT
YEAR ENDED MARCH 31**

(Rs. in lakhs)

Particulars	31-Mar-03	31-Mar-02	31-Mar-01
Tax at Notional Rate	8.87	8.49	3.20
Tax on Book Profit (115 JA / 115 JB)	1.90	1.82	0.68
Adjustments:			
Export Profit	11.05	14.90	3.41
Difference between Tax Depreciation & Book Depreciation	1.17	0.56	0.44

Others	-	-	-
Total Adjustments	12.22	15.46	3.85
Tax Saving thereon	4.49	5.68	1.41

CAPITALISATION STATEMENT

(Rs. in lakhs)

Particulars	Pre-issue (as at 31/12/03)	As Adjusted for the issue
Debt:		
Short term Debt	191.01	191.01
Long term Debt	-	-
Total	191.01	191.01
Shareholders Funds:		
Share Capital	130.34	805.34
Reserves	59.83	59.83
Total Shareholders Funds	190.17	865.17
Long Term Debt / Equity	Not Applicable	Not Applicable

Note:

The working capital facility obtained from the bank in the form of cash credit etc has been considered as a short term debt.

DETAILS OF OTHER INCOME FOR THE FIVE FINANCIAL YEARS

Other Income includes Export Incentives viz. sale of DEPB licences which is recurring in and arises out of normal business activities. Interest income is received on account of FD's placed with banks towards export bills margin and the same is recurring and arising out of normal business activities

PRINCIPLE TERMS AND CONDITIONS OF LOANS

ARS Systems and Communications Ltd. has availed the following facilities from Oriental Bank of Commerce, Santacruz Branch, Mumbai and the principle terms and conditions are as follows;

PARTICULARS	TERMS AND CONDITIONS
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	CASH CREDIT FACILITY	EXPORT PACKING CREDIT	POST-SHIPMENT CREDIT	Credit Facility
Nature of Credit	Cash Credit (Hypothecation / Book debts) - Renewal	Export Packing Credit Sublimit of c/c (H) limit of Rs.250 lacs	FDRP/FUDBP (Against L/C Confirmed Orders)	Inland/ Import Letter of Credit (Non revolving)
Limit	Rs.250 Lacs	Rs.100 lacs	Rs.300 lacs	Rs.50 lacs
Sublimit (Book Debt)	Rs.150 Lacs			
Sublimit (PCL-PCFC)	Rs.100 lacs			
Margin	25% on Stocks 40% on Book Debts not older than 90 days	25% on Raw Materials, Stocks in Process and Finished Goods.		25% in the shape of FDR/CDR
Rate of Interest	3% p.a. over PIR presently 14% p.a. with quarterly rests.			
Tenor	-	-	90 days/ 120 days	DP / DA with maximum usance of 90/120 days

Security : Hypothecation of stocks and receivables and collateral security of equitable mortgage of the premises of the company, of a relative of the directors of the company, personal guarantee of the directors and relatives, pledge of deposit and retention of 5% of the value of bills discounted as term deposit.

III. STATUTORY AND OTHER INFORMATION

MINIMUM SUBSCRIPTION

IF THE COMPANY DOES NOT RECEIVE A MINIMUM SUBSCRIPTION OF 90% OF THE ISSUED AMOUNT ON THE DATE OF CLOSURE OF THE ISSUE, OR IF THE SUBSCRIPTION LEVEL FALLS BELOW 90% AFTER THE CLOSURE OF THE ISSUE ON ACCOUNT OF CHEQUES HAVING BEEN RETURNED UNPAID OR WITHDRAWAL OF APPLICATIONS, THE COMPANY SHALL FORTHWITH REFUND THE ENTIRE SUBSCRIPTION AMOUNT RECEIVED. IF THERE IS A DELAY BEYOND 8 DAYS AFTER THE COMPANY BECOMES LIABLE TO PAY THE AMOUNT, THE COMPANY SHALL PAY INTEREST AS PER SECTION 73 OF THE COMPANIES ACT, 1956.

EXPENSES OF THE PRESENT ISSUE

The total expenses of the Present Issue including brokerage, fees to the lead Managers, Registrars to Issue, Stamp Duty, Legal Charges, Auditor's Fees, expenses for printing, distribution of issue material and other miscellaneous and preliminary expenses are estimated at Rs. 49 Lacs which will be met out of the proceeds of the issue.

FEES PAYABLE TO THE LEAD MANAGERS

The fees payable to the Lead Manager to the issue as per the terms and conditions specified in the MOU, copy of which is kept open for inspection.

FEES PAYABLE TO THE REGISTRARS TO THE ISSUE

The Registrars to the issue will be paid fees as per the terms and conditions specified in their offer letter, copy of which has been kept open at the registered office of the Company.

UNDERWRITING COMMISSION AND BROKERAGE

There is no provision for Underwriting Commission, as this Issue is not proposed to be underwritten.

Brokerage will be paid by the Company at the rate of 1.5% of the issue price of the Equity Shares on the basis of allotment made against applications bearing the stamp of a member of any recognized stock exchange in India in the broker's column. No brokerage will be paid in respect of equity shares offered on preferential basis to and subscribed for by the promoters, Directors, their relatives and friends. However, brokerage will also be payable to the Bankers to the issue in respect of allotments made against applications procured by them, provided the relevant forms of application bear their respective stamp in the brokers column.

PREVIOUS PUBLIC ISSUE OR RIGHTS ISSUE

Before this, the Company had not come out with any public issue or rights issue since incorporation.

CLASSES OF SHARES

The Company has one class of shares viz. Equity Shares of nominal value of Rs.10/- each.

PRESENT AUTHORISED SHARE CAPITAL

The present Authorized Share Capital of the Company is 89,00,000 equity shares of Rs.10/- each aggregating to Rs.890 lakhs.

The Authorised Capital of the Company was increased from 14,00,000 equity shares of Rs.10/- each to 89,00,000 equity shares of Rs.10/- each vide special resolution passed at the Extraordinary General Meeting of the Company held on February 21, 2004.

ISSUE OF SHARES OTHERWISE THAN FOR CASH

No shares of the Company, have been issued except otherwise stated elsewhere in this prospectus or agreed to be issued since the date of incorporation of the Company for consideration other than for cash.

ISSUE OF SHARES AT PREMIUM OR DISCOUNT

No shares of the company have been issued at a premium or discount.

DEBENTURES AND REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS ISSUED BY THE COMPANY

No such instruments have been issued till date.

OPTION TO SUBSCRIBE

Save as otherwise stated in this prospectus the Company has not entered into any contract over arrangement or does it at present propose to enter into any contract for arrangement where by any option or preferential right of any kind has been or is proposed to be given to any person to subscribe for any shares in the Company. The investor shall have an option either to receive the security certificates or to hold the securities with a depository.

PURCHASE OF PROPERTY

Save as otherwise stated in this Prospectus and in respect of the property purchased or proposed to be purchased or acquired under the contracts referred to under the heading "Material Contracts" there is no property which the Company has acquired or purchased or proposes to acquire or purchase which is paid for wholly or partly out of the proceeds of the present issue or the purchase or acquisitions of which has not been completed on the date of the issue of this prospectus other than property.

- a) The contracts for the purchase or acquisition thereof were entered into the ordinary course of the business of Company such contracts not being made in contemplation of issue nor have

any direct or indirect interest or in respect of any payment made thereof.

- b) In respect of which the amount of the purchase money is not material. Except as stated elsewhere in this prospectus, the Company has not purchased any property in which any of its directors had or have any direct or indirect interest or in respect of payments made thereof.

INTEREST OF DIRECTORS / PROMOTERS

All the Directors of ARS may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under the Articles of Association. All the Directors may also be deemed to be interested to the extent of equity shares, if any, already held by them and/or their friends and relatives in ARS, or that may be subscribed for and allotted to them, out of the present Offer in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares.

The Directors may also be regarded as interested in the shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, Members, partners and/or trustees.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by ARS with any company in which they hold Directorships.

PAYMENT OR BENEFIT TO PROMOTERS AND OFFICERS OF THE COMPANY

Save as stated elsewhere in this prospectus no amount or benefit has been paid or given since the incorporation of the Company nor is intended to be paid or given to any Promoter, Director, or Officer of the Company except in respect of normal remuneration or benefits or reimbursement of expenses incurred on behalf of the company.

CAPITALISATION OF RESERVES OR PROFITS

There has been no capitalization of Reserves or Profits of the Company since its incorporation.

DEBENTURE AND REDEEMABLE PREFERENCE SHARES

The Company has not issued any debentures or redeemable preference shares or such other instruments since the date of its incorporation.

BONUS ISSUE & REVALUATION OF ASSETS

There has not been any Bonus Issue or Revaluation of Assets since Incorporation.

APPOINTMENT OF WHOLE TIME DIRECTORS

Based on the Resolution passed at the Annual General Meeting of the Members held on September 29, 2001, the Company has appointed Mr. Sudhir B. Mehra as Whole Time Director for a period of 5 years from 1st May, 2000 to 30th April, 2005.

Following are the broad particulars of remuneration payable to Mr. Sudhir B. Mehra :

- (a) Salary depending upon the profits of the Company and as mutually decided between the Board of Directors with yourself but not exceeding Rs. 75,000/- (Rupees Seventy Five Thousand only) per month.
- (b) Other perquisites and benefits as per the policy of the Company, subject to the limits specified in Schedule XIII of the Companies Act, 1956.

Based on the Resolution passed at the Annual General Meeting of the Members held on September 29, 2001, the Company has appointed Mr. Sanjay V. Mehra as Whole Time Director for a period of 5 years from 1st May, 2000 to 30th April, 2005.

Following are the broad particulars of remuneration payable to and terms of the appointment of Mr. Sanjay V. Mehra :

- (a) Salary depending upon the profits of the Company and as mutually decided between the Board of Directors with yourself but not exceeding Rs. 75,000/- (Rupees Seventy Five Thousand only) per month.
- (b) Other perquisites and benefits as per the policy of the Company, subject to the limits specified in Schedule XIII of the Companies Act, 1956.

Based on the Resolution passed at the Annual General Meeting of the Members held on September 30, 2002, the Company has appointed Mr. Brijmohan J. Mehra as Whole Time Director for a period of 5 years from 1st November, 2001 to 31st October, 2006.

Following are the broad particulars of remuneration payable to and terms of the appointment of Mr. Brijmohan J. Mehra :

- a. Salary depending upon the profits of the Company and as mutually decided between the Board of Directors with yourself but not exceeding Rs. 75,000/- (Rupees Seventy Five Thousand only) per month.
- b. Other perquisites and benefits as per the policy of the Company, subject to the limits specified in Schedule XIII of the Companies Act, 1956.

Based on the Resolution passed at the Annual General Meeting of the Members held on September 30, 2002, the Company has appointed Mr. Vinod J. Mehra as Whole Time Director for a period of 3 years from 1st February, 2002 to 31st January, 2005.

Following are the broad particulars of remuneration payable to and terms of the appointment of Mr. Vinod Mehra :

- a. Salary depending upon the profits of the Company and as mutually decided between the Board of Directors with yourself but not exceeding Rs. 75,000/- (Rupees Seventy Five Thousand only) per month.

- b. Other perquisites and benefits as per the policy of the Company, subject to the limits specified in Schedule XIII of the Companies Act, 1956.

THE MAIN PROVISION OF ARTICLES OF ASSOCIATION OF THE COMPANY

SHARES AND SHARE CERTIFICATES

16. The rights or privileges conferred upon the holders of the shares of any class issued with preference or other rights, shall not unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied or modified or affected by the creation or issue of further shares ranking pari passu therewith.

17. The provisions of Sections 85 to 88 of the Act in so far as the same may be applicable shall be

observed by the Company.

18. Subject to the provisions of these Articles and of the Act, the shares (including any shares forming part of any increased capital of the Company) in the capital shall be under the control of the Board of Directors who may issue, allot or otherwise dispose of the same or any of them to such persons on such terms and conditions and at such times as the Board of Directors thinks fit and with full power to give any person the option to call for or forego allotted shares of any class of the Company either at a premium or at par or (subject to the provisions of Section 79 of the Act) at a discount and for such time and for such consideration as the Board of Directors thinks fit.

19. The Board shall observe the restrictions as to allotment contained in Section 69 and 70 of the Act and shall cause to be made the return of allotment in accordance with Section 75 of the Act.

20. In addition to and without derogating from the powers for that purpose conferred on the Board under Article 10 hereof and with the sanction of the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any shares (part of the original capital or of any increased capital of the Company) shall be

offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of

Sections 78 and 79 of the Act) at a premium or at par or at a discount, as such General Meeting shall determine and with full power to give any person/s (whether a Member or not) the option to call or be allotted shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting, or the Company in General Meeting may make any other provision whatsoever for the issue, allotment and disposal of any shares.

21. The Company shall cause to be kept a Register of Members and an Index of Members in accordance with Sections 150 and 151 of the Act and Register and Index of Debenture holders in accordance with Section 152 of the Act. The Company shall be entitled to keep in any State or country outside India, a branch Register of Member resident in that State or country.
22. The shares in the capital shall be numbered progressively according to their several denominations, and except in the manner herein before mentioned, no share shall be sub divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

23. (a) An application signed by or on behalf of an applicant for shares in the Company, followed

by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles.

(b) Every person who thus or otherwise accepts any shares and whose name is entered in the

Register of Members shall, for the purposes of these Articles, be a Member.

24. The money, if any, which the Board of Directors shall, on the allotment of any shares being made by it, required or direct to be paid by way of deposit, call or otherwise, in respect of the shares so allotted, shall immediately on the insertion of the name of the allottee in the Register of Members as the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

25. Every Member shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times, and in such manner, as the Board of Directors shall, from time to time, in accordance with the Company's Regulations require or fix for the payment thereof.

26. Save as herein provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any shares as the absolute owner thereof, and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognize any beamy, trust of equity or equitable, contingent, future, or partial or other claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof and the provisions of Section 153 of the Act shall apply.

(a) The shares or other interest of any member in the Company shall be a movable property, transferable in the manner provided by the Articles.

(b) Each share in the Company shall be distinguished by its appropriate number.

(c) A Certificate under the Common Seal of the Company, specifying any shares held by an member shall be, prima facie, evidence of the title of the member of such shares.

27. (a) Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account to be called "the shares premium account" and the provisions of the Act relating to the reduction of the Share Capital of the Company shall except as provided in this Article, apply as if the share premium account were paid up share capital of the Company.

(b)The share premium account may, notwithstanding, anything in clause (a) above, be applied by the Company

(i) in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares:

(ii) in writing off the preliminary expenses of the Company.

(iii) in writing off the expenses of or the commission paid or discount allowed on, any issue of shares or debentures of the Company; or

(iv) in providing for the premium payable on the redemption of any redeemable preference shares or of any debenture of the Company.

28. If and whenever, as the result of issue of new or further shares or any consolidation or sub-division of shares, any shares are held by members in fractions, the Directors shall, subject to the provisions of the Act and the Articles and to the directions of the Company in general meeting, if any, sell those shares, which members hold in fractions, for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion, the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Directors may authorise any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and he shall not be bound to see to the application of the purchase

money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

29. (a) Every Member or allottee of shares be entitled, without payment, to receive one certificate specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid thereon.

(b) Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issues against letters of advice or acceptance or letters of renunciation, or in cases of issue of bonus shares.

Provided that if the letter of allotment is lost or destroyed, the Board may impose, such reasonable terms, if any, as it thinks fit as to evidence and indemnity and the payment of out of pocket expenses incurred by the Company in investigating the evidence.

(c) For any further certificate the Board shall be entitled, but shall not be bound, to prescribe the charge not exceeding two Rupees per certificate.

30. (a) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single Member, and the certificate of any shares, which may be the subject of joint ownership may be delivered to any one of such joint owners on behalf of all of them.

(b) Subject to the provisions of the Companies (Issue of Share Certificates) Rules, 1960 or any statutory modification or re-enactment thereof, for the time being in force, every such certificate shall be issued under the Seal, which shall be affixed in the presence of

(i) two Directors or persons acting on behalf of the Directors under duly registered power of attorney and

(ii) the Secretary or some other person appointed by the Board for the purpose.

The two Directors or their attorneys and the Secretary or other person so appointed shall sign the share certificate. Provided that if the composition of the Board permits of it, atleast one of the aforesaid two Directors shall be a person other than a Managing Director or Whole-time Director.

(c) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical material used for the purpose.

(d) Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued indicating the date of issue and the amount paid up thereon.

(e) The Company shall comply with the provisions of Section 113 of the Act.

31. (a) No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the cages on the reverse for recording transfers have been duly utilized, unless the certificate in lieu of which it is issued is surrendered to the Company.

(b) The Company may charge such fee not exceeding Two Rupees per Certificate, issued on splitting or consolidation of share certificate/except for marketable lots.

(c) (i) Not with standing anything contained in preceding Article, the Directors of the Company may in their absolute discretion refuse sub-division of share certificates or debenture certificates into denominations of less than the marketable lots except where such sub-division is required to be made to comply with a statutory provision or an order of a competent Court of law.

(ii) When a new share certificate has been issued in pursuance of clause (a) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "issued in lieu of share certificate No..... sub-divided/replaced/on consolidation of shares".

(iii) If a share certificate is lost or destroyed, a new certificate in lieu thereof shall be issued only with the prior consent of the Board and on payment of such fee, not exceeding two rupees per certificate as the Board may from time to time fix, and on such terms, if any, as to evidence and indemnity and payment of out of pocket expenses incurred by the Company in investigating the evidence, as the Board thinks fit.

(iv) When a new share certificate has been issued in pursuance of clause (iii) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "duplicate issued in lieu of share certificate No.....".The word "duplicate" shall be stamped or punched in bold letters across the face of the share certificate.

(v) Where a new share certificate has been issued in pursuance of clause (i) or clause (iii) of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificates indicating against the name(s) of the person(s) to whom the certificate is issued, the number and date of issue of share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members by suitable cross references in the "Remarks" column.

(vi) Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulations 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.

32. (a) All blank forms to be used for issue of share certificates shall be printed and the printing shall be done only on the authority of a resolution of the board.

(b) The blank forms shall be consecutively machine numbered and the forms and the blocks, engravings, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the Secretary or such other person as the Board may appoint for the purpose.

(c) The Secretary or the person aforesaid shall be responsible for rendering an account of these forms to the Board.

(d) The Managing Director of the Company, for the time being, or if the Company has no Managing Director, every Director of the Company and the Secretary, if any, shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates, except the blank forms of share certificates referred to in clause (a) of this Article. All books referred to herein shall be preserved in good order permanently.

33. If any share stands in the names of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus, or service of

notices and all other matters connected with the Company, except voting at meetings, and the transfer of the shares be deemed the sole holder; but the other joint holder(s) of the same shall not be relieved of his/their obligations in respect of payment of all instalments and calls due on the share and all incidents thereof in accordance with the Company Regulations.

34. (a) Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall not be bound to recognise any benami, trust of equity or any equitable, contingent, future or partial interest in the shares, or except only as is by these Articles otherwise expressly provided, any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the persons who are from time to time, registered as the holders thereof; but the Board shall be at liberty, at its sole discretion, to register any share in the joint names of any two or more persons or the survivor or survivors of them.

(b) Shares may be registered in the name of an incorporated company or other body corporate but not in the name of a minor(except in case where they are fully paid) or in the name of a person of unsound mind, or in the name of any firm or partnership or trust.

35. Funds of the Company shall not be applied in the purchase of any shares of the Company, and it shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the Company or in its holding company save as provided by section 77 of the Act.

36. The provisions of the Article under this heading shall mutatis mutandis apply to debentures of the Company.

DEMATERIALISATION OF SECURITIES.

37. Company to recognise interest in dematerialised securities under Depositories Act.

- (i) Either the Company or the investor may exercise an option to issue, deal in, hold the securities including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or re-enactment thereof.
- (ii) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing securities, rematerialize its securities held in the Depository and/or offer its fresh securities in the dematerialised form pursuant to the Depositories Act and the rules framed there under, if any.

Option to receive security certificate or hold securities with Depository:

- (iii) Every person subscribing to or holding securities of the Company shall have the option to receive security certificate or to hold the 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 in its record the name of the allottee and the Beneficial Owner of the security.

Securities in Depositories to be in fungible form:

- (iv) All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 187C and 372 of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners.

Rights of Depositories and Beneficial Owners: (v) (a) Notwithstanding anything to the contrary contained in the Act or the Articles, a Depository shall be deemed to be the registered owner for the purpose effecting transfer of ownership of security on behalf of the Beneficial

Owner.(b) Same as otherwise provided in (1) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

- (c) Every person holding securities of the Company and whose name is entered as Beneficial Owner in the records of the Depository shall be deemed to be the member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits subject to all the liabilities in respect of his securities which are held by a Depository.

Beneficial Owner deemed as absolute owner:

- (vi) Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the register of members as holders of any share or here the name appears as Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami trust or equitable, contingent, future or partial interest in any shares, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the

Board shall be at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

Depository to furnish information:

- (vii) Every Depository shall furnish to the Company about the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

Cancellation of certificates upon surrender by a person:

- (viii) Upon receipt of certificate of securities of surrender by a person who has entered into an agreement with the Depository through a Participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.

Option to opt out in respect of any security:

- (ix) If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly.

The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty(30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.

Service of Documents:

- (x) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

Provisions of Articles to apply to shares held in Depository:

- (xi) Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act.

Allotment of Securities dealt with a Depository:

- (xii) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

Distinctive numbers of Securities held in a Depository:

- (xiii) The shares in the capital be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except in the manner hereinbefore mentioned, no share shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.

Register and index of Beneficial Owners :

- (xiv) The Company shall cause to be kept a Register and index of Members and a Register and index of Debenture holders in accordance with Sections 151 and 152 of the Act respectively, and the Depositories Act, with details of shares and debentures held in material and dematerialised forms in any media as may be permitted by law including in any form of electronics media. The Register and index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to the Register and index of Members and Register and index of Debenture holders, as the case may be, for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Members resident in that state or country.

FORFEITURE

52. If any Member or Debenture holder fails to pay and call or installment of a call, on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter during such time as the call or installment remains unpaid, serve notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
53. (a) The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment and such interest as the Directors shall determine from the day on which such call or installment ought to have been paid and expenses as aforesaid are to be paid.

(b) The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the shares, in respect of which the call was made or instalment is payable, will be liable to be forfeited.

54. Neither a judgement or a decree in favour of the Company nor the receipt by the Company of a portion of any money which shall, from time to time be due from any member/debenture holders, to the Company in respect of his shares, debenture, either by way of principal or interest, or 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 shares/debentures as hereinafter provided.

55. If the requirements of any such notice as stated in Article shall not be complied with, every or any share/debenture in respect of which such notice has been given may, at any time thereafter, before payment of all calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeitures shall include all dividends declared/interest paid or any other moneys payable by the Company in respect of the forfeited shares/debentures and not actually paid before the forfeiture.

56. When any share/debenture shall have been so forfeited, notice of the forfeiture shall be given to the Member 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 Members/ Register of Debenture holders but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

57. Any share or debenture so forfeited shall be deemed to be the property of the Company, and maybe sold, re allotted, or otherwise disposed of, either to the original holder thereof or to any other person upto such terms and in such manner as the Board shall think fit.

58. (a) 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 on demand, all calls, instalments, interest and expenses 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 Board may determine and the Board may enforce the payment thereof, if it thinks fit, but shall not be under any obligation to do so.

(b) The liability of such person shall cease if and when the Company shall have received payment in full of all such money in respect of the shares.

59. The forfeiture of a share or debenture shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company in respect of the share 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.

60. A certificate in writing under the hand of one Director and counter signed by the Secretary or any other Officer authorised 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.

61. (a) Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board of Directors may appoint some person to execute an instrument of transfer of the shares or debentures sold and may cause the purchaser's name to be entered in the Register of Members or Debenture holders in respect of the shares or debentures sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register of Members or Debenture holders in respect of such shares or debentures, the validity of the sale shall not be impeached by any person.

(b) Upon any such sale, re-allotment or other disposal under the above clause, the certificate or certificates originally issued in respect of the shares or debentures sold shall (unless the same shall, on demand by the Company, have been previously surrendered to it by the defaulting Member or Debenture holder) stand cancelled and become null and void and be of no effect, and the Directors shall be entitled to issue a duplicate certificate or certificates in respect of the said shares or debentures to the person or persons entitled thereto.

62. The Board of Directors may, at any time before any share or debenture so forfeited shall have been sold, allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

63. The Board of Directors may, subject to the provisions 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 & DEBENTURES

64. Subject to the provisions of the Act and these Articles a Member may, at any time, transfer all or any part of the shares held by him, to any person.
65. The instrument of transfer of any share shall be in writing and all the provisions of Section 108 of the Act, shall be duly complied with in respect of all transfer of shares and registration thereof.
66. Every such instrument of transfer shall be executed by or on behalf of both the transferor and the transferee and attested and the transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register of Members in respect thereof.
67. The Company, the transferor and the transferee of the shares, shall comply with the provisions

of subsections (1) and (1-A) of Section 108 of the Act.
68. Every proper instrument of transfer shall be presented to the Company duly stamped and executed for registration accompanied by the relative share certificate(s) and such evidence as the Board may require to prove the title of the transferor, his right to transfer the shares and generally under the subject to such conditions and Regulations as the Board may, from time to time, prescribe and every registered instrument of transfer shall remain in the custody of

the Company until destroyed by order of the Board of Directors.

69. (a) An application for registration of a transfer of the shares in the Company may be made either

by the transferor or the transferee.

(b) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

(c) For the purpose of clause (b) above, notice to the transferee shall be deemed to have been duly given if it is despatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

70. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest do or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to an notice which may be given to it of any equitable right title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice, and give effect thereto if the Board of Directors shall so think fit.

71. In the case of death, insolvency, liquidation, dissolution or winding up of any one or more of the holders of any share, the Company shall not be bound to recognise any person(s) other than the surviving or remaining holder(s).

72. The executors or administrators of a deceased member (not being one or two or more joint holders) or the holder of a Succession Certificate or the legal representatives of a deceased member (not being one or two or more joint holders) shall be the only persons whom the Company will be bound to recognise as having any title to the shares registered in the name of such member, and the Company shall not be bound to

recognise such executors or administrators or the legal representatives unless they shall have first obtained probate or Letters of Administration or a Succession Certificate, as the case may be, from a duly constituted competent Court in India, provided that in any case where the Directors in their absolute discretion think fit, the Directors may dispense with the production of probate or Letters of Administration or a Succession Certificate upon such terms as to indemnity or otherwise as the Directors in their absolute discretion may think necessary and under Article 70 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

73. Any person becoming entitled to shares in consequence of death, insolvency, dissolution, winding up or liquidation of any Member, or by any lawful means other than by a transfer in accordance with these Articles, may with the consent of the Board, which it shall not be under any obligation to give, upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or his title, as the Board of Directors thinks sufficient, be registered as the holder of the shares subject to the provisions of the Act, and the Articles.
74. Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.
75. The Company may levy a fee for registration of each transfer or transmission of shares. The Directors shall have discretion (which they may exercise from time to time and for any period of time) not to charge any fee in respect of the transfer or transmission of shares, and the Directors shall also comply with rules, regulations of Stock Exchange/s or the statute concerned.
76. Subject to the provision of Section 111 of the Act, these Articles and subject to the provisions of any other law, the Board may, decline to register any transfer or transmission of shares (notwithstanding that the proposed transferee or the beneficiary under transmission be already a Member), but in such case it shall, within two months from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was

delivered to the Company, send to the transferee and the transferor, notice of the refusal to register such transfer or transmission giving reasons for such refusal.

77. The Company shall keep a book, to be called the "Register of Transfers and Transmission", and therein shall be fairly and distinctly entered the particulars of every transfer and transmission of shares.
78. The Board shall have power, on giving seven days previous notice by advertisement in some newspaper circulating at the place where the Registered Office, for the time being is situate, to close the transfer books, the Register of Members and register of debenture holders, at such time or times and for such period of periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days in such year, as to it may seem expedient.
79. Only fully paid shares or debentures shall be transferred to a minor, acting through his/her legal or natural guardian. Under no circumstances, shares or debentures be transferred to any insolvent or a person of unsound mind.
80. The provisions of these Articles shall mutatis mutandis apply to the transfer or transmission by operation of law, of debentures of the Company.

NOMINATION OF SHARES

81. (a) In accordance with and subject to the provisions of Section 109A of the Act, every holder of shares in or holder of debentures of, a company may, at any time nominate, in the prescribed manner, person to whom his shares in or debentures of the Company shall vest in the event of his death.

(b) Where the shares in or debentures of, the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders.

(c) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of, the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company or as the case may be, on the death of the joint holders become entitled to all the rights in the shares or debentures of the Company or as the case may be, all the joint holders, in relation to such shares in or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

DIRECTORS

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130. Until otherwise determined by a General Meeting and subject to Section 252 of the Act, the number of Directors shall be not less than three and not more than twelve including nominee directors.

131. The persons hereinafter named shall be the first Directors, that is to say :

MR. SUDHIR BRIJMOHAN MEHRA

MR. SANJAY VINOD MEHRA

MR. SANJIV RAJENDRA MEHROTRA

132. Any Trust deed for securing debentures or debenture stocks may, if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of debentures or debenture stocks, of some person or persons to be a Director or Directors of the Company and may empower such trustees or holders of debentures or debenture stocks from time to time, to remove and reappoint the Director(s) so appointed. The Director(s) so appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director(s) shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The Trust deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.

133.(a) In connection with any collaboration arrangement with any company or corporation or firm or person for supply of technical know-how and/or machinery or technical advice, the Directors may authorize such Company, Corporation, firm or person (hereinafter in this clause referred to as "Collaborator") to appoint from time to time, any person or persons as Director or Directors of the Company (hereinafter referred to as 'Special Director') and may agree that such special director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for the office of such Director, so however, that such Special Director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such Collaborator arrangements or at any time thereafter.

(b) The Collaborator may at any time and from time to time remove any such special director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time, appoint any other person as a special director in his place and such appointment or removal shall be made in writing signed by such Company or Corporation or any partner or such person and shall be delivered to the Company at its registered office.

(c) It is clarified that every collaborator entitled to appoint a Director under this Article may appoint one or more such person or persons as a Director(s) and so that if more than one Collaborator is so entitled there may at any time be as many special directors as the Collaborators eligible to make the appointment.

134. Subject to the provisions of section 255 of the Act, the number of Directors appointed under Article 130, 131 and 132 shall not exceed in the aggregate one-third of the total number of Directors for the time being in office.

135.(a) The Board may appoint an alternate Director to act, for a Director (hereinafter called the 'Original Director') during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held.

(b) An alternate Director appointed under this Article shall vacate office if and when the original Director returns to such State in which meetings of the Board are ordinarily held.

(c) If the term of office of the original director is determined before he so returns to that State, any provision in the Act or in these Articles for the automatic re-appointment of retiring Directors in default of another appointment shall apply to the Original Director, and not to the alternate Director.

(d) An alternate Director shall not hold office as such for a longer period than that permissible to the original Director in whose place he has been appointed.

136.(a) The Board of Directors shall also have power any time and from time to time to appoint any person, as an additional Director, but so that the total number of Directors shall not, at any time exceed the maximum strength fixed for the Board by the Articles.

(b) Any person so appointed as an additional Director shall remain in office only upto the date of the next Annual General Meeting, but shall be eligible for the re-appointment at such Meeting subject to the provisions of the Act.

137.(a) If the office of any Director appointed by the Company in General Meeting is vacated before his term of office will expire in the normal course, the resulting casual vacancy may, in default of and subject to these Articles, be filled by the Board of Directors at a meeting of the Board.

(b) Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated as aforesaid but shall be eligible for the re-appointment at such Meeting subject to the provisions of the Act.

138. No Director shall be required to hold any shares as qualification shares.

139.(a) At a General Meeting of the Company a motion shall not be made for the appointment of two or more persons as Directors by a single resolution, unless a resolution that it shall be so made has first been agreed to by the Meeting without any vote being given against it.

(b) A resolution moved in contravention of clause (a) shall be void, whether or not objection was

taken at the time of its being so moved.

Provided that where a Resolution so moved is passed, no provision for the automatic re-appointment of the retiring Director in default of another appointment shall apply, as herein before provided.

(c) For the purpose of this Article, a motion for approving a person's appointment, or for nominating a person for appointment, shall be treated as a motion for his appointment.

140.(a) A person who is not a retiring Director shall be eligible for appointment to the office of Director at any General Meeting, if he or some Member intending to propose him has, not less than fourteen days before the Meeting, left at the Registered Office notice in writing under his hand signifying his candidature for the office of Director or the intention of such Member to propose him as a candidate for that office, as the case may be, to such member, if the person succeeds in getting elected as a Director.

(b) The Company shall inform its Members of the candidature of a person for the office of a Director or the intention of a Member to propose such person as a candidate

for that office, by serving individual notices on the Members not less than seven days before the Meeting; Provided that it shall not be necessary for the Company to serve individual notices upon the Members as aforesaid, if the Company advertises such candidature or intention, not less than seven days before the Meeting, in at least two newspapers circulating in the place where the Office of the Company is located, of which one is published in the English language and the other in the regional language of that place.

(c) Every person (other than a Director retiring by rotation or otherwise or a person who has left at the office of the Company, a notice under Section 257 of the Act signifying his candidature for the office of Directors) proposed as a candidate for the office of a Director shall sign and file with the Company his consent in writing to act as a Director, if appointed.

141. A person other than -

(a) A Director re-appointed after retirement by rotation or immediately on the expiry of his term of office; or

(b) An additional or alternate Director, or a person filling a casual vacancy in the office of a Director under Section 262 of the Act, appointed as a Director or re-appointed as an additional or alternate Director, immediately on the expiry of his term of office; or

(c) A person named as a Director of the Company under its Articles as first registered, shall not act as a Director of the Company, unless he has, within thirty days of his appointment, signed and filed with the Registrar his consent in writing to act as such Director.

142.(a) The fee payable to a Director for attending a meeting of the Board or Committee thereof or a General Meeting shall be decided by the Board of Directors from time to time within the maximum limit of such fee that may be prescribed to act as such Director.

(b) Subject to the provisions of the Act, the Directors may be paid such further or additional remuneration, if any, as the Company in General Meeting shall, from time to time, determine, and such additional or further remuneration shall be divided

among the Directors in such proportion and manner as the Board may, from time to time, determine, and in default of such determination shall be divided equally among the Directors entitled to remuneration.

(c) Subject to the Provisions of the Act, if any Director be called upon to perform extra services or special exertions or efforts (which expression shall include work done by a Director as a member of any committee formed by the Directors), the Board may arrange with such Director for such special remuneration for such extra services or special exertions or efforts, either by a fixed sum or otherwise, as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided.

143. The Board of Directors may allow and pay to any Director, who is not a resident of the place where the meetings of the Board or Committees thereof or general Meeting of the Company are held and who shall come to such place for the purpose of attending a meeting or for attending its business at the request of the Company, such sum as the Board may consider fair compensation for travelling, and other incidental expenses, in addition to his fee, if any, for attending such meeting as above specified, and if any Director be called upon to go or reside out of the ordinary place of his residence of the Company's business, he shall be entitled to be reimbursed all travelling and other expenses incurred in connection with the business of the Company.

144. The continuing Director(s) may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the quorum fixed by these Articles for a meeting of the Board, the continuing Director(s) may act for the purpose of increasing the number of Directors to that fixed for the quorum, or for summoning a General Meeting, but for no other purpose.

145. Subject to Section 283(2) of the Act, the office of a Director shall become vacant, if

- (a) he is found to be of unsound mind by a Court of competent jurisdiction;
- (b) he applies to be adjudicated as an insolvent;
- (c) he is adjudged an insolvent;
- (d) he fails to pay any call made on him in respect of shares of the Company held by him whether alone or jointly with others, within six months from the last date fixed for the payment of the call, unless the Central Government has, by notification in the Official Gazette, removed the disqualification incurred by such failure;
- (e) he absents himself from three consecutive meetings of the Board or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board;
- (f) he becomes disqualified by an order of Court under Section 203 of the Act;
- (g) he is removed in pursuance of Section 284 of the Act;
- (h) he (whether by himself or by any person for his benefit or on his account) or any firm in which

he is a Partner or any Private company of which he is a director, accepts a loan, or any guarantee or security for a loan, from the Company in contravention of section 295 of the Act;
- (i) he acts in contravention of Section 299 of the Act;
- (j) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonments for not less than six months; or
- (k) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.

146.(a) A Director or his relative, a firm in which such Director or relative is a partner, any other partner in such a firm, or a private company of which the Director is a member or director may enter into any contract with the Company for the sale, purchase or supply of goods, materials or services or for underwriting the subscription of any shares in, or debentures of the Company if the sanction of the Board is obtained before or within three months of the date on which the contract is entered into, in accordance with Section 297 of the Act.

(b) No sanction, however, shall be necessary to:

- (i) any purchase of goods and materials from the Company, or the sale of goods or materials to the Company, by any such Director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices, or
- (ii) any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private company on the other for sale, purchase or supply of any goods, materials and services in which either the Company or the Director, relative, firm, partner or private company, as the case may be, regularly trades or does business:

Provided that such contract or contracts do not relate to goods and materials the value of which, or services the cost of which exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts.

(c) Every consent of the Board required under clause (d) of this Article shall be accorded by a resolution passed at a meeting of the Board and the same shall not be deemed to have been given within the meaning of that clause unless the consent is accorded before the contract is entered into or within three months of the date on which it was entered into.

(d) If the consent is not accorded to any contract under this Article, anything done in pursuance of the contract will be voidable at the option of the Board.

147.(a) A Director of the Company, who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement entered into or a proposed contract or arrangement to be entered into by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299(2) of the Act. Provided that it shall not be necessary for a Director to disclose his concern or interest in any contractor arrangement entered into with any other company where any of the Directors of the Company holds or two or more of them together hold, not more than two per cent of the paid up share capital in any such other company.

(b) (i) In the case of a proposed contract or arrangement, the disclosure required to be made by a Director under clause (a) shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, or if the Director was not, at the date of that meeting concerned or interested in the proposed contract or arrangement, at the first meeting of the Board held after he becomes so concerned or interested;

(ii) In the case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.

(c) (i) A general notice given to the Board by a Director to the effect that he is a director or member of a specified body corporate or is a partner of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made.

(ii) Any such general notice shall expire at the end of the financial year in which it is given, but may be renewed for further period of one financial year at a time by a fresh notice given in the last month of the financial year in which it would otherwise expire.

(iii) No such general notice, and no renewal thereof, shall be of effect unless, either it is given at a meeting of the Board, or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

148. No Director shall as such interested Director, take any part in the discussion of, or vote on, any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote, and if he does vote, his vote shall be void; provided however, that nothing herein contained shall apply to:-

(a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;

(b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely -

(i) in his being

(1) a director of such company and;

(2) the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company, or

(ii) In his being a member holding not more than 2 (two) percent of its paid up share capital.

149.(a)The Company shall keep one or more Registers in accordance with Section 301 of the Act, and shall within the time specified therein, enter in such Register(s)the particulars of all contracts or arrangements to which Section 297 or Section 299 of the Act applies including the following particulars to the extent they are applicable in each case, namely;

(i) the date of the contract or arrangement;

(ii) the names of the parties thereto;

(iii) the principal terms and conditions thereof;

(iv) the date on which it was placed before the Board on the case of a contract to which section 297 applies or in the case of a contract or arrangement to which sub-section (2) of Section 299 applies;

(v) the names of the Directors voting for and against the contract or arrangement and the names of those remaining neutral.

(b) The Register(s) aforesaid shall also specify, in relation to each Director of the Company, the names of the firms and bodies corporate of which notice has been given by him under Section 299(3) of the Act.

(c) The Registers shall be kept at the Office and shall be open to inspection at the Office and extracts may be taken there from and copies thereof may be required by any Member of the Company to the same extent, in the manner and on payment of the same fee as in the case of the Register of Members of the Company and the provisions of Section 163 of the Act shall apply accordingly.

150. Subject to the provisions of the Act and any other law for the time being in force, a Director may be or become a Director of any Company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any benefits received as Director or shareholder of such other Company.

151.(a) The appointment, re-appointment and extension of the term of a Sole Selling Agent, shall be regulated in accordance with the provisions of Section 294 of the Act and rules or Notifications issued by competent authority in accordance with that section and the Directors and/or the Company in general meeting may make the appointment, re-appointment or extension of the term of office in accordance with and subject to the provisions of the said section and such Rules or Notifications, if any, as may be applicable.

(b) The payment of any compensation to a Sole Selling Agent shall be subject to the provisions under Section 294A of the Act.

152.(a) The Company shall keep at the Office a register containing the particulars of Directors, Managers, Secretaries and other persons mentioned in Section 303 of the Act and shall send to the Registrar, a return containing the particulars specified in such register and shall otherwise comply with the provisions of the said section in all respects.

(b) The Company shall also keep at the Office a register in respect of the shares or debentures of the Company held by the Directors as required by Section 307 of the Act, and shall otherwise duly comply with the provisions of the said Section in all respects.

153.(a) Every Director (including a person deemed to be a Director by virtue of the Explanation to sub-section (1) of Section 303 of the Act), Managing Director, Manager or Secretary of the Company shall, within twenty days of his appointment to any of the above offices in other body corporate, disclose to the Company the particulars relating to his office in the other body corporate or bodies corporate which are required to be specified under sub-section (1) of Section 303 of the Act.

(b) Every Director and every person deemed to be a Director of the Company by virtue of sub-section (10) of Section 307 of the Act, shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that section.

154.(a) The Company may (subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles) remove any director other than ex-officio directors or special directors or debenture directors or a nominee director or a director

appointed by the Central Government in pursuance of Section 408 of the Act, before the expiry of his period of office.

(b) Special notice as provided by Section 190 of the Act shall be required of any resolution to remove a Director under this Article or to appoint some other person in place of a Director so removed at the meeting at which he is removed.

(c) On receipt of notice of a resolution to remove a Director under this Article, the Company shall

forthwith send a copy thereof to the Director concerned and the Director (whether or not he is member of the Company) shall be entitled to be heard on the resolution at the meeting.

(d) Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding a reasonable length) and requests their notification to members of the Company, the company shall unless the representations are received by it too late for it to do so.

(i) In the notice of the resolution given to members of the Company state the fact of the representations having been made, and

(ii) Send a copy of the representation to every member of the Company to whom notice of the meeting is sent (whether before or after receipt of the representations by the Company), and if a copy of the representations, is not sent as aforesaid because they were received too late or because of the Company's default, the Director may (without prejudice to his right to be heard orally) require that the representations be read out at the meeting, provided that copies of the representations need not be sent or read out at the meeting if so directed by the Court.

(e) A vacancy created by the removal of a Director under this Article may, if he had been appointed by the Company in general meeting or by the Board in pursuance of Section 262 of the Act be filled by the appointment of another Director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given under clause (b) hereof. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.

(f) If the vacancy is not filled under clause (e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they may be applicable, of Section 262 of the

Act, and all the provisions of that Section shall apply accordingly; Provided that the Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.

(g) Nothing contained in this Article shall be taken;

(i) as depriving a person removed there under of any compensation or damages payable to him in respect of the termination of his appointment as director or of any appointment terminating with that as director; or

(ii) as derogating from any power to remove a Director which may exist apart from this Article.

MANAGING DIRECTOR/ WHOLE TIME DIRECTOR

174.(a) Subject to the provisions of the Act and of this Article, the Board shall have the power to appoint and reappoint and from time to time remove one or more persons to be Managing Director(s) and Whole time Director(s) of the Company for a fixed period as the Board thinks fit, and subject to the provisions of the Article 170, the Board may by resolution vest in such Managing Director such of the powers hereby vested in the Board generally as it thinks fit, and such owner may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as it may determine.

(b)A Managing Director or a Whole-time Director shall receive such remuneration (whether by way of salary, perquisites, commission or participation in profits, or otherwise or partly in one way and partly in another) as the Directors may, subject to the provisions of the Act, or any other law applicable for the time being in force in that behalf, determine.

(c)Subject to the provisions of the Act, the Board of Directors may entrust to and confer upon a Managing Director or Whole-time Director any of the powers exercisable the Board up on such terms and conditions and with such restrictions as the Board may think fit, and either collaterally with or to the exclusion of powers of the Board, and may, from time to time, revoke, withdraw, alter or vary any of such powers.

175. The Managing Director(s) or Whole-time Director(s) shall not exercise the power to :

(a)make calls on shareholders in respect of money unpaid on their shares in the Company; and (b)issue debentures, and except to the extent mentioned in the resolution passed

at the Board Meeting under Section 292 of the Act, the Managing Director(s) or Whole time Director(s) shall also not exercise the powers to;

(c) borrow moneys,

(d) invest the funds of the Company, and

(e) make loans.

176.(a) The Company shall not appoint or employ, or continue the appointment or employment of, a person as its Managing or Whole-time Director who;

(i) is an undischarged insolvent, or has, at anytime, been adjudged an insolvent;

(ii) suspends, or has, at any time, suspended with his creditors, or makes, or has at any time made, a composition with them; or

(iii) is, or has at any time been convicted by a Court of an offence involving moral turpitude.

(b) If the Managing or Whole-time Director ceases to hold the office of Director he shall ipso facto and immediately cease to be a Managing Director or whole time Director, as the case may be, of the Company.

DIVIDENDS

181. The Profits of the Company, subject to any special rights thereto created or authorised to be created by these Articles, and subject to the provisions of these Articles, shall be divisible among the Members in proportion to the amount of capital paid up or credited as paid up on the shares held by them respectively.

182. The Company, in General Meeting, may declare dividends to be paid to Members according to their respective rights but no dividend shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

183. No dividend shall be declared or paid otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act, or out of the profits of the Company for any previous financial year or

years arrived at after providing for depreciation in accordance with those provisions and remaining undistributed or out of both.

Provided that -

(a) if the Company has not provided for depreciation for any previous financial year or years, it shall, before declaring or paying any dividend for any financial year, provide for such depreciation out of the profits of that financial year or out of the profits of any other previous financial year or years;

(b) if the Company has incurred any loss in any previous financial year or years, the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years Whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of sub-section (2) of Section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid for any financial year out of the profits of the Company for that year arrived at after providing for depreciation as above, except after the transfer to the reserves of the Company of such percentage of its profits for that year as may be prescribed in accordance with Section 205 of the Act or such high percentage of its profits as may be allowed in accordance with that Section.

Nothing contained in this Article shall be deemed to affect in any manner the operation of Section 208 of the Act.

184. The Board may, from time to time, pay to the Members such interim dividend as in its judgement the position of the Company justifies.
185. Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.
186. The Company shall pay dividends in proportion to the amount paid up or credit as paid-up on some shares than on others.

187. The Board may retain the dividends payable upon shares in respect of which any person has become entitled to be a Member under Article 57 or any person under that Article is entitled to transfer until such person becomes a Member in respect of such shares or shall duly transfer the same.
188. Any one of the several persons who are registered as joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such share.
189. No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share whilst any moneys may be due or owing from him to the Company in respect of such share or otherwise, however, either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any Member all such sums of money so due from him to the Company.
190. (a) Unless otherwise directed, any dividend may be paid by cheque or warrant payable only in India, or by a pay slip or receipt having the force of a cheque or warrant, sent through the post to the registered address of the Member or person entitled, or in case of joint holders to that one of them first named in the Register of Members in respect of the joint holding.
- (b) Every such cheque or warrant shall be made payable to the registered holder of shares or to his order or to his bankers.
- (c) The Company shall not be liable or responsible for any cheque or warrants or pay slip or receipt lost in transmission, or for any dividend lost to the Member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature on any pay slip or receipt or the fraudulent or improper recovery of the dividend by and other means.
191. (i) The Company shall pay the dividend or send the warrant in respect thereof to the Member entitled to the payment of dividend, within forty-two days from the date of the declaration unless:
- (a) where the dividend could not be paid by reason of the operation of any law;
- (b) where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with;
- (c) where there is a dispute regarding the right to receive the dividend;
- (d) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or

- (e) where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.
192. No unclaimed dividend shall be forfeited by the Board and the Company shall comply with the provisions of Section 205-A of the Act, in respect of such dividend.
193. Unclaimed dividends shall be transferred to the unpaid dividend account of the Company as hereinafter provided.
- 194.(a) Where the dividend has been declared but not paid but the warrant in respect thereof has not been posted, within forty-two days from the date of the declaration to any shareholder entitled to the payment thereof, the Company shall within seven days from the date of expiry of the said period of forty two days transfer the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted within the said period of forty two days to a special account to be opened by the Company in that behalf in any Scheduled Bank to be called "Unpaid Dividend Account of";
- (b) Any money transferred to the unpaid dividend account of the Company in pursuance of Clause (a) hereof which remains unpaid or unclaimed for a period for three years from the date such transfer, shall be transferred by the Company to the general revenue account of the Central Government;
- (c) The Company shall, when making any transfer under clause (b) hereof to the general revenue account of the Central government of any unpaid or unclaimed dividend, furnish to such officer as the Central Government may appoint in this behalf a statement in the prescribed form setting forth in respect of all sums included in such transfer, the nature of the sums, the names and last known addresses of the persons entitled to receive the sum, the amount to which each person is entitled, and the nature of his claim thereto and such other particulars as may be prescribed by the Central Government.
195. Any General Meeting declaring a dividend may, on the recommendations of the Board of Directors, make a call on the Members of such amount as the Meeting fixes but so that the call on each Member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend; and the dividend may, if so arranged between the Company and the Members, be set off against the call.

196. No dividend shall be payable except in cash. Provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by Members of the Company.

CAPITALISATION

197. (a) The Company in General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund, or any capital redemption reserve account, or in the hands of the Company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account, be capitalised and distributed amongst such of the Members as would be entitled to receive the same, if distributed by way of dividend, and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such Members, in paying, in full either at par or at such premium, as the Resolution may provide, any unissued shares of the Company which shall be distributed according to or in or towards payment of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such Members in full satisfaction of their interest in the said capitalised sum.
- (b) A General Meeting may resolve that any surplus moneys arising from the realisations of any capital assets of the Company or any investments representing the same, or any other undistributed profits of the Company not subject to charge for income-tax be distributed among the Members on the footing that they receive the same as capital.
- (c) For the purpose of giving effect to any Resolution under the preceding clauses of this Article, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that such cash payments shall be made to any Member upon the footing of the value so fixed or that fraction of less value than ten rupees may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trust for the persons entitled to the dividend or capitalised fund as may seem expedient to the Board. Where required, a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective and binding on such persons.

WINDING UP

- 219.(a) If the Company shall be wound up, the liquidator, may with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or kind the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.
- (b) For the purpose of aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may be determined how such division shall be carried out as between the members or different classes of members.
- (c) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributories as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares of other securities whereon there is any liability.

INDEMNITY AND RESPONSIBILITY

- 220.(a) Save and except so far as the provisions of this Article shall be avoided by Section 201

of the Act, the Board of Directors, Managing Director, Managers, Secretary, and other officers or other employees/servants for the time being of the Company, Auditor and the trustees, if any, for the time being acting in relation to any of the affairs of the Company and every one of them and every one of their heirs, executors and administrators shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators shall or may incur or sustain by or reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trust, except such, if any as they shall incur or sustain through or by their own willful neglect or default respectively.

- (b) None of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them, or for joining in any receipt for the sake of conformity, or for any bankers or other person with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of or belonging to the Company- shall be placed out or invested, or for any other loss,

misfortune or damage which may happen in the execution of their respective offices or trusts or in relation thereto, except the same shall happen by or through their own willful dishonesty, neglect or default respectively.

SECRECY

221.(1) Every director, manager, auditor, treasurer, trustee, member of a committee, officer, servant, agent, accountant or any other person employed in the company shall, if so required by the Directors, or by any other person authorised in this behalf before entering upon his duties, sign a declaration pledging himself to observed strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in discharge of his duties except when required to do so by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.

(2) Subject to the provisions of the Act, no member shall be entitled to visit or inspect any works of the Company without the permission of the Director or to require discovery of or any information respecting any detail of the Company's tracings or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process, or any other matter which may be relate to the conduct of the business of the Company and which in the opinion of the Directors, would-be inexpedient in the interest of the Company to disclose.

MATERIAL CONTRACTS AND INSPECTION OF DOCUMENTS

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The following contracts mentioned in paragraph "A" below (not being contracts entered into in the ordinary course of business carried on by the Company or entered into by the Company more than two years before the date of this Offer Document) which are or may be deemed to be material have been entered into by the Company. The contracts together with the documents referred to in paragraph "B" below, copies of which have been delivered to the Registrars of Companies for registration and may be inspected at the registered office of the Company between 10.00 a.m. and 1.00 p.m. on any working day from the date of Offer Document until the closure of the subscription list.

A. MATERIAL CONTRACTS

- a. Memorandum of Understanding dated February 21, 2004 entered into between the Company and Lead Manager to the issue M/s Aryaman Financial Services Limited.
- b. Agreement entered into between the Company and Registrar to the issue.

B. DOCUMENTS FOR INSPECTION

- i. Copy of Memorandum & Articles of Association.
- ii. Certificate of Incorporation dated April 10, 2000 and certificate for commencement of business dated May 1, 2000.
- iii. Copy of resolution passed under section 81(1A) of the Companies Act, 1956 passed in the Extraordinary General Meeting held on February 21, 2004.
- iv. Copy of Auditors' letter dated February 20, 2004 advising the company about the tax benefits available to the company and its members.
- v. Auditors' Report dated February 23, 2004 included in the prospectus and consent to include the same in Prospectus.
- vi. Consents of Auditors, Directors, Company Secretary, Lead Manager, Bankers to the Company, Bankers to the Issue and Registrars to the issue as referred to in the prospectus to act in their respected capacities.
- vii. Copies of Balance Sheet for the period for the year ended 31st March 1999, 2000, 2001, 2002 and 2003 and for the nine months ended 31.12.03.
- viii. Copy of the Resolution dated September 29, 2001 approving the appointment of Mr. Sudhir Mehra, a Whole Time Director
- ix. Copy of the Resolution dated September 29, 2001 approving the appointment of Mr. Sanjay Mehra, a Whole Time Director
- x. Copy of the Resolution dated September 30, 2002 approving the appointment of Mr. Brijmohan Mehra, a Whole Time Director
- xi. Copy of the Resolution dated September 30, 2002 approving the appointment of Mr. Vinod Mehra, a Whole Time Director
- xii. Copy of Due Diligence Certificate given by the Lead Manager M/s Aryaman Financial services Limited given to SEBI.
- xiii. Observation Letter by SEBI dated -----

PART III

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued from time to time by the Government of India / Securities and Exchange Board of India have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act and the rules made there under and the SEBI guidelines. It is also hereby certified that all statements made in this offer document are true and correct.

Mr. Sudhir Mehra (Whole Time Director)

Mr. Sanjay Mehra (Whole Time Director)

Mr. Brijmohan Mehra (Whole Time Director)

Mr. Vinod Mehra (Whole Time Director)

Mr. Mukesh Dhruve

Place : Mumbai

Date : -----