



Draft Red Herring Prospectus

Please read Section 60B of the Companies Act, 1956
(To be updated upon filing with RoC)

Dated [●]

100% Book Building Issue

FIEM INDUSTRIES LIMITED

(Our Company was originally incorporated in India as Rahul Auto Private Limited on February 6, 1989 in New Delhi under the Companies Act, 1956 vide registration no. 55-34928. The name of our Company was changed to FIEM Industries Private Limited w.e.f. May 7, 1992. Subsequently, our Company was converted into a public limited Company w.e.f. November 30, 1993, pursuant to which, the name of our Company was changed to FIEM Industries Limited.)

REGISTERED OFFICE: D-34, DSIDC Packaging Complex, Kirti Nagar, New Delhi – 110 015, India.

Tel.: +91 11 2592 7919 / 7820; Fax: +91 11 2592 7740.

(For details of the changes in the address of the registered office of our Company, please refer to page no. 87 of this Draft Red Herring Prospectus.)

CORPORATE OFFICE: 32 Mile Stone, G.T. Road, Kundli, Distt. Sonapat, Haryana, India.

Tel.: +91 130 2219 172/73/74/75/76; Fax: +91 130 2219 179. Website: www.fiemauto.com, E-mail: investor@fiemindustries.com

Contact Person: Mr. Arvind K. Chauhan, Company Secretary & Compliance Officer.

PUBLIC ISSUE OF 4,100,000 EQUITY SHARES OF FACE VALUE OF RS. 10 EACH OF FIEM INDUSTRIES LIMITED (HEREINAFTER REFERRED TO AS THE “COMPANY” OR “ISSUER”) FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] MILLION (HEREINAFTER REFERRED TO AS THE “ISSUE”). THE ISSUE COMPRISES OF A RESERVATION FOR EMPLOYEES OF 400,000 EQUITY SHARES OF RS. 10 EACH AND A NET ISSUE TO THE PUBLIC OF 3,700,000 EQUITY SHARES OF RS. 10 EACH (HEREINAFTER REFERRED TO AS THE “NET ISSUE”). THE ISSUE WILL CONSTITUTE 34.58% OF THE TOTAL POST ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY.

PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE OF RS. 10 EACH

THE ISSUE PRICE IS [●] TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [●] TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after such revision, subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision of Price Band and the revised Bid/Issue Period, if applicable will be widely disseminated by notification to Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) where the Equity Shares of the Company are proposed to be listed and whose online IPO systems will be available for bidding, by issuing a press release and also by indicating the change on the website of the Book Running Lead Manager and the terminals of the Syndicate.

The Issue is being made through the 100% book building process wherein up to 50% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB portion shall be available for allocation on proportionate basis to all Qualified Institutional Buyers, including mutual funds, subject to valid bids being received at or above the issue price. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the shares of the Company. The face value of the shares is Rs. 10 and the Issue Price is [●] times of the face value. The Price band (determined and justified by the Book Running Lead Manager and the Company as stated under the justification of premium paragraph) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investment in Equity and Equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document. **Our Company has not opted for IPO grading in relation to this issue of Equity Shares. Specific attention of the investors is invited to the statement of Risk Factors beginning on page no. x of this Draft Red Herring Prospectus.**

ISSUER’S ABSOLUTE RESPONSIBILITY

Our Company having made all reasonable inquiries, accepts responsibility for, and confirms that this Draft Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue; that the information contained in this Draft Red Herring Prospectus 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

The Equity Shares are proposed to be listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). We have received in-principle approvals from BSE and NSE vide their letters dated [●] and [●] respectively. BSE shall be the Designated Stock Exchange for the purposes of this Issue.

BOOK RUNNING LEAD MANAGER



IL&FS Investsmart Limited

The IL&FS Financial Centre, Plot C – 22, G – Block,
Bandra – Kurla Complex, Bandra – (E),
Mumbai – 400 051.

Tel.: +91 22 2653 3333 Fax: +91 22 5693 1862

Website: www.investsmartindia.com

E-mail: fiem.ipo@investsmartindia.com

REGISTRAR TO THE ISSUE



Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup – (W),
Mumbai – 400 078.

Tel.: +91 22 2596 0320

Fax: +91 22 2596 0329

Website: www.intimespectrum.com

E-mail: fiemipo@intimespectrum.com

ISSUE PROGRAMME

BID / ISSUE OPENS ON : [●]

BID / ISSUE CLOSES ON : [●]

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SECTION I - DEFINITIONS AND ABBREVIATIONS

CONVENTIONAL / GENERAL TERMS

Term	Description
Act/ Companies Act/ the Act	The Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Depository	A Company formed and registered under the Companies Act, 1956 (1 of 1956) and which has been granted a certificate of registration under sub section (1 A) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996 as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EPS	Earnings Per Share i.e. profit after tax divided by outstanding number of equity shares at the year end
FCNR Account	Foreign Currency Non Resident Account
FERA	Foreign Exchange Regulation Act, 1973
FI	Financial Institutions
Financial Year / Fiscal/ FY	The twelve months ended March 31 of a particular year
Indian GAAP	The generally accepted accounting principles in India
I.T. Act	The Income Tax Act, 1961, as amended from time to time except as stated otherwise
Mn / mn	Million
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by number of issued equity shares
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/Overseas Corporate Body	A Company partnership, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRI's and overseas trust, in which not less than 60% of beneficial interest is irrevocably held by NRI's directly or indirectly as defined in Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
RBI	The Reserve Bank of India
ROC	Registrar of Companies, Delhi and Haryana
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI	Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 as amended from time to time

ISSUE RELATED TERMS

Term	Description
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in date after Deducting any bid amounts that may already have been paid by such bidder
Allotment	Issue of Equity Shares of the Company pursuant to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being issued
Bankers to the Issue	The Bankers with whom the escrow account for the issue shall be opened
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto.
Bid Price/ Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid / Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of the Company and which will be considered as the application for allotment of the equity shares in terms of this Draft Red Herring Prospectus
Bid / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus.
Bidding Period / Issue Period	The period between the Bid / Issue Opening Date and the Bid / Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
BRLM	Book Running Lead Manager to the Issue, in this case being IL&FS Investsmart Limited (“IL”)
Book Building Process/Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off	Cut-off price refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Designated Stock Exchange	Bombay Stock Exchange Limited
Designated Date	The date on which the funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the Registrar of Companies (‘ROC’), following which the Board of Directors shall allot Equity Shares to successful bidders
Directors	The Directors of the Company
Draft Red Herring Prospectus/DRHP	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with ROC at least three days before the bid / issue opening date. It will become a Prospectus after filing with ROC after finalisation of the Issue Price.
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a bid and the Allocation Amount paid thereafter
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank (s)	The banks which are clearing members and registered with SEBI as Banker to

	the issue with whom the Escrow Account for the issue will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Fresh Issue / Issue Size	The Issue of 4,100,000 Equity Shares of Rs. 10 each at the Issue Price by the Company in terms of this Draft Red Herring Prospectus
Issue	Public Issue by the Company of 4,100,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] aggregating Rs. [●] million
Issue Period	The period between the Bid / Issue Opening Date and the Bid/ Issue Closing Date and both these days inclusive
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date
Issuer	FIEM Industries Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Memorandum / Memorandum of Association	The Memorandum of Association of our Company
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
Non-Institutional Portion	The portion of the Issue being not less than 555,000 Equity Shares of Rs. 10 each available for allocation to Non-Institutional Bidders
NRI / Non Resident Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Pay-in-date	Bid / Issue closing date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in-Date as specified in the CAN
Price Band	Being the Price band of a minimum price (Floor price) of Rs. [●] and the maximum price (Cap Price) of Rs. [●] and includes revision thereof
Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price
Prospectus	The Prospectus, filed with the ROC containing inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory And Development Authority (IRDA), Provident Funds and Pension Funds with a minimum corpus of Rs. 250 mn.
QIB portion	The portion of the issue being 1,850,000 Equity Shares of Rs. 10 each available for allocation to QIBs
Red Herring Prospectus/ RHP	The Red Herring Prospectus issued in accordance with Section 60B of the

	Companies Act, 1956, which does not have complete particulars on the price at which the equity shares are offered and size of the issue. It carries the same obligations as are applicable in case of a prospectus and will be filed with the ROC at least three (3) days before the opening of the issue. It will become a Prospectus after filing with the ROC after the pricing and allocation.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount in excess of Rs. 100,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being a minimum of 1,295,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s).
Registrars to the Issue	Intime Spectrum Registry Limited
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
Stock Exchanges	BSE and NSE
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM
Syndicate	The Syndicate members collectively
TRS / or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate members and the Company to be entered into on or after the Pricing Date

INDUSTRY / COMPANY RELATED TERMS

Term	Description
ACMA	Automotive Component Manufacturers Association of India
ADR	Australian Design Rules
AIS	Automotive Industrial Standards
ARAI	Automotive Research Association of India
Articles/ Articles of Association	Articles of Association of FIEM Industries Limited
Aspock	Aspock Holding, GmbH, Austria
Auditors	M/s. Anil S. Gupta & Associates, Chartered Accountants
BIS	Bureau of Indian Standards
BOP	Bought out parts
BVQI	Bureau Veritas Quality International
CAD	Computer Aided Design
CAM	Computer Aided Manufacturing
CKDs	Completely knocked down units
Committee	Committee of the Board of Directors of FIEM Industries Limited authorized to take decisions on matters related to / incidental to this Issue
Company / FIEM / FIEM / FIEM Auto / Issuer / FIL	FIEM Industries Limited
COP	Confirmity of production
CMM	Coordinate Measuring Machine
CMVR	Central Motor Vehicles Rules, 2005
CNC	Computerized Numerically Controlled
CRCA	Cold Rolled Cold Annealed
DDML	Daewoo Motors (India) Limited (formerly DCM Daewoo Motors Limited)
DOT	Directorate of Transport
D&D	Design and Development

ECE	Economic Commission For Europe
ESI	Employee State Insurance Act
Equity Shares	Equity Shares of the Company of Rs. 10 each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding Equity shares of the Company unless otherwise specified in the context thereof
FMVSS	Federal Motor Vehicle Safety Standards
FSSIL	FIEM Sung San (India) Limited
KAC	Korea Airconditioners Co. Ltd., Korea
KVA	Kilo. Volt Ampier
HSIDC	Haryana State Industrial Development Corporation
HMDSI	High Glow Discharge Plasma Silicone Coat
HTV	Heavy Transport Vehicles
Ichikoh	Ichikoh Industries Ltd., Japan
IES	Institute of Economic Studies
ISC	International Study Circle
JIS	Japanese Industrial Standard
LED	Light emitting diode
LCC	Low cost countries
LCV	Light Commercial Vehicle
MFR	Multi-focal reflector
MIG	Metallic Inert Gas Welding
NCAER	National Council of Applied Economic Research
PDIR	Pre-delivery Insection Report
PMMA	Poly Methyl Metha Acrylate
Registered Office of the Company	D-34, DSIDC, Packaging Complex, Kirti Nagar, New Delhi - 110015, India.
SAE	Society of Automobile Engineering
SIAM	Society of Indian Automobile Manufacturers
TPM	Total Preventive Maintenance
UL	Underwriters Laboratories Inc.
UV	Ultra-violet
VW	Volkswagon
ZADI	ZADI Divisione Fanaleria CEV Spa, Italy

ABBREVIATIONS

Abbreviation	Full Form
A/c	Account
Bn	Billion
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CC	Cash Credit
CFO	Chief Financial Officer
CENVAT	Central Value Added Tax
CIF	Cost Insurance Freight
CST	Central Sales Tax
CVD	Countervailing Duty
CY	Current Year
DA	Designated Authority
EBITDA	Earning Before Interest Tax Depreciation and Amortisation

EGM	Extraordinary General Meeting
EPCG	Export Promotion Capital Goods
EPS	Earnings Per Equity Share
Euro	Currency of European Union
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and regulations framed there under
FG	Finished Goods
FII(s)	Foreign Institutional Investors as defined under FEMA (Transfer or Issue of Security by a person Resident outside India) Regulations 2000, registered with SEBI
FIPB	Foreign Investment Promotion Board
FY	Financial Year
GIR Number	General Index Registration Number
GoI	Government of India
HC	High Court
HR	Human Resources
HUF	Hindu Undivided Family
IEC	Importer Exporter Code
IPO	Initial Public Offering
INR	Indian Rupees
ISO	Indian Standards Organisation
JV	Joint Venture
LC	Letter of credit
M/C	Machine
Mm	Millimeter
MOU	Memorandum of Understanding
MT	Metric Ton
MW	Mega Watt
Mtrs.	Metres
NA	Not Applicable
NAV	Net Asset Value
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
OEM	Original Equipment Manufacturer
OTS	One Time Settlement
p.a.	Per Annum
Pcs.	Pieces
P/E Ratio	Price / Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
R & D	Research and Development
RBI	The Reserve Bank of India
RM	Raw Materials
RONW	Return on Net Worth
Rs. / INR	Indian Rupees
SC	Supreme Court of India
SED	Special Excise Duty
SIA	Secretariat for Industrial Assistance
SIL	Special Import License

Sq. ft.	Square feet
US	United States of America
USD or \$ or US \$	United States Dollar
VAT	Value Added Tax
w.e.f.	With effect from
WIP	Work-in-progress
WTO	World Trade Organisation

SECTION II - RISK FACTORS

CERTAIN CONVENTIONS; USE OF MARKET DATA

In this Draft Red Herring Prospectus, the terms “we”, “us”, “our”, the “Company”, “our Company”, “FIEM Industries Limited” unless the context otherwise indicates or implies, refers to FIEM Industries Limited. In this Draft Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word "Lac" means "one hundred thousand", the word "million (mn)" means "ten lac", the word "Crore" means "ten million" and the word “billion (bn)” means “one hundred crore”. In this Draft Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this draft Red Herring Prospectus, all figures have been expressed in millions.

In this Draft Red Herring Prospectus, unless the context otherwise requires, unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines included elsewhere in this Draft Red Herring Prospectus. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

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

For additional definitions, please refer to the section titled ‘Definitions and Abbreviations’ on page no. i of this Draft Red Herring Prospectus. In the section titled ‘Main Provisions of the Articles of Association of our Company’ beginning on page no. 206 of this Draft Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of our Company.

FORWARD-LOOKING STATEMENTS

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

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to:

- Regulatory changes relating to the auto-components industry in India and our ability to respond to them;
- Our ability to successfully implement our strategy;
- Our growth and expansion, technological changes;
- Our exposure to market risks, general economic and political conditions in India, which have an impact on our Business activities or investments;
- The monetary and fiscal policies of India;
- Inflation, deflation, volatility in interest rates;
- Fluctuations in foreign exchange rates;
- Volatile equity markets;
- The performance of the financial markets in India;
- Changes in domestic and foreign laws, regulations & taxes; and
- Competition in our industry.

For further discussion of factors that could cause our actual results to differ, please refer to the section titled ‘Risk Factors’ beginning on page no. x of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the BRLM nor any member of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

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

This Draft Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus:

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks mentioned herein under:

‘FIEM’ trademark is not owned by us.

‘FIEM’ trademark is owned by Mr. J. K. Jain, proprietor of FIEM Auto & Electrical Industries. Mr. J. K. Jain is one of the promoters of our Company. Our Company has entered into an agreement dated March 1, 2005 with Mr. J. K. Jain by virtue of which, our Company has been given the right to use ‘FIEM’ trademark in respect of our products. For details of this agreement, please refer to the section titled ‘Intellectual Property Rights’ beginning on page no. 173 of this Draft Red Herring Prospectus. Our Company has adequate right to use the trademark / name ‘FIEM’ for all our products. Although our Company has a sound defence against any intellectual property rights claims in connection with our Company’s use of the trademark / name ‘FIEM’, the outcome of any such claims and the financial impact of the same on our business cannot be quantified. Any outcome of such claims against us may adversely affect our business operations and profitability.

The Joint Venture Companies have not registered their brand ‘FIEM SUNG SAN’ and ‘FIEMKAC’ respectively.

We had entered into a Joint Venture Agreement dated April 4, 1996 with Daewoo Motors (India) Limited (formerly DCM Daewoo Motors Limited) and Sung San Co. Limited, Korea, by virtue of which FIEM Sung San (India) Limited was set-up. For more details, please refer to the section titled ‘Shareholders and Other Agreements’ beginning on page no. 90 of this Draft Red Herring Prospectus. This agreement provides that Fiem Sung San (India) Limited shall have the right to use the trademark ‘FIEM SUNG SAN’ on the products manufactured and / or assembled by it. However, this brand has not been registered by Fiem Sung San (India) Limited in its own name.

Our Company has also entered into a Joint Venture Agreement dated March 24, 2006 with Korea Airconditioners Co. Limited to set up a Joint Venture Company in India. For more details, please refer to the section titled ‘Shareholders and Other Agreements’ beginning on page no. 90 of this Draft Red Herring Prospectus. This agreement provides that the Joint Venture Company shall have the right to use the trademark ‘FIEMKAC’ on the products manufactured and / or assembled by it. However, no steps have been taken for the registration of this brand.

This subjects the respective Joint Venture companies to the risk of limitation and loss of revenue owing to sub-standard quality products being sold by others under the respective brands of the Joint Venture companies.

Our sales are dependent on small number of customers.

Substantial portion of our revenue is derived from small number of OEM customers. Our top 3 customers contributed 85.14% of our sales of automotive lighting systems for financial year 2005-06. Similarly, for financial year 2004-05 and 2003-04, the sales to the top three customers were 85.17% and 82.33%. We believe that this trend is expected to continue for some time and we will be dependent on a few customers for substantial part of our sales. In the event, any of these top 3 customers decide to procure their requirements from other suppliers, our revenues and profitability may be adversely affected.

We are subject to certain risks in relation to our business operations with TVS Motor Co. Ltd., our single largest client.

Our single largest client, TVS Motor Co. Ltd. accounts for a large percentage of our operating revenues. For the year ended March 31, 2006, it accounted for approximately 69.33% of our total income. Any loss of business or significant reduction in the volume of work from TVS Motor Co. Ltd. could adversely affect our revenues and profitability.

PROJECT RELATED RISKS

Our objects of the Issue for which funds are being raised have not been not appraised by any bank, financial institution or an independent organization.

The requirement of funds as stated in the section titled 'Objects of the Issue' beginning on page no. 23 of this Draft Red Herring Prospectus is based on internal management estimates and has not been appraised independently by any bank, financial institution or any independent organisation. All the figures included under the section titled 'Objects of the Issue' beginning on page no. 23 of this Draft Red Herring Prospectus are based on our own estimates.

We have not identified alternate sources of financing the 'Objects of the Issue'. If we fail to mobilize resources as per our plans, we may be severely affected.

Any failure or delay on our part to mobilize the required resources may delay the implementation schedule of our expansion project and could adversely affect our growth plans.

We have not placed orders for certain plant and machinery, equipments, etc. as stated in the section titled 'Objects of the Issue' beginning on page no. 23 of this Draft Red Herring Prospectus.

The net proceeds of the Issue are proposed to fund the planned expansions as explained in the section titled 'Objects of the Issue' beginning on page no. 23 of this Draft Red Herring Prospectus. In respect of plant & machinery, we have placed orders amounting to Rs. 119.66 million, which translates into 31.84% of the total basic cost (including taxes and duties) of plant & machinery till June 20, 2006. We are yet to place orders for procuring plant & machinery to the tune of Rs. 256.14 million which constitutes 68.16% of the total basic cost (including duties and taxes) or have not entered into service or purchase agreements for procurement thereof. With regards to electrical fittings and equipments, we have not placed orders or have not entered into service or purchase agreements for procurement to the tune of Rs. 13.05 million which is 83.12% of the total basic cost (including duties and taxes). Any delay in placing the orders or procurement of plant and machinery, equipments, etc. may delay the implementation schedule. Such delays may also lead to increase in prices of these equipments, further affecting our cost, revenue and profitability.

We may be exposed to foreign currency risk in relation to certain plant & machinery and moulds, dies & tools to be imported for the purposes of our proposed expansion plans.

The total cost of plant and machinery for our proposed expansion plans is estimated to be Rs. 375.86 mn. Of this, we propose to import certain plant & machinery of the basic cost (excluding taxes and duties) amounting to Rs. 161.47 mn. In relation to moulds, dies & tools, we have already placed orders to the extent of basic cost of moulds, dies and tools to the tune of Rs. 28.63 mn (excluding taxes and duties). We have to make disbursements in foreign exchange towards the cost of these imports of plant & machinery and moulds, dies & tools. Our inability to hedge this foreign exchange exposure may result in an adverse impact on our financial condition. The volatility in global financial markets may, thus have an adverse impact on our business.

Our inability to effectively manage our rapid infrastructure and personnel growth may have an adverse effect on our business, results of operations and financial condition.

We have grown significantly over a period of time. Our Company presently has four operating units, each unit catering to the production of a variety of automotive component products. Through this issue, we propose to raise capital for our expansion plans which includes setting up of additional facilities for manufacturing of automotive lighting and signaling equipment and rear view mirrors for four wheelers, expansion of our existing manufacturing facilities of automotive lighting and signaling equipments and rear view mirrors and installation of moulds and dies making machines, so as to effectively manage the growing demands. Our inability to effectively manage such rapid expansion or to ensure the

continued adequacy of our current systems could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Delay or non-receipt of regulatory approvals may delay our proposed expansion plans and could adversely affect our growth plans.

For our proposed expansions, we are required to obtain similar registrations and approvals that we currently have for our existing operations. Any delay / non-receipt of licenses and / or approvals that may be required for the proposed additional facilities could result in a cost and time over run and accordingly may adversely affect our operations and profitability. For further details, please refer to the section titled 'Government / Statutory and Other Approvals' beginning on page no. 167 of this Draft Red Herring Prospectus.

Delay in completing the proposed capacity expansion could have an adverse impact on our business.

Any delay in completing the project due to any reason whatsoever may result in a significant cost and time overrun. Due to these time and / or cost overrun, the overall benefit of such plans to our revenues and profitability may decline. Further, any delay in commercial production may adversely impact the cash flows and profitability of our Company.

INTERNAL RISK FACTORS

Civil Cases Filed By and Against the Company, Fiem Auto (Private) Limited (a Group Company) , and Fiem Sung San (India) Limited (a Subsidiary Company).

Certain civil cases were filed by and against the Company and the aforementioned Group Company and Subsidiary Company. No assurance can be given as to whether these matters will be settled in favour of or against our Company, the Group Company or the Subsidiary Company. Nor can any assurance be given that no further liability will arise out of these claims. A summary of these proceedings is as follows:

- a. Show Cause Notices against the Company: A show cause notice was served on the Company by the Assistant Commissioner of Central Excise, in connection with an excise related claim of approximately Rs. 4.5 Lacs;
- b. Proceeding filed by the Company: The Company filed civil proceedings against M/s Arora Auto Agencies before the District Judge, Delhi in connection with an alleged intellectual property rights violation.
- c. Proceedings filed against Fiem Auto (Private) Limited (Group Company): The Engineering & General Workers Union filed two civil proceedings against our Group Company, one before Civil Court, Junior Division at Anekal, in connection with the legality of the closure of the Bommasandra unit, and the other before the Presiding Officer, Industrial Tribunal, Bangalore, also in connection with the said closure;
- d. Proceedings filed by Fiem Auto (Private) Limited (Group Company): This Group Company has filed civil proceedings against the Engineering & General Workers Union before the Civil Judge, Junior Division, Anekal in connection with the ingress and egress of men, materials and vehicles of the Company; and
- e. Proceedings filed against Fiem Sung San (India) Limited (Subsidiary Company): Two individuals have independently initiated proceedings before the Presiding Officer, Labour Court (II), Ghaziabad in connection with allegations of wrongful / unlawful termination of services.

For further details of the outstanding litigations, please refer to the section titled 'Legal and Other Information' beginning on page no. 160 of this Draft Red Herring Prospectus.

Our supply contracts / arrangements can be temporarily suspended / disrupted on account of certain unforeseen events / circumstances, which could adversely impact our sales revenues and profitability.

Many of our supply contracts / arrangements are typically entered into for period of one year. Our business is dependent on the decisions and actions of our clients and there are a number of factors that are outside our control, which might result in temporary suspension / disruption of our supplies. Our customer may demand price reductions and / or decide to change their outsourcing strategy by moving work to our competitors. Any of these factors can adversely affect our revenues and profitability.

We are expanding our capacity without adequate supply contracts / arrangements in place to utilize this additional capacity.

We are setting new facilities to manufacture automotive lighting assembly with an annual capacity of 18.50 million pcs. p.a. during financial year 2006-07, however we do not have firm arrangements/clients contracts in place to utilize this expanded capacity. If we are unsuccessful in increasing the demand for our products to match our increased capacity, our expenses will increase as a percentage of our revenues, which may have an adverse impact on our results of operations and cash flows.

We have entered into Memorandum of Understanding / Joint Venture agreement which may not fructify.

We have entered into a Memorandum of Understanding with Aspock Holding, GmbH, Austria ("Aspock"), another Memorandum of Understanding with ZADI Divisione Fanaleria CEV Spa, Italy ("ZADI") and a Joint Venture agreement with Korea Airconditioners Co. Limited ("KAC"). The arrangements with Aspock and ZADI are still being worked on and the terms and conditions yet to be finalized. Any disagreement on arrangements / terms and conditions may lead to re-negotiations resulting in delay / termination of setting up of the proposed joint venture. Further, the Joint Venture agreement with KAC may not be completed due to certain unforeseen events / circumstances. Such delay / termination may affect our future sales and growth prospects. For the salient features of this MOU and Joint Venture agreement, please refer to the section titled 'Shareholders and Other Agreements' beginning on page no. 90 of this Draft Red Herring Prospectus.

We have entered into a Technical Support agreement which may be terminated.

We have entered into a Technical Support agreement with Ichikoh Industries Ltd., Japan ("Ichikoh"). The Technical Support agreement with Ichikoh is presently operational. However, there are certain conditions as stated in the Technical Support agreement that give right to either of the parties to terminate the Technical Support agreement under certain given circumstances. Such termination may affect our future sales and growth prospects. For more details, please refer to section titled 'Business Overview' beginning on page no. 63 of this Draft Red Herring Prospectus.

Reduction or termination of our tax incentives will increase our tax liability and reduce our profitability.

As per the provisions of Section-80 IC of the Income Tax Act, 1961, we are eligible to claim a deduction with respect to the profits derived from our Nalagarh Unit, Himachal Pradesh. Similarly, we would also be eligible to claim deduction as per the provisions of Section 10B of the Income Tax Act, 1961 with respect to the profits derived from our newly established hundred percent EOU at Hosur, Tamil Nadu. For details, please refer to the section titled 'Statement of Possible Tax Benefits' beginning on page no. 45 of this Draft Red Herring Prospectus. Such tax benefits may not be available to us in the future. Such non-availability of tax benefits could adversely affect the results of our operations and profitability.

We have certain export obligations under the import export policy.

We have imported certain machinery under a license pursuant to the Export Promotion Capital Goods (EPCG) Scheme and have availed duty concession. We have also imported certain raw materials at concessional duty under various licenses issued under the Advance License Scheme. Pursuant to this, we have assumed export obligations under the EPCG Scheme and Advance License Scheme, which we are required to fulfill within a period of 8 (eight) and 2 (two) years respectively from the date of the issue of the respective licenses.

The total export obligation under EPCG Scheme is estimated at US\$ 132975.29, which will have to be fulfilled within a period of 8 (eight) years from the date of issue of the license. This Obligation has to be fulfilled by 2013. As on May 31, 2006, the exports achieved in respect of this license stood at US\$ 42346.

Similarly, the export obligation under the Advance License Scheme is estimated at US\$ 1059200, which will have to be fulfilled within a period of 2 (two) years from the date of issue of the respective licenses, or such extended period as may be allowed from time to time. This obligation has to be fulfilled by various years ranging from 2006 to 2008. As on May 31, 2006, the exports achieved in respect of these licences stood at US\$ 558250.

The consequence of not meeting the above said commitment would be a retrospective levy of import duty on items previously imported at concessional duty. Additionally, the respective authorities have rights to levy penalties and / or interest for any defaults on a case-to-case basis.

Sales Tax Indemnity for Rs. 7.20 million

Our Company has issued an indemnity for Rs. 7.20 million in favour of the Sales Tax Authorities, which indemnity is in connection with the loss of 'Form C'. If there is any misuse of this Form C, our Company would be liable to indemnify the Sales Tax Authorities to the extent of the said indemnity, which in turn would adversely affect our profitability.

Our revenues are dependent upon we meeting client specific requirements and largely on a case-to-case basis.

Our assignments for providing products largely involve providing customized products on a case-to-case basis, depending upon the needs of each customer. Our inability to provide customized products / solutions could diminish our market image and brand value, which could lead to clients discontinuing their contracts with us and stagnation / reduction of our client base, which in turn could harm our business and profitability. Thus, our future growth will depend on our continued evolution of specific sets of customized products to deal with the rapidly evolving and diverse needs of our customers in a cost-competitive and effective manner.

Our inability to meet constant change in technology and designs of automotive parts will affect our operations adversely.

Automobile manufacturers are faced with constant demand for new designs and new models. While meeting such demand, automotive suppliers like us need to adapt to these changes and cope up with such demand in limited costs and time. Our inability to meet such demand from our customers may lead to loss of business for us. This will hamper our growth in the future and may have an adverse effect on our business operations and profitability.

Some of our purchase orders with our suppliers do not contain arbitration clauses.

In the event our suppliers default on delivery or there is any dispute regarding quality or quantity of the materials supplied to us, since some purchase orders do not have arbitration clauses, we may not have any speedy recourse against them. Any failure or delay on our part to procure required materials may delay schedules of production or any commitments to other entities for supply of finished products which would in turn adversely affect our operations and profitability. Such failures or delays may also lead to increase in prices of these materials, further affecting our cost and profit estimates.

Prices for raw material such as bulbs, wires, steel, plastic, etc. have increased recently. In the event, we are unable to pass on this rise in prices to our customers, our margins will come under pressure.

We have witnessed rise in prices of our raw materials. Although most of our customers do absorb most of the abnormal price rise in raw material, there is no assurance that our customers will absorb marginal increase in the raw material cost. In such an event, our margins will be adversely affected.

We encounter price pressure on our products due to predatory pricing by the players from organised and un-organised sectors.

Pricing is one of the factors that plays an important role in customers' decision making in selecting automotive components. Unorganised sector players offer products at cheaper cost and this at times put pressure on our prices. We may continue to face such price pressure in future as well, thereby affecting our profitability.

High transportation cost and escalation thereof may adversely affect our profitability and cash flows.

Globally, crude oil prices are rising and have increased substantially since last year, directly resulting in an increase in our transportation costs. The increase in transportation costs has adversely affected our margins. If the same trend of increase in oil prices continues globally in the future, it may result in a further rise in domestic fuel prices. Such a rise may have an adverse impact on our profitability.

Increase in costs or shortage of power and fuel may adversely affect our profitability and cash flows.

Power and fuel costs constitute a major component of our cost structure. In the last three years, our power and fuel cost as a percentage of our net sales ranged between 4.34% and 5.23% approximately. Since, we have little or no control on increase in the power and fuel costs, any increase in the same and our inability to pass on such price rise to our customers, may put pressure on our margins and adversely affect our profitability.

Further, during periods of shortages in supply of the raw materials, we may not be able to meet delivery schedules and deliver the products as per the agreed timelines. In addition, our operations and results may, from time to time, be affected by circumstances beyond our control, including work stoppages, labour disputes and shortages of qualified skilled labour, lack of availability of adequate infrastructure services and increase in transportation cost. In the event, we fail to deliver and / or perform on time, we may have to incur additional costs towards transportation etc.

Defects in our products could lead to negative publicity, financial loss and erosion of our customer-base.

Typically the products provided by us are critical to the operations of our customers' businesses. A defect in our products could result in a claim against us for substantial damages. Such a claim could be brought even if prima facie we are not responsible for such a failure or defect. The contracts entered into by us typically contain clauses relating to some limitation of our liability in relation to the products sold / to be sold by us, but we cannot assure you that such clauses relating to limitations on liability will be enforceable or sufficient to protect us from loss in all cases. While we maintain product liability insurance coverage, we cannot guarantee that such coverage will continue to be available on reasonable terms or will be sufficient to cover all claims made against us. Furthermore, any such claims would serve to erode our brand image and market perception, and may diminish our clientele.

We are exposed to foreign currency risk.

The volatility in global financial markets may have an adverse impact on our business. We have to make payments in foreign exchange for certain of our imported machineries and our raw material imports. In the future, we expect an increase in our dealings in foreign exchange thus increasing our exposure to foreign exchange markets. Our inability to hedge this foreign exchange exposure may result in an adverse impact on our financial condition.

Our auditors had qualified their report for the financial years ended March 31, 2003, 2004 and 2005

For the financial years ended March 31, 2003, 2004 and 2005, our Company accounted for payment of gratuity and leave encashment on payment basis and no provision was made in the accounts of the respective years. Accordingly, our auditors had qualified their report for the respective years to that effect.

We have not provided for our contingent liabilities as on March 31, 2006.

The outstanding contingent liabilities of our Company as on March 31, 2006 not provided for are as under:

(Rs. in Million)		
Sr. No.	Particulars	2005-06
1.	Guarantee/security given to Custom authorities (for EOU unit)	0.900
2.	Excise demand made by authorities	0.451
3.	Guarantee/security given to Custom authorities (against advance license for duty-free import of goods)	2.376
4.	Import LC (against import of mould & dies)	2.970
5.	Guarantee/security given to Sales Tax Authorities	Nil

Post listing our Promoter and members of our Promoter Group will become largest shareholders in our Company, which will allow them to determine the outcome of shareholder resolutions / board resolutions.

Upon completion of the Issue, the members of our Promoters and Promoter Group will collectively hold 63.96% of the paid-up equity capital of our Company. With the largest equity stake in our Company, the Promoters and Promoter Group will be able to influence matters requiring shareholders' approval such as approval of financials of our Company, declaration of dividend, etc.

Our Mysore unit (Unit No. IV) is occupied on property held by us on a leasehold basis.

In respect of our Mysore unit (Unit No. IV), we have entered into a lease agreement dated August 16, 2005 for a period of three years. For further details, please refer to the section titled 'Business Overview' beginning on page no. 63 of this Draft Red Herring Prospectus. Terminations of this lease agreement, whether due to any breach or otherwise, or non-renewal thereof, could adversely affect our business operations in respect of our Mysore Unit.

Our insurance coverage may not adequately protect us against certain operating hazards and this may have a material adverse effect on our business.

We maintain insurance policies in respect of our principal places of business. The assets covered include all parts of buildings, all plant and machinery, utilities, office equipments, stocks, finished & semi-finished goods and stores & spares at 32 Mile Stone, Kundli and Hosur, Tamil Nadu.

While we believe that the insurance coverage we maintain is reasonably adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured on time fully or in part. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow may be adversely affected.

We rely on contract labour for the performance of many of our operations.

We rely on contractors who engage on-site labourers for performance of many of our unskilled operations. Further, on an application made by the contract labourers, the appropriate court / tribunal may direct that the contract labourers are required to be regularized or absorbed, and / or that our Company pay certain contributions in this regard.

Conflict of interest within our Promoter Group

A few of the constituents of our Promoter Group are engaged in businesses similar to that of our Company. For further details, please refer to the section titled 'Our Promoters' beginning on page no. 104 of this Draft Red Herring Prospectus. Also, in the future, our Promoter Group may include other entities having businesses similar to that of our Company. This may result in a conflict of interest with respect to business strategies of our Company.

FIEM Sung San (India) Limited, presently our subsidiary, had defaulted in the past towards payment of interest and principal amounts for loans obtained from Banks / FIs.

FIEM Sung San (India) Limited ("FSSIL") was incorporated as a Joint Venture amongst our Company, Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited) ("DDML") and Sung San Co. Limited, Korea ("Sung San") (now known as SL Sung San Corp. Ltd.) for the purpose of engaging into the business of manufacture, assembling, distribution, sale and after-sales service of automotive lighting equipments and such other related automobile parts & components to meet the requirements of DDML for its Ceilo brand of cars. For more details of the Joint Venture Agreement, please refer to the section titled 'Shareholders and Other Agreements' beginning on page no. 90 of this Draft Red Herring Prospectus.

The project cost was funded by way of promoter's equity of Rs. 82.25 million, a rupee term loan of Rs. 44.40 million from IFCI Limited and a further rupee term loan of Rs. 21.40 million from Canara Bank. But due to sudden and steep fall in the demand for Ceilo cars by then and already huge quantities of imported lamp assemblies available with DDML, FSSIL had to delay the production of lamp assemblies for Ceilo cars. Due to this, FSSIL started facing financial problems, as a result of which, more than 50% of the peak net worth of FSSIL eroded in the year 2002-2003. As a result, FSSIL had to report to the Board for Industrial and Financial Reconstruction under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 during the year 2002-03.

In order to reflect its true net worth, FSSIL approached the Hon'ble High Court of Delhi for reduction of its paid up capital under Sections 100-104 of the Companies Act, 1956. Subsequently, the Hon'ble High Court of Delhi, vide its order dated July 28, 2003, reduced the paid up capital of FSSIL from Rs. 82.25 million to Rs. 12.34 million.

Further, on account of financial problems, FSSIL defaulted in the payment of interest and principal instalment to IFCI Limited and Canara Bank in the years 1999, 2000, 2001, 2002, 2003 and 2004. Subsequently, FSSIL entered into a One Time Settlement (OTS) scheme for its entire dues with Canara Bank and IFCI Limited. The same has been regularized and as of date, no such defaults are outstanding.

For further details, please refer to the section titled 'Our Subsidiary' beginning on page no. 89 of this Draft Red Herring Prospectus.

Our promoter group entity has incurred losses in the past.

One of our promoter group entity viz., FIEM Auto Private Limited has incurred losses in recent years as per details given below:

(Rs. in Million)	
Name of the entity	Profit / (Loss) after tax for the year ended March 31, 2005
FIEM Auto Private Limited	(17.66)

For more details, please refer to the section titled 'Our Group Companies' beginning on page no. 107 of this Draft Red Herring Prospectus.

The auditors of our subsidiary FIEM Sung San (India) Limited had qualified their report for the financial years ended March 31, 2003, 2004 and 2005

For the financial years ended March 31, 2003, 2004 and 2005, FIEM Sung San (India) Limited had accounted for payment of gratuity and leave encashment on payment basis and no provision was made in the accounts of the respective years. Accordingly, the auditors had qualified their report for the respective years to that effect.

In the past 12 months, we have issued Equity Shares at a price that may be lower than the Issue price of the Equity Shares being offered in this Issue.

On March 31, 2006, we issued 258,160 Equity Shares of Rs. 10 each to a promoter group entity and others at a price of Rs. 125 per Equity Share, which could be lower than our Issue price of the Equity Shares being offered in this Issue.

Our Company has issued Equity Shares in the past 12 months for consideration other than cash.

At the Extra-ordinary General Meeting of our Company held on March 8, 2006, our shareholders approved the issue of bonus Equity Shares in the ratio of 1 Equity Share for every 6.5 Equity Shares of our Company. Accordingly, our Company issued 1,000,000 Equity Shares of Rs. 10 each to our shareholders for consideration other than cash.

We do not have a track record for payment of dividend on Equity Shares.

We have not declared and hence paid any dividend on our Equity Shares since inception. The future payment of dividends, if any, would be based on the then available distributable profits and the recommendations of our Board of Directors.

The success of our business is highly dependent upon our ability to implement our growth strategies.

Our ability to sustain our growth depends, in a large part, on our ability:

- to augment financial resources for additional capacities at competitive terms and conditions;
- to complete capacity expansion / new projects without time and cost overrun;
- to retain and motivate key management personnel;
- to design and implement strong internal control systems; and
- to control costs.

Our inability to efficiently handle the above mentioned challenges may hurt our business prospects, results of operations and financial condition.

Our success depends largely on our senior management and our ability to attract and retain our key personnel.

Our success depends on the continued services and performance of the members of our management team and other key employees. If one or more members of our senior management team are unable or unwilling to continue in their present positions, they could be difficult to replace and our business could be adversely affected. Competition for senior management in the industry is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. As such, any loss of services of our senior management personnel or key employees could adversely affect our business, results of operations and financial condition. Further, except for Key Man Insurance on the life of our Chairman and Managing Director for Rs. 6 million, we have not taken ‘key man’ life insurance policies for other senior members of our management team or other key personnel.

Our Company has entered into several loan agreements that contain customary restrictive covenants, placing significant limitations on our Company.

Our Company has taken loans from various banks, for which some of its immovable and movable properties have been offered as security.

In respect to the various agreements entered into by our Company with its lenders, we are bound by certain restrictive covenants regarding our capital structure. As per these restrictive covenants, our Company cannot, without the prior approval of the Banks prepay any outstanding loan amount, issue any debentures, raise loans, deposits from public, issue equity or preference capital, issue bonus shares, change its capital structure or create any charge on its assets or give any guarantees. Also, we shall not without the prior written approval of the Banks buy back, cancel, retire, reduce, redeem, purchase, re-purchase, acquire any of its share capital, issue any further share capital. Further, our Company is also prohibited from creating any subsidiary or undertaking mergers, amalgamations and re-organizations with the creditors or shareholders, without the prior consent of its lending institutions. Also, our Company shall not, without the prior permission of its lender, invest any part of the loan money advanced, by way of deposits, loans, share capital or otherwise in any concern. Our Company shall not declare or pay any dividend to its shareholders during any financial year unless it has paid all the pending dues. We shall not make any investments by way of deposits, loans, share capital, revalue its assets, carry out general trading other than sale of its own products, enter into an arrangement for sale of its products and purchase of raw materials without the prior written approval of the bank.

Our industry is competitive and increased competitive pressure may adversely affect the results of our operations.

The market for automotive component manufacturers is highly competitive, and we expect competition to intensify and increase from a number of sources. We believe that the principal competitive factors in our markets are price, service quality, sales and marketing skills, the ability to manufacture customized products and technological and industry expertise. We face significant competition from several entities located in India and several other countries including China and Thailand and we may not be able to compete with them for several reasons. For more details, please refer to the section titled ‘Business Overview’ beginning on page no. 63 of this Draft Red Herring Prospectus. Further, since our industry has low entry barriers, we may face competition from new entrants in this market. Some of the existing and future competitors may have greater financial, personnel and other resources, longer operating histories, a broader range of product offerings, greater technological expertise, more recognizable brand names and more established relationships in industries that we currently serve or may serve in the future. In addition, some of our competitors may enter into strategic or commercial relationships among themselves or with larger, more established companies in order to increase their ability to address client needs, or enter into similar arrangements with potential clients. Increased competition, our inability to compete successfully against competitors, pricing pressures or loss of market share could have a material adverse effect on our business, results of operations, financial condition and cash flows.

EXTERNAL RISK FACTORS

Global economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.

External factors such as potential terrorist attacks, terror threats, pandemics, acts of war or geopolitical and social turmoil in many parts of the world could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price. These uncertainties make it difficult for us and our customers to accurately plan future business activities. More generally, these geopolitical social and economic conditions could result in increased volatility in India and worldwide financial markets and economy.

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

Indian Economy performed satisfactory during the year 2004-05 with a GDP growth rate of 6.9%. This growth momentum has been very optimistic for 2005-06 with the GDP growth at around 8.1%. Any slowdown in the growth of Indian economy or future volatility in global commodity prices, could adversely affect the business of our Company, including future financial performance, shareholders' funds and ability to implement strategy and the price of our Company's equity shares.

Absence of entry barriers

There are no entry barriers for setting up an automotive components plant. Due to no entry barriers, many players from the organised as well as the un-organised sector may enter this industry. The entry of these players may result in excess capacity, competition and resultant price pressure on the products.

Increasing employee compensation in India may reduce some of our competitive advantage.

Increase in compensation payable to employees in India may reduce some of the competitive advantage and may negatively affect our profit margins. Employee compensation in India is increasing at a fast rate, which could result in increased costs relating to engineers, managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to remain competitive.

Emergence of competition from other manufacturing countries may impact our business.

Global competition from countries like China, Thailand, etc., whose cost of production is lower than our cost of production, may result in stiff competition in the domestic market and, a favourable import policy may have an adverse impact on our business.

Any downgrading of India's debt rating by an international rating agency could negatively impact our business.

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

Political instability or changes in the Government in India could delay the further liberalization of the Indian economy and adversely affect economic conditions in India generally and our business in particular.

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state governments in the Indian economy as producers, consumers and regulators have remained significant. Subsequent to the general elections that took place in India in April and May 2004, the new Government publicly indicated an intention to continue India's program of economic reform. However, possible political instability, changes in the rate of economic liberalization, laws and policies affecting our industry, foreign investment, currency exchange, matters affecting investment in our securities, India's economic liberalization and deregulation policies could all adversely affect business and economic conditions in India generally, and could also adversely affect our business, future financial performance and the price of our Company's Equity Shares in particular.

Regional conflicts in Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.

South Asia has, from time to time, experienced instances of civil unrest and hostilities amongst Asian countries. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect, on the market for securities of Indian companies, including our shares and on the market for our products.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in loss of client confidence, and adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on September 11, 2001, New Delhi on December 13, 2001, London July, 7, 2005 and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. More generally, any of these events could adversely affect client confidence in India as an outsourcing base and increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

Natural disasters or loss of or shutdown of operations at any of our manufacturing facilities could disrupt our operations and result in loss of revenues and increased costs.

Our plants are susceptible to natural disasters such as explosions, earthquakes, storms, floods as well as acts of violence from terrorists and war. The occurrence of any of the above events could disturb the operations of our plants and we may have to shut down our plant for carrying out repairs that will result in loss of revenues and increased costs. Further, our facilities are subject to operational risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results. We are required to carry out planned shutdowns of our plants for maintenance, statutory inspections and testing. We also shut down plants for capacity expansion and equipment upgrades. Although we take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

Compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect our results of operations and our financial condition.

We are subject to a broad range of safety, health and environmental laws and regulations in the areas in which we operate. Our manufacturing facilities located in India are subject to Indian laws and government regulations on safety, health and environmental protection. We have incurred, and expect to continue to incur, operating costs to comply with such laws and regulations. In addition, we have made and expect to continue to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. While we believe we are in compliance in all material respects with all applicable safety, health and environmental laws and regulations, the discharge of our raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may nevertheless cause us to be liable to the Government of India or the State Governments or Union Territories where our manufacturing facilities are located, or to third parties. In addition, we may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance. Further, the adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require that we make additional capital expenditures or incur additional operating expenses in order to maintain our current operations, curtail our production activities or take other actions that could have a material adverse effect on our financial condition, results of operations and cash flow.

The costs of complying with these requirements could be significant. The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed current estimates. If we fail to meet environmental requirements, we may also be subject

to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as orders that could limit or halt our operations.

There can be no assurance that we will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. Clean-up and remediation costs of our sites and related litigation could adversely affect our cash flow, results of operations and financial condition.

Wage increases in India may prevent us from sustaining our competitive advantage and may reduce our profit margin.

Our significant costs other than raw material are wages, salaries and related benefits of our operations staff and other employees. Wage costs in India have historically been significantly lower than wage costs in other western countries, which has been one of our competitive advantages. However, by and large, wages in India are increasing at a faster rate than in the western countries, which may reduce our competitive advantage in relation to pricing. We may need to increase the levels of employees compensation more rapidly than in the past to remain competitive and to attracting necessary employees. Wage increase in the long term may reduce our profit margins.

The price of the Equity shares may be volatile and you may be unable to resell your equity shares at or above the issue price or at all.

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Stock Exchanges may not develop or be sustained after the Issue. Post listing, the price of our Equity Shares may show large swings on account of several factors as follows:

- General economic conditions in India;
- Financial performance of our Company vis-a-vis our competitors;
- Investors perception regarding the automotive components industry;
- Changes in government policies pertaining to ceramic products industries having a positive or negative impact on industry;
- Volatility in the securities markets.

The current prices may not be reflective of the intrinsic value of the respective company. Therefore, in future, the sustainability of such valuation may be difficult.

Notes to Risk Factors:

1. Public Issue of 4,100,000 Equity Shares of Rs. 10 each for cash at an Issue Price of Rs. [●] per Equity Share aggregating to Rs. [●] mn. (the 'Issue') by our Company. The Issue comprises of a reservation for employees of 400,000 Equity Shares of Rs. 10 each and a net issue to the public of 3,700,000 Equity Shares of Rs. 10 each.
2. The net worth of our Company before the Issue (as on March 31, 2006) was Rs. 277.75 mn.
3. The average cost of acquisition of one Equity Share for the Promoters is as follows:

Name of the Promoter	Average cost of acquisition (Rs.)
Mr. J. K. Jain	8.67
Mrs. Seema Jain	8.14
Mr. Rahul Jain	8.29
Ms. Aanchal Jain	8.67

4. The book value as on March 31, 2006 is Rs. 35.80 per Equity Share.
5. The Issue is being made through the 100% Book Building Process wherein upto 50% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers, out of which 5% shall be

available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received from them at or above the Issue Price.

6. For related party transactions, please refer to the section titled 'Related Party Transactions' on page no. 111 of this Draft Red Herring Prospectus.
7. Investors are advised to please refer to the section titled 'Basis for Issue Price' beginning page no. 42 of this Draft Red Herring Prospectus before making an investment in this Issue.
8. Investors may note that in case of over-subscription in the Issue, allotment to our employees, Retail Individual Investors and QIBs shall be on a proportionate basis. For more information, please refer to the section titled 'Issue Procedure' beginning on page no. 185 of this Draft Red Herring Prospectus.

Investors may contact the BRLM or the Compliance Officer for any complaints, information or clarifications pertaining to the Issue. For contact details of the BRLM and the compliance officer, please refer to section titled 'General Information' beginning on page no. 8 of this Draft Red Herring Prospectus.

SECTION III - INTRODUCTION

OVERVIEW OF OUR COMPANY

This is only a summary and does not contain all information that one should consider before investing in the Equity Shares offered by our Company. Investors should read the entire Draft Red Herring Prospectus, including the information in the section titled 'Risk Factors' beginning on page no. x and the section titled 'Financial Statements' and related notes beginning on page no. 114 of this Draft Red Herring Prospectus before deciding to invest in the equity shares offered by our Company.

Our Company

Our Company is promoted by Mr. J. K. Jain, our Chairman and Managing Director, who is a first generation promoter. He has a rich experience of about 35 years in automotive components industry and is one of the pioneers of the automotive components industry in India.

Our Company is one of the leading manufacturers of automotive lighting & signaling equipments and rear view mirrors.. Our major business comes from the two-wheeler segment of the vehicle industry. We have a wide range of two-wheeler lighting systems and rear view mirrors. Our diversified products portfolio ranging from rear view mirrors, head lamps, tail lamps, roof lamps, wheel covers, warning triangle, complete rear fender assembly, frame assembly, mudguards and various sheet metal & plastic parts etc. is capable of catering to the needs of almost all segments of automobile industry viz., two-wheelers, three wheelers, LCVs, HTVs and tractors.

Our Company was originally incorporated in India as Rahul Auto Private Limited on February 6, 1989 in New Delhi under the Companies Act, 1956. We set up our unit at HSIDC Industrial Estate, Kundli, Sonapat (Haryana) for carrying on the business of manufacturing rear view mirrors for two, three and four wheelers. We changed the name of our Company to FIEM Industries Private Limited w.e.f. May 7, 1992. Subsequently, our Company was converted into a public limited Company w.e.f. November 30, 1993, pursuant to which, the name of our Company was changed to FIEM Industries Limited.

During the year 1993-94, we added additional facilities for manufacturing of automotive lighting and signaling equipments such as head lamp, tail lamp, side indicator lamp, reflex Reflector, fog lamp, etc.

With a view to expand our business, we shifted all our manufacturing facilities during the year 1993-94 to the plant situated at 32 Mile Stone, G. T. Road, Kundli, Sonapat (Haryana) (Unit I) having full fledged testing laboratory for manufacturing automotive lamps & mirrors conforming to International Standards viz., JIS, ADR, DOT, ECE, SAE and Indian Standards viz., AIS and BIS.

In the year 1996, our Company set-up a Joint Venture Company under the name and style of FIEM Sung San (India) Limited in association with Sung San Co. Limited, Korea and Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited) for engaging into the business of manufacturing automotive lighting and signaling equipments for Daewoo cars. Subsequently, FIEM Sung San (India) Limited became our subsidiary w.e.f. September 30, 2005 pursuant to the acquisition of 3,250,000 Equity Shares of Rs. 10 each. For more details, please refer to the section titled 'Our Subsidiary' beginning on page no. 89 of this Draft Red Herring Prospectus.

We further expanded our capacities with the setting-up of our Unit II in the year 2003-04 at 219/2B, Thally Road, Kallukondapalli, Hosur, Tamil Nadu for manufacturing head lamps, tail lamps / rear combination lamps, side indicator lamps, reflex reflectors and rear view mirrors.

We set up our Unit III in the year 2004-05 at Kelamangalam, Achittapalli Post, Hosur, Tamil Nadu for manufacturing sheet metal items viz., frame, mudguards, stands, guard exhaust and exhaust pipe. In the same year, we set up our Unit IV at S. No. 29, Madargali Village, Varuna Hobli, Mysore Taluk, Karnataka for manufacturing value added products such as assembly of rear fender for two-wheelers.

We are presently conducting trial runs at our Export Oriented Unit (Unit V) at Kelamangalam, Hosur, Tamil Nadu for manufacturing mirror plates, mirror assembly, head lamps, tail lamps and side indicators. We are also in the process of setting up of Unit VI at Nalagarh, Himachal Pradesh which shall engage in the manufacture of head lamps, tail lamps, side indicator lamps, rear fender, reflex reflectors and rear view mirrors primarily for the four-wheeler segment.

Accreditation and awards

We have been accredited with ISO-9002 in the year 1997 by BVQI, London. In the year 1999, our Unit I at Sonapat, Haryana was accredited with ISO 9001:2000 & ISO 9002:1994 and the quality system requirements certification QS-9000:1998 by Underwriters Laboratories Inc. (UL), USA for the manufacture of automotive lighting & signaling equipments and rear view mirrors. Subsequently, in the year 2004, our Unit I at Sonapat, Haryana was accredited with ISO/TS 16949:2002 by UL, USA. In the year 2005, our Unit II at Hosur, Tamil Nadu was accredited with ISO/TS 16949:2002 by UL, USA. In the same year, our Unit I at Sonapat, Haryana was accredited with ISO 14001:2004 by UL, USA. Prior to this, in the year 2002, our Unit I at Sonapat, Haryana also received the 'Confirmity of Production' compliance certification from RDW, Netherlands for e-marked products.

Our Company was awarded the 'Bhartiya Shiromani Puraskar' by the Institute of Economic Studies (IES), New Delhi in the year 2005 as a certificate of excellence for enhancing the image of India. Our Company was presented with the 'Business Sphere Award' for the year 2005-06 for being the most successful pioneer and among toppers in export & manufacture of auto components for 2 wheelers. In February 2006, our Company was awarded the 'Transworld Gold Star Award' by the International Study Circle (ISC), New Delhi for excellence in quality. We are also in receipt of various 'Appreciation Certificate' from our customers. For a detailed list, please refer to the section titled 'Business Overview' beginning on page no. 63 of this Draft Red Herring Prospectus.

Joint Ventures and technical collaboration

Our Company has entered into a Memorandum of Understanding dated September 16, 2005 with Aspock Holding GmbH, Austria for entering into a joint venture agreement to manufacture, assemble and sell such wiring harness and automotive lighting equipments and components. Our Company has also entered into a Technical Support Agreement dated November 11, 2005 with Ichikoh Industries Limited ("Ichikoh") wherein Ichikoh shall grant license to our Company to manufacture and sell in India certain mirrors Ichikoh may develop in the future and assist our Company to sell such mirrors to car manufacturers in India and Ichikoh shall purchase from our Company certain mirror components at lower costs. Further, our Company has entered into a Joint Venture Agreement dated March 24, 2006 with Korea Airconditioners Co. Limited ("KAC") to set up a Joint Venture Company to manufacture, assemble, and sell auto car components, sub assys and complete air conditioners after buying compressors from others and to undertake all other activities in this regard. Our Company has entered into a Memorandum of Understanding dated June 2, 2006 with ZADI Divisione Fanaleria CEV Spa, Italy ("ZADI") for entering into a proposed technical, commercial and / or financial collaboration. For more details of these agreements, please refer to the section titled 'Business Overview' and 'Our History and Corporate Structure' beginning on page nos. 63 and 86 of this Draft Red Herring Prospectus.

Our Competitive Strengths

Some of our strenghts are as under:

Experienced Management Team

Our management team is headed by Mr. J. K. Jain, our Chairman and Managing Director, who is a first generation promoter. He has a rich experience of about 35 years in automotive components industry and is one of the pioneers of the automotive components industry in India. The Institute of Economic Studies, Delhi has awarded him with the 'Udyog Rattan Award' for his contribution. Our Board also includes Mr. J. S. S. Rao and Mr. Pravin Kumar as executive directors who bring with them an experience of over 25 years in the automotive component industry. Our senior management team also comprises of individuals who have an in-depth knowledge of the processes and functions of our business.

Brand Value

Our products under the brand name 'FIEM' are well known in India for their exemplary quality and durability. 'FIEM' brand is about three decades old in India and now commands a respectable brand image.

Wide Range of products

Our diversified products portfolio ranging from rear view mirrors, head lamps, tail lamps, roof lamps, wheel covers, warning triangle, complete rear fender assembly, frame assembly, mudguards and various sheet metal & plastic parts etc. is capable of catering to the needs of almost all segments of automobile industry viz., two-wheelers, three wheelers, LCVs, HTVs and tractors. Our product range helps to meet the customer demand of one stop shop for their outsourcing requirement of various parts.

Supplies to OEMs

Our focus is primarily on OE vehicle manufacturers. We supply our products to some of the prestigious OEMs in domestic and global automotive industry viz., TVS Motor Co. Ltd., Honda Motorcycle & Scooter India P. Ltd., Suzuki Motorcycle P. Ltd., General Motors India Ltd., Aspöck Systems (Austria), Piaggio (Italy), etc. Our capability to offer a wide range of products from multiple locations in close proximity to the OEMs, thereby offering logistic benefits, enables us to service large auto manufacturers who in general prefer to source multiple products from a single vendor.

Strong Customer Bonding

Our commitment to customers' satisfaction in terms of quality, cost, timely delivery and services is amply reflected in the repeat orders and awards from our customers. We have had the opportunity of being associated with some of our prestigious OEM customers since the start of their operations in India.

Strategic Technical Support Agreement

The Technical Support agreement executed with Ichikoh Industries Limited, Japan on November 11, 2005 is an important milestone in the history of our Company. Ichikoh Industries Ltd. is a well-known name world wide in automotive lighting, rear view mirrors & wiper blades and is a Tier 1 supplier to the major Japanese Vehicle Manufacturers Majors such as Nissan Motor Co. Ltd, Toyota Motor Corporation, Fuji Heavy Industries, Daihatsu Motor Co. Ltd., Mazda Motor Corporation etc.

Multi-locational Plants

Our plants are multi-locational having proximity to our OEM customers. Our existing plants are located at Kundli (Sonapat, Haryana), Hosur (Tamil Nadu) and Mysore (Karnataka). Our upcoming units will be located at Hosur (Tamil Nadu) and Nalagarh (Himachal Pradesh). The proximity of our plants to our OEM customers offers logistic savings to our valued customers and further enables us to cut our inventory carrying costs and shorten the delivery time.

In-house lab & testing facilities

Our lab and testing facilities conform to and meet the latest stringent Indian and international standards. In the year 2002, our Unit I at Sonapat, Haryana also received the 'Conformity of Production' compliance certification from RDW, Netherlands for e-marked products.

Strong Design & Development Team

We have a strong team of qualified and experienced professionals. We have an overseas Design & Development Center at Isehara, Japan where our engineers are being trained to keep our team abreast of the latest global inventions and developments in this arena. This provides us the ability to add value to the designs or design ideas proposed by the customers to us. Our Design & Development Team develops the product in a very short lead-time which helps us in building stronger relationship with our customers which further strengthens our competitive position vis-à-vis the competitors.

Operational Efficiency

Our ability to meticulously plan the entire range of activities for development of a product within a very short time frame provides operational efficiency and thereby helps to reduce our costs, helping us to price our products competitively.

Good Labour Relations

Our humane approach with our staff and workers has enabled us to maintain harmonious labour relations.

Business Strategy

The Indian automotive components industry is expected to experience robust growth over the next decade. Growing demand from domestic OEMs coupled with the massive export opportunity created due to outsourcing by global OEMs and Tier I companies will ensure that the auto components industry will achieve growth in the foreseeable future.

We propose to enhance our position by addressing the needs of OEMs. We, therefore, propose to enhance our product range and offer a range of products and designing capability to our customers. In this regards, we believe that following step wise approach is necessary to achieve this end:

- **Enhance product range and competence in technological upgradation**

We have always made effort to ensure that our production processes are equipped with the best of the technology available to service the OEMs and meet their customized requirements. With this end, we propose to employ different technologies to achieve increased competence in technological upgradation.

- **Increased range of products**

Our major business presently comes from the two-wheeler segment of the vehicle industry. In addition to this, we intend to extend our focus towards the four-wheeler segment and tractor and other off-road vehicles.

- **Address export potential**

We are in the process of setting up an EOU and intend to cater to the export demand. We also propose to explore our business relationships with our existing clients for procuring this additional business.

- **Collaborate / form joint ventures for addressing the demand of global OEMs entering Indian Markets**

With a view to strengthen our position as one of the leading manufacturers of automotive lighting & signaling equipments and rear view mirrors, we have entered into MOUs / Joint Venture agreements for forming strategic alliances.

THE ISSUE

Equity Shares offered	4,100,000 Equity Shares of Rs. 10 each
Of which:	
Reserved for Employees ⁽¹⁾ (Allocation on a proportionate basis)	400,000 Equity Shares of Rs. 10 each
Qualified Institutional Buyers (QIBs) Portion ⁽²⁾ (Allocation on a proportionate basis)	1,850,000 Equity Shares of Rs. 10 each constituting up to 50% of the Issue
Out of which:	
a) Reservation for Mutual Funds	92,500 Equity Shares of Rs. 10 each constituting reservation up to 5% of the QIB portion
b) Balance for all QIBs including Mutual Funds	1,757,500 Equity Shares of Rs. 10 each constituting balance of the QIB portion
Non Institutional Portion ⁽³⁾ (Allocation on a proportionate Basis)	555,000 Equity Shares of Rs. 10 each constituting not less than 15% of the Issue
Retail Portion ⁽³⁾ (Allocation on a proportionate basis)	1,295,000 Equity Shares of Rs. 10 each constituting not less than 35% of the Issue
Equity Shares outstanding prior to the Issue	7,758,160 Equity Shares of Rs. 10 each
Equity Shares outstanding after the Issue	11,858,160 Equity shares of Rs. 10 each
<p>⁽¹⁾ Permanent Employees of our Company as on the cut-off date i.e. May 31, 2006 shall be entitled to apply in the reserved for employees category.</p> <p>⁽²⁾ As per recent amendments to the SEBI Guidelines, allocation to QIBs is proportionate as per the terms of this Draft Red Herring Prospectus. 5% of the QIBs portion would be specifically reserved only for Mutual Funds and Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available for. Further attention of all QIBs is required towards the following:</p> <ol style="list-style-type: none"> 1. Once a QIB has applied for our issue, the QIB will not be allowed to withdraw the application, after the Bid Issue / Closing date. 2. Each QIB including Mutual Funds will be required to deposit 10% margin money with application. <p>⁽³⁾ Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in any of the categories would be allowed to be met with spill over <i>inter se</i> from any other category, at the sole discretion of our Company in consultation with the BRLM.</p>	
Use of Issue proceeds	For detailed discussion on the objects of the issue, please refer to the section titled 'Objects of the Issue' beginning on page no. 23 of this Draft Red Herring Prospectus.

SUMMARY OF FINANCIAL INFORMATION

The following tables sets forth the historical financial information of our Company derived from their restated and audited financial statements for the fiscal years ended March 31, 2002, 2003, 2004, 2005 and 2006, all prepared in accordance with Indian GAAP and SEBI guidelines, and included in the section titled 'Financial Information of Our Company' beginning on page no. 114 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and notes contained therein.

SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS RESTATED

(Rs. in Million)

As at	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
A) Fixed Assets					
Gross Block	770.990	627.804	412.335	306.872	225.424
Less: Depreciation	130.046	97.329	72.772	55.705	42.183
Net Block	640.944	530.475	339.563	251.167	183.241
Capital Work-in-progress	8.865	19.271	8.120	0.000	0.000
Total	649.809	549.746	347.683	251.167	183.241
Less: Revaluation Reserve	146.187	147.179	44.732	44.732	44.732
Less: - Capital Subsidy	0.132	0.132	0.132	0.132	0.132
Net Block after adjustments	503.490	402.435	302.819	206.303	138.377
B) Investments	36.974	2.356	2.356	15.706	15.706
C) Current Assets, Loans and Advances					
Inventories	111.480	63.719	54.523	67.878	37.782
Sundry Debtors	152.100	128.869	83.595	57.368	55.410
Cash and Bank Balances	15.625	9.091	8.101	13.286	3.429
Loans and Advances	66.842	39.440	37.431	31.172	22.971
Total	346.047	241.119	183.650	169.704	119.592
D) Liabilities and Provisions					
Secured Loans	222.219	184.147	130.635	80.773	55.952
Unsecured Loans	50.445	47.326	35.682	26.203	21.334
Current liabilities	268.285	194.931	157.758	134.347	77.729
Provisions	17.021	0.050	0.000	0.000	0.00
Total	557.970	426.454	324.075	241.323	1,55.015
E) Deferred Tax Liability	50.797	49.985	36.070	28.582	0.000
F) Net worth (A+B+C-D-E)	277.744	169.471	128.680	121.808	118.660
Net worth Represented by					
G) Share Capital	77.582	49.626	40.126	40.126	38.126
H) Share Application Money	0.00	8.480	9.180	9.180	9.180
I) Reserves & Surplus	206.177	111.365	79.374	72.506	71.370
J) Miscellaneous Expenditure not yet written off	6.015	0.000	0.000	0.004	0.016
K) Net worth (G+H+I-J)	277.744	169.471	128.680	121.808	118.660

Note: The above statement should be read with the Notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure to the report included in the section titled 'Financial Information of Our Company' beginning on page no. 114 of this Draft Red Herring Prospectus are integral part of this statement.

SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT AS RESTATED

(Rs. in Million)

Year Ended Period	31.03.2006	31.03.2005	31.03.2004	1.03.2003	31.03.2002
Income					
Gross Sales: -					
Of Products Manufactured by the Company	1,415.836	1,160.935	749.030	680.197	433.792
Of the Goods Traded by the company	16.011	3.293	1.216	.129	.903
Less: Excise Duty	195.841	165.711	102.964	94.555	58.323
Net Sales	1,236.006	998.517	647.282	585.771	376.372
Other Income	13.704	5.360	2.612	2.192	2.374
Increase/(Decrease) in Inventories	32.077	(6.707)	(5.297)	6.779	0.979
Total Income (A)	1,281.787	997.170	644.597	594.742	379.725
Expenditure					
Raw Material Consumed	759.341	627.364	407.245	372.587	231.024
Purchase of Goods Traded in	14.787	2.665	0.989	0.117	0.879
Other Manufacturing Expenses	237.661	183.267	111.900	104.709	76.242
Salaries, Wages and Benefits	31.893	28.758	19.931	16.363	11.762
Administration and other Expenses	68.424	56.835	37.784	40.911	24.238
Depreciation & Amortization	36.165	25.493	17.067	13.521	10.425
Interest and Financial Charges	18.724	19.801	17.769	12.610	11.381
Total Expenditure (B)	1,166.995	944.183	612.685	560.818	365.951
Net Profit before Tax and Extraordinary Items (A-B)	114.792	52.987	31.912	33.924	13.774
Provision for taxation					
Current Tax	33.000	6.400	4.200	3.800	1.428
Deferred Tax	.813	13.914	7.489	8.791	0.00
Fringe Benefit Tax	2.500	0.000	0.000	0.000	0.00
Income Tax for Earlier Years	0.057	0.024	0.002	0.136	0.00
Net Profit before Extraordinary & Prior Period Items	78.422	32.649	20.221	21.197	12.346
Extraordinary Items	0.00	0.00	13.350	0.000	0.00
Prior Period Items	3.297	.658	0.004	0.270	0.233
Net Profit as per Audited Statement of Accounts	75.125	31.991	6.867	20.927	12.113
Adjustments on Account of Changes In Accounting Policies					
Provision for Gratuity	Nil	0.499	0.408	0.244	0.264
Provision for Earned Leave	Nil	0.176	0.141	0.037	0.020
Adjusted Profit for the year	75.125	31.316	6.318	20.646	11.829

Note: The above statement should be read with the Notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure to the report included in the section titled 'Financial Information of Our Company' beginning on page no. 114 of this Draft Red Herring Prospectus are integral part of this statement.

GENERAL INFORMATION

REGISTERED & CORPORATE OFFICE

FIEM Industries Limited

Our Company was originally incorporated in India as Rahul Auto Private Limited on February 6, 1989 in New Delhi under the Companies Act, 1956 vide registration no. 55-34928. The name of our Company was changed to FIEM Industries Private Limited w.e.f. May 7, 1992. Subsequently, our Company was converted into a public limited Company w.e.f. November 30, 1993, pursuant to which, the name of our Company was changed to FIEM Industries Limited.

REGISTERED OFFICE

FIEM Industries Limited
D-34, DSIDC Packaging Complex,
Kirti Nagar, New Delhi –110 015.
Tel.: +91 11 2592 7919 / 7820
Fax: +91 11 2592 7740

For details of the changes in the address of the registered office of our Company, please refer to page no. 87 of this Draft Red Herring Prospectus

CORPORATE OFFICE

FIEM Industries Limited
32, Mile Stone,
G. T. Road, Kundli,
Distt. Sonapat, Haryana (India).
Tel.: +91 130 2219 172/73/74/75/76
Fax: +91 130 2219 179
Website: www.fiemauto.com
E-mail: investor@fiemindustries.com

REGISTRATION NUMBER

55-34928

For details of changes in our incorporation, please refer to the section titled ‘Our History and Corporate Structure’ beginning on page no. 86 of this Draft Red Herring Prospectus.

REGISTRAR OF COMPANIES

Registrar of Companies, Delhi & Haryana

BOARD OF DIRECTORS OF OUR COMPANY

Our Board of Directors comprises of the following:

Sr. No.	Name	Designation
1.	Mr. J. K. Jain	Chairman and Managing Director
2.	Mrs. Seema Jain	Whole-time Director
3.	Mr. Rahul Jain	Non-Executive Non-Independent Director
4.	Ms. Aanchal Jain	Whole-time Director
5.	Mr. Pravin Kumar	Whole-time Director
6.	Mr. J. S. S. Rao	Whole-time Director
7.	Mr. Kuldeep Singh Lamba	Independent Director

8.	Mr. Chatter Singh Kothari	Independent Director
9.	Mr. Chandrakant D. Shah	Independent Director
10.	Mr. Iqbal Singh	Independent Director
11.	Mr. Paramjit S. Bhatia	Independent Director
12.	Mr. Jasmit Singh Chandhok	Independent Director

For details of our Board of Directors, please refer to the section titled ‘Our Management’ beginning from page no. 92 of this Draft Red Herring Prospectus.

COMPLIANCE OFFICER AND COMPANY SECRETARY

Mr. Arvind K. Chauhan
FIEM Industries Limited
32, Mile Stone,
G. T. Road, Kundli,
Distt. Sonapat, Haryana (India).
Tel.: +91 130 2219 172/73/74/75/76
Fax: +91 130 2219 179
Website: www.fiemauto.com
E-mail: arvind.chauhan@fiemindustries.com

Investors can contact the compliance officer in case of any pre-issue or post-issue related problems such as non-receipt of the letters of allotment, credit for allotted shares in the respective beneficiary account, refund orders etc.

LEGAL ADVISORS TO THE ISSUE

J. Sagar Associates
Advocates & Solicitors
Vakils House, 18,
Sprott Road, Ballard Estate,
Mumbai – 400 001.
Tel.: +91 22 5656 1500
Fax : +91 22 5656 1515 / 16
Website: www.jsalaw.com
E-mail: mumbai@jsalaw.com

BANKERS TO OUR COMPANY

Standard Chartered Bank
H-2, Connaught Circus,
New Delhi – 110 001.
Contact Person: Mr. Shivam Diwan
Tel.: +91 11 2340 6846 / 6888
Fax. +91 11 2335 5544
Website: www.standardchartered.co.in
E-mail: shivam.diwan@in.standardchartered.com

Citibank N.A.
3rd Floor, Birla Tower,
West Wing, Barakhamba Road,
New Delhi – 110 001.
Contact Person: Mr. Sajal Arora
Tel.: +91 11 4259 4602
Fax. +91 11 2376 6461 / 462
Website: www.citigroup.com
E-mail: sajal.arora@citigroup.com

ICICI Bank Limited

ICICI Bank Towers
No. 1, Commissariat Road,
Bangalore – 560 025.
Contact Person: Mr. Saumil Parikh
Tel.: +91 80 4129 6218
Fax: +91 80 4112 4604
Website: www.icicibank.com
E-mail: saumil.parikh@icicibank.com

Punjab National Bank

Specialized SSI Branch
HSIDC, Kundli,
Distt. Sonapat, Haryana – 131 029.
Contact Person: Mr. R. K. Sharma
Tel.: +91 130 237 1169
Fax: +91 130 237 0169
Website: www.onlinepnbindia.com
E-mail: b03916@pnb.co.in

State Bank of Mysore

Harita Branch
Hosur Taluk, Krishnagiri,
Tamil Nadu.
Contact Person: Mr. J. P. S. R. Anjaneyalu
Tel.: +91 4344 277 914 / 276 920
Fax: +91 4347 276 920
Website: www.sbm.co.in
E-mail: harita@sbm.co.in

BOOK RUNNING LEAD MANAGER**IL&FS Investsmart Limited**

The IL&FS Financial Centre,
Plot C – 22, G – Block,
Bandra – Kurla Complex, Bandra – (E),
Mumbai – 400 051.
Contact Person: Mr. Vishal Bandekar / Mr. Sudhir Salian
Tel.: +91 22 2653 3333
Fax: +91 22 5693 1862 / +91 22 2653 3075
Website: www.investsmartindia.com
E-mail: fiem.ipo@investsmartindia.com

REGISTRAR TO THE ISSUE**Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup – (W),
Mumbai – 400 078.
Contact Person: Mr. Salim Shaikh
Tel.: +91 22 2596 0320
Fax: +91 22 2596 0329
Website: www.intimespectrum.com
E-mail: fiemipo@intimespectrum.com

ESCROW BANKERS AND BANKERS TO THE ISSUE

[●]

REFUND BANKER TO THE ISSUE

[•]

AUDITORS

M/s. Anil S. Gupta & Associates

201, Vikram Tower,

16, Rajendra Place,

New Delhi – 110 008.

Contact Person: Mr. Anil Kumar Gupta

Tel.: +91 11 2586 0577 / 4153 8344

Tele Fax: +91 11 2572 8146

E-mail: anilsgupta@rediffmail.com

MONITORING AGENCY

Citibank N.A.

3rd Floor, Birla Tower,

West Wing, Barakhamba Road,

New Delhi – 110 001.

Contact Person: Mr. Sajal Arora

Tel.: +91 11 4259 4602

Fax. +91 11 2376 6461 / 462

Website: www.citigroup.com

E-mail: sajal.arora@citigroup.com

STATEMENT OF RESPONSIBILITIES OF THE LEAD MANAGER

The responsibilities of the Book-Running Lead Manager to the Issue viz., IL&FS Investsmart Limited (IIL) are as under:

Sr. No.	Activities	Responsibility & Co-ordination
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	IIL
2.	Due diligence of the Company's operations / management / business plans/legal etc.	IIL
3.	Drafting & Design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure with stipulated requirements and completion of prescribed formalities with Stock Exchanges, Registrar of Companies and SEBI.	IIL
4.	Selection of various agencies connected with the Issue including Registrar, Printers, Advertising Agency, Banker to the Issue etc.	IIL
5.	Company positioning and pre-marketing exercise, finalize media & public relation strategy, drafting and approval of all publicity material other than statutory advertisement as mentioned in (3) above including corporate advertisement, brochure, etc.	IIL
6.	Qualified Institutional Bidder (QIBs) Category: Finalising the list and division of investors for one-to-one meetings, Co-ordinating institutional investor meetings, institutional allocation and finalizing pricing decision	IIL
7.	Non Institutional and Retail Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none">• Formulating marketing strategy	IIL

Sr. No.	Activities	Responsibility & Co-ordination
	<ul style="list-style-type: none"> • Preparation of publicity budget • Finalise Media and Public Relation strategy • Finalising centers for holding conferences for brokers, press, etc. • Follow-up on distribution of publicity and issue material including bid cum application form prospectus and deciding on the quantum of the issue material 	
8.	Appointment of Syndicate Members	IIL
9.	Running the Book, interaction & co-ordination with Stock Exchanges for book-building software, bidding terminals and mock trading	IIL
10.	Finalisation of Prospectus and RoC Filing etc.	IIL
11.	The post bidding activities including, management of escrow accounts, co-ordinate non-institutional allocation, intimation of allocation, dispatch of refund orders to Bidders etc.	IIL
12.	The post issue activities for the Issue will involve essential follow up steps, which include the finalisation of listing of Equity Shares and dispatch of allotment advice and refund orders, with the various agencies connected with the work such as the Registrars to the Issue, Bankers to the Issue and the bank handling refund business.	IIL

IPO GRADING

Our Company has not opted for IPO grading in relation to this issue of Equity Shares.

CREDIT RATING

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

TRUSTEES

This being an issue of Equity Shares, appointment of Trustees is not required.

APPRAISING ENTITY

The proposed project has not been appraised by any agency and the cost of the project and means of finance are based on the estimates by our Company.

MONITORING AGENCY

Citibank N.A. has been appointed as the monitoring agency to monitor the deployment of proposed issue proceeds.

WITHDRAWAL OF THE ISSUE

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid / Issue Opening Date without assigning any reason therefor.

BOOK BUILDING PROCESS IN BRIEF

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

1. The Company;
2. Book Running Lead Manager;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters. The BRLM to appoint Syndicate Members;

4. Registrar to the Issue;
5. Escrow Collection Bank(s).

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Net Issue to the public shall be allocated on a proportionate basis to QIBs (including 5% for the Mutual Funds). In case of under-subscription, if any, in Mutual Fund category, the shares may be made available to QIBs. Further, not less than 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Our Company will comply with the SEBI Guidelines for this Issue. In this regard, our Company has appointed the BRLM to procure subscriptions to the Issue.

The IPO is through the process of book building, under SEBI Guidelines so the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid / Issue Closing Date.

For more details, please refer to the section titled 'Terms of the Issue' beginning on page no. 182 of this Draft Red Herring Prospectus.

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

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

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

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

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (please refer to the paragraph on 'Who Can Bid' on page no. 185 of this Draft Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copy of your PAN card to the Bid cum Application Form (please refer to the paragraph on 'PAN' or 'GIR' Number' on page no. 198 of this Draft Red Herring Prospectus); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

BID / ISSUE PROGRAMME

BIDDING PERIOD / ISSUE PERIOD

BID / ISSUE OPENS ON	[●]
BID / ISSUE CLOSES ON	[●]

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid / Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid / Issue Closing Date.

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

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period / Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period / Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate.

UNDERWRITING AGREEMENT

After the determination of the Issue Price and allocation of our Equity Shares, but prior to filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriter for the Equity Shares proposed to be offered through the Issue.

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

Name & address details of the Underwriter	Indicated no. of shares to be underwritten	Amount underwritten (Rs. in million)
IL&FS Investsmart Limited The IL&FS Financial Centre, Plot C – 22, G – Block, Bandra – Kurla Complex, Bandra – (E), Mumbai – 400 051.	[●]	[●]

The above table is indicative of the underwriting arrangement and this would be finalized after the pricing and actual allocation. The above Underwriting Agreement is dated [●].

In the opinion of the Board of Directors of our Company (based on a certificate given by the Underwriter), the resources of the above mentioned Underwriter are sufficient to enable it to discharge its respective underwriting obligations in full. The above-mentioned Underwriter is registered with SEBI under Section 12(1) of the SEBI Act or registered as broker with the Stock Exchange(s). The above underwriting agreement has been accepted by the Board of Directors our Company at the meeting held on [●] and our Company has issued letters of acceptance to the Underwriter.

Notwithstanding the above table, the BRLM shall be responsible for ensuring payment with respect to Equity Shares allocated to the investors. In the event of any default in payment, the Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

CAPITAL STRUCTURE

The share capital of our Company as at the date of filing of this Draft Red Herring Prospectus with SEBI is set forth below:

Particulars	Aggregate Nominal Capital (Rs.)	Total Value at Issue price (Rs.)
A. Authorized Capital 20,000,000 Equity Shares of Rs. 10 each	200,000,000	
B. Issued Subscribed and Paid-Up Capital before the Issue 7,758,160 Equity Shares of Rs. 10 each fully paid-up	77,581,600	
C. Present Issue in terms of this Draft Red Herring Prospectus 4,100,000 Equity Shares of Rs. 10 each	41,000,000	[●]
Out of which 400,000 Equity Shares of Rs. 10 each are reserved for the Employees of our Company	4,000,000	[●]
3,700,000 Equity Shares of Rs. 10 each is the Net Issue to Public	37,000,000	[●]
D. Equity Capital after the Issue 11,858,160 Equity Shares of Rs. 10 each	118,581,600	
E. Share Premium Account Before the Issue After the Issue	29,688,400 [●]	

History of changes made in the Authorized Share Capital

The details of increase and change in the authorized share capital of our Company after the date of incorporation till filing of this Draft Red Herring Prospectus with SEBI are as follows:

Date of change	Nature of increase/change	Number of Equity Shares	Cumulative Number of Equity Shares	Face Value	Cumulative Authorized Share Capital (Rs.)
6.2.1989	Incorporation	10,000	10,000	100	1,000,000
17.4.1992	Increase	90,000	100,000	100	10,000,000
27.8.1993	Increase	50,000	150,000	100	15,000,000
24.6.1994	Increase	50,000	200,000	100	20,000,000
12.9.1994	Increase	100,000	300,000	100	30,000,000
2.3.1995	Increase	100,000	400,000	100	40,000,000
14.7.1998	Increase	100,000	500,000	100	50,000,000
18.4.2005	Increase	200,000	700,000	100	70,000,000
17.2.2006	Increase	400,000	1,100,000	100	110,000,000
8.3.2006	Sub-division ^(a)	11,000,000	11,000,000	10	110,000,000
24.5.2006	Increase	9,000,000	20,000,000	10	200,000,000

^(a) At the Extra-ordinary General Meeting of our Company held on March 8, 2006, our shareholders approved the sub-division of 1 Equity Share of Rs. 100 each into 10 Equity Shares of Rs. 10 each. Consequently, our authorized capital was altered from Rs. 110,000,000 comprising of 1,100,000 Equity Shares of Rs. 100 each to Rs. 110,000,000 comprising of 11,000,000 Equity Shares of Rs. 10 each.

Notes to Capital Structure:

1. Share Capital History of our Company

The existing Equity Share capital of our Company has been subscribed and allotted as under:

Date of allotment	Number of shares allotted	Cumulative number of shares allotted	Face Value (Rs.)	Issue Price (Rs.)	Nature of consideration	Reason for allotment	Cumulative paid up share capital (Rs.)	Cumulative share premium (Rs.)
6.2.1989	20	20	100	100	Cash	Subscription on signing of Memorandum of Association	2,000	-
7.10.1991	7,950	7,970	100	100	Cash	Allotment to promoters and others	797,000	-
21.9.1992	60,107	68,077	100	100	Cash	Allotment to promoters and others	6,807,700	-
16.11.1992	4,415	72,492	100	100	Cash	Allotment to others	7,249,200	-
30.6.1993	19,326	91,818	100	100	Cash	Allotment to others	9,181,800	-
27.9.1993	15,625	107,443	100	100	Cash	Allotment to other	10,744,300	-
2.2.1994	7,812	115,255	100	100	Cash	Allotment to other	11,525,500	-
15.3.1994	34,745	150,000	100	100	Cash	Allotment to promoters	15,000,000	-
21.7.1994	50,000	200,000	100	100	Cash	Allotment to promoters	20,000,000	-
18.4.1995	45,973	245,973	100	100	Cash	Allotment to others	24,597,300	-
1.2.1996	31,350	277,323	100	100	Cash	Allotment to other	27,732,300	-
6.9.1996	33,937	311,260	100	100	Cash	Allotment to other	31,126,000	-
10.7.1997	70,000	381,260	100	100	Cash	Allotment to promoter, promoter group and other	38,126,000	-
31.3.2003	20,000	401,260	100	100	Cash	Allotment to promoter	40,126,000	-
11.3.2005	40,000	441,260	100	100	Cash	Allotment to promoters	44,126,000	-
31.3.2005	55,000	496,260	100	100	Cash	Allotment to promoters	49,626,000	-
18.4.2005	150,000	646,260	100	100	Cash	Allotment to promoters	64,626,000	-
21.4.2005	3,740	650,000	100	100	Cash	Allotment to promoter	65,000,000	-
8.3.2006	6,500,000	6,500,000	10	10	-	Sub-division ^(a)	65,000,000	-
9.3.2006	1,000,000	7,500,000	10	10	-	Bonus ^(b)	75,000,000	-
31.3.2006	258,160	7,758,160	10	125	Cash	Allotment to promoter and others	77,581,600	29,688,400

(a) At the Extra-ordinary General Meeting of our Company held on March 8, 2006, our shareholders approved the sub-division of 1 Equity Share of Rs. 100 each into 10 Equity Shares of Rs. 10 each.

(b) At the Extra-ordinary General Meeting of our Company held on March 8, 2006, our shareholders approved the issue of bonus Equity Shares in the ratio of 1 Equity Share for every 6.5 Equity Shares of our Company.

2. Promoters Contribution and lock-in:

a. 3 Years lock-in

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-issue Equity Share capital of our Company shall be locked up by our Promoters for a period of three years from the date of allotment in this Issue. The details of the promoters' Equity Shares locked-in for a period of three years are as follows:

Name of the Promoter	Date of allotment/ transfer	Date when made fully paid-up	Consideration (Cash, bonus, kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post-Issue paid-up capital	Lock-in Period (in years)
Mr. Rahul Jain	14.11.2000	N.A.	-*	8,210	100	-	-	-
	31.3.2001	N.A.	-#	1,750	100	-	-	-
	11.3.2005	11.3.2005	Cash	5,000	100	100	-	-
	31.3.2005	31.3.2005	Cash	30,000	100	100	-	-
	18.4.2005	18.4.2005	Cash	139,000	100	100	-	-
	8.3.2006	Sub-division		1,839,600	10	-	-	-
	9.3.2006	N.A.	Bonus	532,037	10	-	-	-
	Total			2,371,637	10	-	20.00	3 years

* The Equity Shares have been gifted to Mr. Rahul Jain.

The Equity Shares were transferred to Mr. Rahul Jain pursuant to the will of Late Mrs. Shanti Devi.

b. 1 Year lock-in

Name of the Promoter	Date of allotment/ transfer	Date when made fully paid-up	Consideration (Cash, bonus, kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post-Issue paid-up capital	Lock-in Period (in years)
Mr. J. K. Jain	6.2.1989	6.2.1989	Cash	10	100	100	-	-
	7.10.1991	7.10.1991	Cash	2,000	100	100	-	-
	21.9.1992	21.9.1992	Cash	12,310	100	100	-	-
	15.3.1994	15.3.1994	Cash	23,240	100	100	-	-
	21.7.1994	21.7.1994	Cash	40,000	100	100	-	-
	10.7.1997	10.7.1997	Cash	19,000	100	100	-	-
	3.3.1998	N.A.	Cash	350	100	100	-	-
	10.3.1998	N.A.	Cash	500	100	100	-	-
	12.3.1998	N.A.	Cash	250	100	100	-	-
	14.3.1998	N.A.	Cash	500	100	100	-	-
	15.3.1998	N.A.	Cash	500	100	100	-	-
	17.3.1998	N.A.	Cash	750	100	100	-	-
	18.3.1998	N.A.	Cash	750	100	100	-	-
	22.3.1998	N.A.	Cash	501	100	100	-	-
	17.4.1999	N.A.	Cash	1,500	100	100	-	-
	31.3.2003	31.3.2003	Cash	20,000	100	100	-	-
	11.3.2005	11.3.2005	Cash	16,000	100	100	-	-

	31.3.2005	31.3.2005	Cash	24,000	100	100	-	-
	8.3.2006	Sub-division		1,621,610	10	-	-	-
	9.3.2006	N.A.	Bonus	249,478	10	-	-	-
	Total			1,871,088	10	-	15.78	1 year

Name of the Promoter	Date of allotment/ transfer	Date when made fully paid-up	Consideration (Cash, bonus, kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue / Transfer price (Rs.)	% of Post-Issue paid-up capital	Lock-in Period (in years)
Mrs. Seema Jain	6.2.1989	6.2.1989	Cash	10	100	100	-	-
	7.10.1991	7.10.1991	Cash	2,830	100	100	-	-
	21.9.1992	21.9.1992	Cash	12,470	100	100	-	-
	15.3.1994	15.3.1994	Cash	11,500	100	100	-	-
	21.7.1994	21.7.1994	Cash	10,000	100	100	-	-
	14.11.2000	N.A.	-*	23,388	100	-	-	-
	28.2.2001	N.A.	-*	45,973	100	-	-	-
	11.3.2005	11.3.2005	Cash	4,000	100	100	-	-
	21.4.2005	21.4.2005	Cash	3,740	100	100	-	-
	8.3.2006	Sub-division		1,139,110	10	-	-	-
	9.3.2006	N.A.	Bonus	175,248	10	-	-	-
	Total			1,314,358	10	-	11.08	1 year

* The Equity Shares have been gifted to Mrs. Seema Jain.

Name of the Promoter	Date of allotment/ transfer	Date when made fully paid-up	Consideration (Cash, bonus, kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post-Issue paid-up capital	Lock-in Period (in years)
Mr. Rahul Jain	7.10.1991	7.10.1991	Cash	320	100	100	-	-
	21.9.1992	21.9.1992	Cash	3,630	100	100	-	-
	3.11.1992	N.A.	Cash	2,500	100	100	-	-
	26.11.1993	N.A.	Cash	14,000	100	100	-	-
	22.3.1998	N.A.	Cash	200	100	100	-	-
	14.11.2000	N.A.	_*	141,214	100	-	-	-
	8.3.2006	Sub-division		1,618,640	10	-	-	-
	Total			1,618,640	10	-	13.65	1 year

* The Equity Shares have been gifted to Mr. Rahul Jain.

Name of the Promoter	Date of allotment/ transfer	Date when made fully paid-up	Consideration (Cash, bonus, kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post-Issue paid-up capital	Lock-in Period (in years)
Ms. Aanchal Jain	27.10.2000	N.A.	Cash	100	100	100	-	-
	11.3.2005	11.3.2005	Cash	15,000	100	100	-	-
	31.3.2005	31.3.2005	Cash	1,000	100	100	-	-
	18.4.2005	18.4.2005	Cash	11,000	100	100	-	-
	8.3.2006	Sub-division		271,000	10	-	-	-
	9.3.2006	N.A.	Bonus	41,692	10	-	-	-
	Total			312,692	10	-	2.64	1 year

- a) 2,371,637 Equity Shares have been locked-in for a period of three years as promoters' contribution which have been computed as 20% of the post-issue Equity Share Capital. The balance pre-issue capital other than that locked in as promoters' contribution i.e. 5,386,523 Equity Shares shall be locked in for a period of 1 year from the date of allotment in the present issue.
- b) The Promoters have given their consent for lock in of shares as stated above. The lock-in shall start from the date of allotment in the public issue and the last date of the lock-in shall be reckoned from the date of allotment in the Issue.
- c) In terms of clause 4.15 of the SEBI Guidelines, locked in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.
- d) In terms of clause 4.16.1 (b) of the SEBI Guidelines, locked in Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

Further, in terms of clause 4.16.1 (a) of the SEBI Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

3. Shareholding pattern of our Company prior and post this Issue

Shareholders' Category	Pre-issue		Post-issue	
	No. of Shares	%	No. of Shares	%
<u>Promoters</u>				
Mr. J. K. Jain	1,871,088	24.12	1,871,088	15.78
Mrs. Seema Jain	1,314,358	16.94	1,314,358	11.08
Mr. Rahul Jain	3,990,277	51.43	3,990,277	33.65
Ms. Aanchal Jain	312,692	4.03	312,692	2.64
Sub-total (A)	7,488,415	96.52	7,488,415	63.15
<u>Promoter Group</u>				
FIEM Auto Private Limited	84,400	1.09	84,400	0.71
J. K. Jain (HUF)	11,538	0.15	11,538	0.10
Sub-total (B)	95,938	1.24	95,938	0.81
Total Promoter and Promoter Group Holding (C) = (A) + (B)	7,584,353	97.76	7,584,353	63.96
<u>Other Shareholders</u>				
Mr. Kuldeep Singh Lamba	80,000	1.03	80,000	0.67
Mr. Ramesh Kumar Haran	31,200	0.40	31,200	0.26
Mr. Iqbal Singh	20,012	0.26	20,012	0.17
Mr. Chandrakant D. Shah	12,000	0.15	12,000	0.10
Ms. Kerbanoo C. Shah	12,000	0.15	12,000	0.10
Ms. Anita R. Shangavi	12,000	0.15	12,000	0.10
Others	6,595	0.09	6,595	0.06
Sub-total (D)	173,807	2.24	173,807	1.47
Public Issue (E)	-	-	4,100,000	34.58
Grand Total (F) = (C) + (D) + (E)	7,758,160	100	11,858,160	100

4. Equity Shares held by the top ten shareholders

- a) **Top ten shareholders as on the date of filing and ten days prior to filing of this Draft Red Herring Prospectus with SEBI:**

Sr. No.	Name of the shareholder	Number of Equity Shares of Rs. 10 each
1.	Mr. Rahul Jain	3,990,277
2.	Mr. J. K. Jain	1,871,088
3.	Mrs. Seema Jain	1,314,358
4.	Ms. Aanchal Jain	312,692
5.	FIEM Auto Private Limited	84,400
6.	Mr. Kuldeep Singh Lamba	80,000
7.	Mr. Ramesh Kumar Haran	31,200
8.	Mr. Iqbal Singh	20,012
9.	Mr. Chandrakant D. Shah	12,000
10.	Ms. Kerbanoo C. Shah	12,000

- b) **Top ten shareholders as on two years prior to the date of filing of this Draft Red Herring Prospectus with SEBI:**

Sr. No.	Name of the shareholder	Number of Equity Shares of Rs. 100 each *
1.	Mr. Rahul Jain	171,824
2.	Mr. J. K. Jain	122,161
3.	Mrs. Seema Jain	106,171
4.	J. K. Jain (HUF)	1,000
5.	Ms. Aanchal Jain	100
6.	Mr. Sohan Lal Tej Karan Kothari	1
7.	Ms. Santosh Devi Kothari	1
8.	Ms. Man Kumari Kothari	1
9.	Ms. Birdhi Kumari Kothari	1

* At the Extra-ordinary General Meeting of our Company held on March 8, 2006, our shareholders approved the sub-division of 1 Equity Share of Rs. 100 each into 10 Equity Shares of Rs. 10 each.

5. Our Promoters and Promoter Group Company have not sold or purchased any Equity Shares of our Company during the period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI.
6. As of the date of this Draft Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. The Equity Shares to be locked in by the Promoters are not pledged to any party. The Promoters may pledge their Equity Shares with banks or FIs as additional security for loan whenever availed by them from banks/FIs.

There is no “buyback” or “stand by” arrangement for purchase of Equity Shares by our Company, our Promoters, Directors or the BRLM for the Equity Shares offered through this Draft Red Herring Prospectus.

7. Our Company has not raised any bridge loan against the proceeds of the Issue.
8. The Equity Shares offered through this Issue will be fully paid up.
9. Only permanent employees who are on our employee rolls / register as on the cut-off date i.e. May 31, 2006 would be eligible to apply in this issue under the employee reservation portion on a competitive basis. The number of eligible employees of our Company as on the cut-off date is 598. Permanent employees can also make bids in the net issue and such bids shall not be treated as multiple bids.

10. The undersubscribed portion, if any, out of 400,000 Equity Shares reserved for allotment to Employees may be added to the net issue to any other category, at the discretion of our Company and the BRLM.
11. In the Public Issue, in case of over subscription in all categories, up to 50% of the Net Issue to the Public shall be allocated to QIBs on a proportionate basis. Out of 50% allocated to QIBs, 5% will be available for allocation on a proportionate basis to Mutual Funds registered with SEBI. These Mutual Funds shall also be eligible to participate in the balance available to QIBs. Further, not less than 15% of the Net Issue to the Public shall be available for allocation to non-institutional bidders and not less than 35% of the Net Issue to the Public shall be available for allocation to retail bidders on proportionate basis, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in the non-institutional, Retail or QIBs categories shall be allowed to be met with spillover from any other category at the sole discretion of our Company and the BRLM, subject to valid bids being received at or above the Issue Price.
12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares offered through this Draft Red Herring Prospectus have been listed.
13. At present, we do not have any intention or proposal to alter our capital structure for a period of six months from date of opening of the Issue, by way of split / consolidation of the denomination of Equity Shares or to make a further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise, except Employee Stock Option Plans, if any, or if we enter into any joint ventures or acquire any business/entity or make investments, in which case we may consider raising additional capital to fund such activity or use Equity Shares as a currency for acquisition or participation in such joint ventures or investments.
14. As on the date of filing this Draft Red Herring Prospectus with SEBI, there are no outstanding financial instruments or any other right, which would entitle the Promoters or shareholders of our Company or any other person any option to receive Equity Shares after the Issue.
15. Our Company does not have any outstanding Employee Stock Option Plan.
16. Our Company has not made any public issue of Equity Shares since its inception.
17. Our Company has revalued its assets in the past. For details of revaluation of assets, please refer to the section titled 'Other Regulatory and Statutory Disclosures' beginning on page no. 174 of this Draft Red Herring Prospectus. However, we have not issued any Equity Shares out of the revaluation.
18. At any given point of time, there shall be only one denomination of Equity Shares of our Company, unless otherwise permitted by law. Our Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.
19. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
20. Our Company has 16 shareholders as on the date of filing this Draft Red Herring Prospectus with SEBI.
21. An over-subscription to the extent of 10% of the Issue to the Public can be retained for the purposes of rounding off while finalising the basis of allotment.
22. Except as disclosed in section titled 'Our Management' beginning on page no. 92 of this Draft Red Herring Prospectus, none of our Directors and employees hold any Equity Shares of our Company.
23. Restrictive Covenants under the lender's agreements about capital structure: In respect to the various agreements entered into by our Company with its lenders, we are bound by certain restrictive covenants regarding our capital structure. As per these restrictive covenants, our Company cannot, without the prior approval of the Banks prepay any outstanding loan amount, issue any debentures, raise loans, deposits from public, issue equity or preference capital, issue bonus shares, change its capital structure or create any charge on its assets or give any guarantees. Also, we shall not without the prior written approval of the Banks buy back, cancel, retire, reduce, redeem,

purchase, re-purchase, acquire any of its share capital, issue any further share capital. Further, our Company is also prohibited from creating any subsidiary or undertaking mergers, amalgamations and re-organizations with the creditors or shareholders, without the prior consent of its lending institutions. Also, our Company shall not, without the prior permission of its lender, invest any part of the loan money advanced, by way of deposits, loans, share capital or otherwise in any concern. Our Company shall not declare or pay any dividend to its shareholders during any financial year unless it has paid all the pending dues. We shall not make any investments by way of deposits, loans, share capital, revalue its assets, carry out general trading other than sale of its own products, enter into a arrangement for sale of its products and purchase of raw materials without the prior written approval of the bank. Pursuant to the aforesaid covenants, we have obtained the requisite approvals from Banks.

OBJECTS OF THE ISSUE

The objective of the issue is to raise capital for our expansion plans which includes setting up of new facilities for manufacturing automotive lighting and signaling equipment and rear view mirrors for four wheelers, expansion of our existing manufacturing facilities of automotive lighting and signaling equipments and rear view mirrors and expansion of our existing tool manufacturing facilities. We also believe that the listing of our Equity Shares will enhance our visibility and brand value.

Our assessment of funds requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution or any independent organisation. Our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals including availability of working capital finance on acceptable terms; and changes in management's views of the desirability of current plans, among others. In case of any variations in the actual utilization of funds earmarked for the above activities, the difference, if any, may be adjusted against the availability / requirement of funds in the areas identified as part of the expansion plan and / or increased fund deployment for a particular activity. The shortfall, if any, may be met with by surplus funds, if any, available in the other areas and / or our Company's internal accrual, and / or working capital loans that may be availed from the banks. The balance proceeds of the Issue, in addition to the abovementioned requirements, if any, will be used for general corporate purposes including but not restricted to acquisitions and repayment of loans.

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

The objectives of this Issue of Equity Shares are:

1. Setting up of new manufacturing facilities at Nalagarh, Himachal Pradesh (Unit VI) for automotive lighting and signaling and rear view mirrors;
2. Setting up of an Export Oriented Unit (EOU) at Achettipalli, Hosur, Tamil Nadu (Unit V) for supply of rear view mirrors;
3. Expansion of our existing manufacturing facilities located at Thally Road, Hosur, Tamil Nadu (Unit II) to satisfy the demand of our existing and potential new customers;
4. Expansion of our existing tool manufacturing facilities located at Kundli, Sonapat, Haryana (Unit I);
5. Repayment of Term loan from Standard Chartered Bank to the extent availed for the purposes of our new projects / expansion plans as mentioned above;
6. To meet the expenses of this issue; and
7. To get the equity shares of our company listed in BSE and NSE.

REQUIREMENT OF FUNDS

The total estimated funds requirement is given below:

		(Rs. in Million)
Sr. No.	Particulars	Total
A.	New projects / expansion plans	
	1. Setting up of new manufacturing facilities at Nalagarh, Himachal Pradesh (Unit VI)	241.47
	2. Setting up of an Export Oriented Unit (EOU) at Kelamangalam, Achettipalli Post, Hosur, Tamil Nadu (Unit V)	75.50
	3. Expansion of our existing manufacturing facilities located at Thally Road, Kallukondapalli, Hosur, Tamil Nadu (Unit II)	93.64
	4. Expansion of our existing tool manufacturing facilities located at Kundli, Sonapat, Haryana (Unit I)	24.96
B.	Repayment of Term loan from Standard Chartered Bank to the extent availed for the purposes of our new projects / expansion plans	53.47
C.	Margin Money for working capital	50.00
D.	General Corporate purposes	[•]
E.	Issue expenses	[•]
	TOTAL	[•]

MEANS OF FINANCE

The above requirement of funds of Rs. [●] Million is proposed to be financed through:

(Rs. in Million)	
Means of finance	Total
Issue proceeds	[●]
Internal accruals	[●]
TOTAL	[●]

Note: The cash and bank balances of our Company as on March 31, 2006 is Rs. 15.63 million.

DETAILS OF USE OF ISSUE PROCEEDS

A. New projects / expansion plans

1. Setting up of new manufacturing facilities at Nalagarh, Himachal Pradesh (Unit VI) for automotive lighting and signaling and rear view mirrors

We propose to increase our capacities for automotive lighting and signaling equipments as well as rear view mirrors by setting up of new manufacturing facilities at Nalagarh, Himachal Pradesh (Unit VI). With the completion of this project, our additional installed capacity at Nalagarh unit is proposed to be 2,500,000 nos. for lighting and signaling equipments and 2,500,000 nos. for rear view mirrors (the installed capacity will vary according to the size as well as mix of the product).

Our proposal to set-up manufacturing facilities at Nalagarh is strengthened by the presence of our main customer M/s. TVSM in that vicinity. Additional advantage for setting up of manufacturing facilities in this zone is the excise duty exemption for the final product, which will give an added advantage to penetrate into tractor segment apart from income tax holiday for ten years.

We propose to incur the following expenditures towards the setting up of this unit:

(Rs. in Million)	
Particulars	Amount
Land and Site Development	13.69
Building and Civil works	49.19
Plant and Machinery	161.01
Moulds, Dies and Tools	23.89
Electrical fittings and Equipments	13.05
Total (A)	260.83
Less: Expenditure already funded out of the term loan from Standard Chartered Bank as mentioned in point B below (B)	19.36
Net Total [(A) – (B)]	241.47

The relevant details of the aforesaid are as under:

Land and site development

Land measuring 37,030 sq.mtrs. has already been acquired and the site development work such as land filling and leveling has already been completed. We have paid a total consideration of Rs. 11.39 million towards the cost of acquisition of this land including stamp duty. We have further incurred an expenditure of Rs. 2.30 million towards land development and other expenses.

Building and Civil Works

The civil work for covered area of 7580 sq. mtrs. has already been awarded to V. K. Constructions, Engineers & Contractors, New Delhi and the work is in progress. The contract for erection of building has been awarded to Interarch Building Products Private Limited. The work is being carried out in two tranches. In the first tranche, the covered area measuring 37.5 mtrs x 75 mtrs (2812.50 sq. mtrs.) will be ready by June 30, 2006. The balance covered area measuring 4767.5 sq. mtrs. will be ready by September 2006. An amount of Rs. 49.19 million has been apportioned for this purpose.

Plant and Machinery

The plant and machinery required under this project have been identified based on management experience. The details of imported plant & machinery for which orders have been placed are as under:

(Rs. in Million)						
Sr. No.	Name of machine	Units	Total Cost *	Date Of purchase order	Expected date of delivery	Supplier
1.	Profile Cutting	2	0.97	May 16, 2006	August 2006	Vacuutek Corpn., Taiwan
2.	Washing Machine 24"	1	0.88	May 16, 2006	August 2006	Vacuutek Corpn., Taiwan
3.	Mirror Paint Flow Coater	1	0.83	May 16, 2006	August 2006	Vacuutek Corpn., Taiwan
4.	BMC Dry Burning Cleaning	2	2.94	May 16, 2006	September 2006	Vacuutek Corpn., Taiwan
5.	Metalising plant	1	7.64	May 16, 2006	September 2006	Vacuutek Corpn., Taiwan
6.	Atlas SF Salt Fog System Model SF 850	1	0.74	June 20, 2006	August 2006	Atlas Material Testing Technology Gmbh, Germany
7.	Taxed and duties	-	4.20	-	-	Management estimate
8.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.67	-	-	Management estimate
	Total		18.87			

* The amounts in US Dollars have been converted into Indian Rupees at the average rate of 1US\$ = Rs. 46.

The details of indigeneous plant & machinery for which orders have been placed are as under:

(Rs. in Million)						
Sr. No.	Name of machine	Units	Total Cost	Date of purchase order	Expected date Of delivery	Supplier
1.	Mouldig M/C 550T	1	5.58	May 31, 2006	September 2006	Ferromatik Milacron India Ltd.
2.	Mouldig M/C 400T	2	8.37	May 31, 2006	June 2006	Ferromatik Milacron India Ltd.
3.	Moulding M/C 275T	2	5.61	May 31, 2006	August 2006	Ferromatik Milacron India Ltd.
4.	Moulding M/C 150T	1	1.94	May 31, 2006	August 2006	Ferromatik Milacron India Ltd.
5.	Moulding M/C 110T	2	2.97	May 31, 2006	August 2006	Ferromatik Milacron India Ltd.

6.	Cooling conveyer	1	0.11	May 15, 2006	August 2006	NSW India Ltd.
7.	Air compressor	1	0.74	April 5, 2006	August 2006	Elgi Equipments
8.	Transformer 1600 KVA	1	1.02	June 1, 2006	June 2006	Ece Industries Ltd.
9.	Gen Set 250 KVA	1	1.19	May 31, 2006	June 2006	Sudhir Gen Sets Ltd.
10.	Mirror Assy Conveyor	3	0.36	May 15, 2006	July 2006	NSW India Ltd.
11.	Power Coating Oven	1	0.63	May 15, 2006	July 2006	NSW India Ltd.
12.	Mirror Assy Oven	2	0.40	May 15, 2006	July 2006	NSW India Ltd.
13.	Batch Oven	2	0.26	May 15, 2006	July 2006	NSW India Ltd.
14.	Drying Oven	2	0.25	May 15, 2006	July 2006	NSW India Ltd.
15.	Taxes and duties	-	6.21	-	-	Management estimate
16.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	1.20	-	-	Management estimate
	Total		36.84			

The details of imported plant & machinery for which orders are yet to be placed are as under:

(Rs. in Million)					
Sr. No.	Name of machine	Units	Total Cost *	Date of purchase quotation	Quotation received from
1.	BMC Deflashing / Cutting Press	1	1.47	May 16, 2006	Vaccutek Corpn., Taiwan
2.	Convexing M/C	1	6.44	May 15, 2006	Hyomyung, Korea
3.	Lens Hard Coat U/V Machine	1	8.46	May 16, 2006	Vaccutek Corpn., Taiwan
4.	Lens Hard Coat Robot Machine	1	4.28	May 16, 2006	Vaccutek Corpn., Taiwan
5.	Japan Mac Freezing System	2	3.31	May 16, 2006	Vaccutek Corpn., Taiwan
6.	Hot Melt Applicator	2	2.72	May 8, 2006	Nordson India Pvt. Ltd.
7.	BMC Moulding 450T	1	5.52	-	Management estimate
8.	EDM Machine	1	1.43	-	Management estimate
9.	Taxes and duties	-	10.09	-	Management estimate
10.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	2.23	-	Management estimate
	Total		45.95		

* The amounts in US Dollars have been converted into Indian Rupees at the average rate of 1US\$ = Rs. 46.

The details of indigeneous plant & machinery for which orders are yet to be placed are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost	Date of purchase quotation	Quotation received from
1.	Cooling Conveyor	1	0.11	May 15, 2006	NSW India Ltd.
2.	Eot Crane 7.5ton	1	1.03	May 19, 2006	Reva Cranes & Hosits
3.	Pad Printing M/C	2	0.42	May 8, 2006	Rita Pad
4.	Air Compressor	1	0.74	April 21, 2006	Elgi Equipments
5.	Cooling Tower	2	0.38	April 26, 2006	Adarshila Engineers
6.	On Line Photometric M/C	6	2.54	May 8, 2006	Authentic Engrs.
7.	Moulding M/C 400 T	2	8.37	May 31, 2006	Ferromatik Milacron India Ltd.
8.	Moulding M/C 275 T	3	8.41	May 31, 2006	Ferromatik Milacron India Ltd.
9.	Moulding M/C 150 T	3	5.82	May 31, 2006	Ferromatik Milacron India Ltd.
10.	Moulding M/C 110 T	2	2.97	May 31, 2006	Ferromatik Milacron India Ltd.
11.	Lacquering Plant	1	1.20	May 11, 2006	NSW India Ltd.
12.	Top Coating Plant	1	0.80	May 11, 2006	NSW India Ltd.
13.	Plastic Grinder Cutter	3	0.23	June 9, 2006	S.S.J.S. Mechanical Works
14.	Power Coating Gun	1	0.30	May 11, 2006	NSW India Ltd.
15.	Ucam Make 4 Axis Glue Dispensing M/C	4	4.56	May 25, 2006	Uday Computer Aided Mfg. (P) Ltd.
16.	Pipes & Fittings	1	0.18	-	Management estimate
17.	Chilling Plant	1	0.50	-	Management estimate
18.	Water Treatment Plant	1	0.70	-	Management estimate
19.	Mould Temprature Controller	2	0.22	-	Management estimate
20.	Surface Grinder	1	0.30	-	Management estimate
21.	ETP	1	0.70	-	Management estimate
22.	Electric Screw Driver	24	0.05	-	Management estimate
23.	Air Pressurisation Unit Incl. Ducting For Metalising, Assembly, And Other Reqd. Works	1	3.00	-	Management estimate
24.	Pipes & Fitting	-	0.16	-	Management estimate
25.	Jigs & Fixtures, Assy Tables	-	0.80	-	Management estimate
26.	Lathe 6' Machine	2	0.33	-	Management estimate
27.	Stabilizer Cum Step Down Transformer 40 & 50 KVA	2	0.34	-	Management estimate
28.	Lacquer Gun	2	0.20	-	Management estimate
29.	Spray Booth	2	0.40	-	Management estimate

30.	Vaccum Pmp (Singe Stage)	1	0.10	-	Management estimate
31.	Fittings, Pumps, Sets, Valves, Elect. Works, RCC Tank	-	0.09	-	Management estimate
32.	Milling Machine	2	0.70	-	Management estimate
33.	Utilities (Air, Water, Electricity) Connection		1.70	-	Management estimate
34.	Taxes and duties	-	10.10	-	Management estimate
	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.90	-	Management estimate
	Total		59.35		

Moulds, Dies and Tools

For the purposes of our production process, we need certain moulds, dies and tools.

The details of imported moulds, dies and tools for which orders have already been placed are as under:

(Rs. in Million)						
Sr. No.	Name of machine	Units	Total Cost *	Date Of purchase order	Expected date of delivery	Supplier
1.	Moulds For Head Lamps, Mirrors, Fender Assys	9	18.35	-	August 2006	-
2.	Taxes and duites	-	5.50	-	-	Management estimate
2.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.04	-	-	Management estimate
	Total		23.89			

* The amounts in US Dollars have been converted into Indian Rupees at the average rate of 1US\$ = Rs. 46.

Electrical fittings & Equipments

We will need certain electrical fittings and equipments which will be installed in our manufacturing unit.

The details of Electrical fittings & Equipments yet to be ordered are as under:

(Rs. in Million)					
Sr. No.	Name of machine	Units	Total Cost	Date of purchase quotation	Quotation received from
1.	Voltage Stabilizer 1500 KVA	1	1.30	May 6, 2006	Jindal Rectifiers
2.	Oil Circuit Breaker	1	0.30	February 2, 2006	Power Line Cables (I) Pvt. Ltd.
3.	Gen Set 500 KVA	1	2.54	May 6, 2006	Sudhir Gen Sets Ltd.
4.	Gen Set 125 KVA	1	0.57	May 6, 2006	Sudhir Gen Sets Ltd.
5.	Gen Set 250 KVA	1	1.18	-	Management estimate
6.	Metering panel with HT Pole	1	0.08	-	Management estimate
7.	Xlp Cable, Cable HT & LT	-	1.50	-	Management estimate
8.	Main Panel – Sup Panel	-	3.00	-	Management estimate

9.	Taxes and duties	-	2.20	-	Management estimate
10.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.38	-	Management estimate
	Total		13.05		

2. Setting up of Export Oriented Unit (EOU) at Achettipalli, Hosur, Tamil Nadu (Unit V) for supply of rear view mirrors

We have proposed to set up 100% export oriented unit at Kelamangalam, Achetapalli Post, Hosur, Tamil Nadu (Unit V) having proximity to Chennai Sea port as well as Bangalore Air port. As per the plan, we propose to produce automotive mirrors as well as automotive lighting & signaling equipments. With the completion of this project, our additional installed capacity at EOU, Hosur unit is proposed to be 3,000,000 nos. for lighting & signaling equipments and 3,000,000 nos. for automotive mirrors (the installed capacity will vary according to the size as well as mix of the product).

We propose to set up this unit at our existing land where our Unit III in Hosur is located. We already have a building having a covered area of 3000 Sq. mtrs.

We propose to initially export automotive mirror plates and gradually move towards the export of complete mirror assy to M/s. Ichikoh Industries Ltd., Japan as per the Technical Support Agreement. The total plant installed capacity for automotive mirrors will be exported to our collaborator. For details of this agreement, please refer to the section titled 'Business Overview' beginning on page no. 63 of this Draft Red Herring Prospectus.

We also propose to export automotive lighting & signaling equipments to M/s. Piaggio & C.s.p.a., Italy and M/s. Aspoeck Systems GmbH, Austria for which all development activities are in progress. Over & above, we also plan to export automotive lighting & signaling equipments and rear view mirrors to our valued customer M/s. TVSM 's Indonesia project.

We propose to incur the following expenditures towards the setting up of this unit:

(Rs. in Million)	
Particulars	Amount
Plant and Machinery	95.75
Moulds, Dies and Tools	10.71
Electrical fittings and Equipments	2.65
Total (A)	109.11
Less: Expenditure already funded out of the term loan from Standard Chartered Bank as mentioned in point B below (B)	33.61
Net Total [(A) – (B)]	75.50

The relevant details of the aforesaid are as under:

Plant and Machinery

The selection of Plant & Machinery as well as testing equipments for manufacture and testing of automotive mirrors have been done by the collaborator and major plant & machinery have already been received from Japan and presently the installation work is in progress under the supervision of Japanese collaborated engineers.

The details of imported plant and machinery already ordered / received are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost *	Date of purchase order	Expected date Of delivery	Supplier
1.	Profile Cutting Machine	1	0.48	June 5, 2006	July 2006	Vaccum Corp., Taiwan
2.	Grinding Wheel (Diamond Grinder)	1	0.09	June 5, 2006	July 2006	Vaccum Corp., Taiwan
3.	Washing Machine Prior To Bending Machine	1	2.30	April 17, 2006	July 2006	Ichikoh Ind. Ltd., Japan
4.	Mould Bric From Japan	1	0.48	-	Received	-
5.	Profile Cutting Robotic Machine	1	1.91	-	Commissioned	-
6.	Chamfering Machine	1	3.39	-	Commissioned	-
7.	Washing M/C Prior To Sputtering	1	3.18	-	Commissioned	-
8.	Chrome Sputtering M/C	1	30.99	-	Commissioned	-
9.	Steam Boiling Resistance M/C	1	0.42	-	Received	-
10.	Castur Oil Resistance & Salt Spray M/C	1	0.77	-	Received	-
11.	Reflectance Test M/C	1	0.40	-	Commissioned	-
12.	Curvature Testing M/C	1	0.20	April 17, 2006	July 2006	Ichikoh Ind. Ltd., Japan
13.	Mirror Strength M/C	1	0.77	April 17, 2006	July 2006	Ichikoh Ind. Ltd., Japan
14.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	2.77	-	-	Management estimate
	Total		48.15			

* The amounts in US Dollars have been converted into Indian Rupees at the average rate of 1US\$ = Rs. 46 and the amounts in Japanese Yen have been converted into Indian Rupees at the average rate of 1JPY = Rs. 0.40.

The details of indigeneous plant and machinery already ordered / received are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost	Date of purchase order	Expected date Of delivery	Supplier
1.	Cooling Conveyor	1	0.16	-	Commissioned	-
2.	Air Compressor	1	0.74	-	Commissioned	-
3.	Cooling Tower	1	0.04	-	Commissioned	-
4.	D M Plant	2	0.58	-	Commissioned	-
5.	Stablizer Cum Step Down Transformer	1	0.35	-	Received	-

6.	Moulding M/C 275T	1	2.73	May 31, 2006	August 2006	Ferromatik Milacron India Ltd.
7.	Moulding M/C 150T	2	3.78	May 31, 2006	August 2006	Ferromatik Milacron India Ltd.
8.	Moulding M/C 110T	2	2.90	May 31, 2006	August 2006	Ferromatik Milacron India Ltd.
9.	Moulding M/C 80T	2	2.45	May 31, 2006	August 2006	Ferromatik Milacron India Ltd.
10.	Clean Room Air Showers		0.60	-	Received	-
11.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges		1.62	-	-	Management estimate
	Total		15.95			

The details of imported plant & machinery for which orders are yet to be placed are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost *	Date of purchase quotation	Quotation received from
1.	Metalising Plant	1	7.64	May 16, 2006	Vaccum Corp., Taiwan
2.	Japan Mac Freezing System	1	1.66	May 16, 2006	Vaccum Corp., Taiwan
3.	Hot Melt Applicator	2	2.63	May 8, 2006	Norson India P. Ltd.
4.	Convexing M/C	1	6.44	May 15, 2006	Management estimate
5.	Hitachi Cables	-	0.19	-	Management estimate
6.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	1.29	-	Management estimate
	Total		19.85		

* The amounts in US Dollars have been converted into Indian Rupees at the average rate of 1US\$ = Rs. 46.

The details of indigeneous plant & machinery for which orders are yet to be placed are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost	Date of purchase quotation	Quotation received from
1.	Cooling Tower	2	0.38	April 26, 2006	Adharshila Engg. Delhi
2.	Eot Crane 5 Ton	1	0.95	May 19, 2006	Reva Crans & Hoists
3.	On Line Photmetric	6	2.54	May 8, 2006	Authentic Engrs.
4.	Ucam Make 4 Axis Glue Dispensing M/C	5	5.70	May 25, 2006	Uday Computer Aided Mfg. (P) Ltd.
5.	Stand With Water Collection Tank	1	0.07	-	-

6.	Stabliser Cum Step Down Transformer	5	0.69	-	-
7.	Macro Meter Testing Equipment	1	0.60	-	-
8.	Jigs & Fixtures, Assy Tables	-	0.80	-	Management estimate
9.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.08	-	Management estimate
	Total		11.81		

Moulds, Dies and Tools

For the purposes of the production process, we would require certain moulds, dies and tools.

The details of imported moulds, dies & tools for which orders have already been placed are as under:

(Rs. in Million)						
Sr. No.	Name of machine	Units	Total Cost *	Date of purchase order	Expected date Of delivery	Supplier
1.	Moulds For Head, Tail, Winker Lamps	9	10.28	-	August 2006	-
2.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.43	-	-	Management Estimate
	Total		10.71			

* The amounts in US Dollars have been converted into Indian Rupees at the average rate of 1US\$ = Rs. 46.

Electrical fittings & Equipments

We would require the installation of certain electrical fittings and equipments in the factory building.

The details of Electrical fittings & Equipments which have been received are as under:

(Rs. in Million)					
Sr. No.	Name of machine	Units	Total Cost	Date of purchase quotation	Quotation received from
1.	Gen Set 500 KVA	1	2.13	Received	-
2.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.52	-	Management estimate
	Total		2.65		

3. Expansion of our existing manufacturing facilities located at Thally Road, Kallukondapalli, Hosur, Tamil Nadu (Unit II) to satisfy the demand of our existing and potential new customers

We propose to create additional installed capacity at our existing unit (Unit II) located at Thally Road, Kallukondapalli, Hosur, Tamil Nadu which is having a close proximity to our valued customer M/s. TVSM apart from other OEM's situated in the southern part of India.

The Land & Building is already available and can accommodate the plant and machinery proposed for the increase in capacity. This unit is currently in operational and catering to the demand of our valued customer, especially M/s. TVSM on just in time basis.

For the purposes of creating this additional capacity, we propose to install further plant and machinery.

The details of imported plant & machinery for which orders have been placed are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost *	Date of purchase order	Expected date Of delivery	Supplier
1.	Metalising Plant	1	6.81	May 16, 2006	August 2006	Vaccutek Corp., Taiwan
2.	Japan Mac Freezing System	1	1.66	May 16, 2006	August 2006	Vaccutek Corp., Taiwan
3.	Profile Cutting	1	0.48	May 16, 2006	August 2006	Vaccutek Corp., Taiwan
4.	Washing Machine 24"	1	0.88	May 16, 2006	August 2006	Vaccutek Corp., Taiwan
5.	Mirror Paint Flow Coater	1	0.83	May 16, 2006	August 2006	Vaccutek Corp., Taiwan
6.	Taxes and duties	-	3.20	-	-	Management estimate
7.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.70	-	-	Management estimate
	Total		14.56			

* The amounts in US Dollars have been converted into Indian Rupees at the average rate of 1US\$ = Rs. 46.

The details of indigeneous plant & machinery for which orders have been placed are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost	Date of purchase order	Expected date Of delivery	Supplier
1.	Moulding M/C 400T	1	4.19	May 31, 2006	June 2006	Ferromatik Milacron India Ltd.
2.	Taxes and duties	-	0.88	-	-	Management estimate
3.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.21	-	-	Management estimate
	Total		5.28			

The details of imported plant & machinery for which orders are yet to be placed are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost *	Date of purchase quotation	Quotation received from
1.	Convexing M/C	1	6.44	May 15, 2006	Hyomyung, Korea
2.	Lens Hard Coat U/V Machine	1	8.46	May 16,	Vaccutek Corp., Taiwan

				2006	
3.	Lens Hard Coat Robot Machine	1	4.28	May 16, 2006	Vaccutek Corp., Taiwan
4.	Hot Melt Applicator	2	2.72	May 8, 2006	Nordson India Pvt. Ltd.
5.	Taxes and duties	-	6.57	-	Management estimate
6.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	1.07	-	Management estimate
	Total		29.54		

* The amounts in US Dollars have been converted into Indian Rupees at the average rate of 1US\$ = Rs. 46.

The details of indigeneous plant & machinery for which orders are yet to be placed are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost	Date of purchase quotation	Quotation received from
1.	Moulding M/C 275T	4	10.92	May 31, 2006	Ferromatik Milacron India Ltd.
2.	Moulding M/C 150T	4	7.56	May 31, 2006	Ferromatik Milacron India Ltd.
3.	Moulding M/C 110T	4	5.80	May 31, 2006	Ferromatik Milacron India Ltd.
4.	On Line Photometric M/C	7	2.97	May 8, 2006	Authentic Engrs.
5.	Stabilizer Cum Step Down Transformer	2	0.34	-	Management estimate
6.	Ucam Make 4 Axis Glue Dispensing M/C	6	6.84	-	Management estimate
7.	Jigs & Fixtures, Assy Tables	-	0.80	-	Management estimate
8.	Taxes and duties	-	7.39	-	Management estimate
9.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	1.64	-	Management estimate
	Total		44.26		

4. Expansion of our existing tool manufacturing facilities located at Kundli, Sonapat, Haryana (Unit I)

We propose to increase our tool making capacities at our existing Kundli plant, Sonapat, Haryana (Unit I) which is equipped with testing, designing and tool manufacturing infrastructure.

We plan to design, develop and make moulds and toolings for our customers and support our other manufacturing plants located at different places. This is visualized looking into the fast introduction of new models with a very short development time by our customers.

The land & the building in the existing unit is available and proper place has already been earmarked for these machines installation.

For the purposes of adding this additional capacity, we propose to install further plant and machinery and incur the following expenditure:

(Rs. in Million)

Particulars	Amount
Plant and Machinery	25.46
Total (A)	25.46
Less: Expenditure already funded out of the term loan from Standard Chartered Bank as mentioned in point B below (B)	0.50
Net Total [(A) – (B)]	24.96

The details of indigeneous plant & machinery for which orders have been placed are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost	Date of purchase order	Expected date Of delivery	Supplier
1.	MMT'3 Co-Or Measuring L/O MC	1	1.67	April 20, 2006	August 2006	Mini Mach. Tools
2.	Taxes and duties	-	0.35	-	-	Management estimate
3.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.03	-	-	Management estimate
	Total		2.05			

The details of imported plant and machinery for which orders are yet to be placed are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost *	Date of purchase quotation	Quotation received from
1.	CNC Milling	1	9.36	February 13, 2006	Makino Asia Pte Ltd.
2.	Die Spotting M/C	1	5.61	May 12, 2006	Techtronics (India) Ltd
3.	ZNC EDM JM-500 Model	1	1.44	June 22, 2006	Cosmos Impex (India) Pvt. Ltd.
4.	Radial Drill M/C	1	0.41	May 24, 2006	Techtronics (India) Ltd
5.	Taxes and duties	-	5.05	-	Management estimate
6.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.63	-	Management estimate
	Total		22.50		

* The amounts in US Dollars have been converted into Indian Rupees at the average rate of 1US\$ = Rs. 46 and the amounts in Singapore Dollars have been converted into Indian Rupees at the average rate of 1SGD = Rs. 32.

The details of indigeneous plant and machinery for which orders are yet to be placed are as under:

(Rs. in Million)

Sr. No.	Name of machine	Units	Total Cost	Date of purchase quotation	Quotation received from
1.	Step Down Transformer 40 Kva	2	0.31	-	Management estimate
2.	A/C Clean Room	2	0.25	-	Management estimate
3.	Step Down Transformer 50 Kva	1	0.18	-	Management estimate
4.	Taxes and duties	-	0.16	-	Management estimate
5.	Inland transport, Insurance, clearing & forwarding, freight, erection & commissioning charges	-	0.008	-	Management estimate
	Total		0.91		

B. Repayment of Term loan from Standard Chartered Bank to the extent availed for the purposes of our new projects / expansion plans

Our Company has been sanctioned a Term loan of Rs. 120 million by Standard Chartered Bank vide its letter no. CRC/316/MM/06/052 dated April 19, 2006 for meeting our capital expenditures. Of this, as on May 31, 2006, our Company has utilized Rs. 53.47 million towards its new projects / expansion plans as under:

(Rs. in Million)

Sr. No.	Particulars	Total
1.	Setting up of new manufacturing facilities at Nalagarh, Himachal Pradesh (Unit VI)	19.36
2.	Setting up of an Export Oriented Unit (EOU) at Kelamangalam, Achettipalli Post, Hosur, Tamil Nadu (Unit V)	33.61
3.	Expansion of our existing tool manufacturing facilities located at Kundli, Sonapat, Haryana (Unit I)	0.50
	Total	53.47

The terms and conditions of this loan are as under:

Limit: Rs. 120 million

Limit Type: Term loan in INR

Description: For capital expenditure of the Company

Tenor: Maximum upto 3 years including a moratorium of 6 months starting from the 1st drawdown. Multiple drawals and drawdown for shorter tenors permitted.

Interest: 9.5% p.a.

Repayment: Loan to be repaid in 10 equal quarterly instalments starting from 6 months from the date of drawdown of the first tranche.

Payment Terms: Quarterly put / call option in the first year of drawdown and thereafter annual put / call. No repayment penalty in first year. Prepayment penalty applies thereafter.

We propose to repay this loan to the extent availed for the purposes of our new projects / expansion plans out of the issue proceeds.

C. Marging Money for working capital

The margin money for working capital requirement for our proposed expanded capacity has been estimated at Rs. 50 million. The details of the same are as under:

The working capital requirement has been calculated on the basis of additional working capital required over the next year. Inventories of Raw Material (RM), Work in Progress (WIP) and Finished Goods (FG) have been taken at various levels, which is in consonance with the industry practice and past trends.

Our Company's present working capital requirement as on March 31, 2006 and details of financing the same are as under:

(Rs. in Million)	
Particulars	Amount
Inventories	111.48
Sundry Debtors	152.10
Cash & Bank Balances	15.62
Other Current Assets (other than advances for capital goods)	39.19
Total Current Assets "A"	318.39
Less: Current Liabilities & Provisions	285.31
Net Working Capital	33.08
Source of Funds	
By Banks- OCC Limit	33.08

The following levels of Raw material, Finished Goods, Work in Progress, Debtors and Creditors have been taken for its domestic business as given in the table below:

Particulars	Period in days / months	
	2005-06	2006-07
Raw material	1 Month	1 Month
Finished Goods	3 Days	3 Days
Work in Progress	15 Days	15 Days
Debtors	45 Days	45 Days
Creditors	3 Months	3 Months

Our Company has estimated the following addition over the next year:

(Rs. in Million)		
Particulars	Amount	Amount
Current Assets		
Finished Goods	5.22	
Semi-Finished Goods	28.33	
Raw Materials	37.97	
Debtors	146.10	
Cash & Bank balance	4.74	
Other Current assets (other than advances for capital goods)	10.81	
Total Additional Current Assets (A)		233.17
Current Liabilities & Provisions		
Sundry Liabilities	104.21	
Provisions	(17.02)	
Proposed Dividend & Dividend distribution Tax	51.10	
Total Additional Current Liabilities (B)		138.29
Additional Net Current Assets (C=A-B)		94.88

Out of the above, our Company proposes to fund Rs. 50 million from the issue proceeds towards working capital margin. The balance shall be met out of short-term arrangements with banks.

D. General Corporate purposes

We seek to further enhance our position as one of the leading players in the automotive components industry in India. General Corporate purposes primarily include deployment of funds for general corporate purposes which may be our organic and / or inorganic growth and would primarily include (i) acquisition of new companies; (ii) acquisition of businesses; (iii) repayment of our unsecured loans; (iv) setting up a design center to upgrade our designing and engineering skills; and (v) business development in various geographies.

E. Issue Expenses

Issue related expenses includes underwriting and Issue management fees, selling commission, distribution expenses, legal fees, printing and stationery costs, advertising expenses and listing fees payable to the Stock Exchanges etc. The total expenses for the Issue are estimated at Rs. [●] million, which is [●] % of the Issue size. All the Issue related expenses shall be met out of the proceeds of this Issue.

The break-up of the same is as follows:

(Rs. in Million)			
Particulars	Expenses	As a % of the Issue size	As a % of the total issue expenses
Management fees, underwriting commission and brokerage	[●]	[●]	[●]
Marketing and advertisement expenses	[●]	[●]	[●]
Stationary, printing and registrar expenses	[●]	[●]	[●]
Others	[●]	[●]	[●]
Total	[●]	[●]	[●]

No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel or companies promoted by our Promoters except in the course of normal business.

SCHEDULE OF IMPLEMENTATION

The details of schedule of implementation are as follows:

Activity	Nalagarh, Himachal Pradesh (Unit VI) #	Export Oriented Unit at Hosur, Tamil Nadu (Unit V)	Thally Road, Hosur, Tamil Nadu (Unit II)	Kundli, Sonapat, Haryana (For additional facilities at Tool Room) (Unit I)
Land & site development	Completed	Completed	N.A.	N.A.
Commencement of civil work	In process	Completed	N.A.	N.A.
Completion of civil, utilities and electrical work	June & Sept. 2006	Completed	N.A.	N.A.
Finalisation of machinery order	Sept. 2006	Sept. 2006	Sept. 2006	July 2006 *
Finalisation of order of moulds, dies & tools	Completed	Completed	-	N.A.
Finalisation of order of electrical fittings & equipments	Sept. 2006	Completed	-	N.A.
Erection of machineries	Oct. 2006	Oct. 2006	Sept. 2006	Oct. 2006 *
Installation of moulds, dies & tools and electrical fittings and equipments	Sept. 2006	Sept. 2006	-	N.A.
Trial run	July & Oct. 2006	Started w.e.f. May 2006	-	-
Commercial production	July & Oct. 2006	August 2007	Oct. 2006	Oct. 2006 **

The plant is being set-up in two tranches

* Computer Hardware & Software

** Start of full-fledged work

FUNDS DEPLOYED

Our statutory auditors M/s. Anil S. Gupta & Associates, Chartered Accountants have vide their certificate dated June 2, 2006 certified that our Company has spent Rs. 73.17 million as on May 31, 2006 for our expansion project out of which Rs. 19.70 million has been funded out of our internal accruals and Rs. 53.47 million out of the term loan from Standard Chartered Bank. The details of the amount spent are as follows:

(Rs. in Million)				
Particulars	Nalagarh, Himachal Pradesh (Unit VI)	Export Oriented Unit (EOU) at Hosur, Tamil Nadu (Unit V)	Kundli, Sonapat, Haryana (Unit I)	Total
Land	13.68	-	-	13.68
Building under Construction	9.95	-	-	9.95
Advance for Building Construction	4.46	-	-	4.46
Advance for Plant & Machinery	0.92	35.37	0.50	36.79
Advance for Moulds, Dies & Tools	5.36	2.93	-	8.29
Total	34.37	38.30	0.50	73.17

DETAILS OF BALANCE FUND DEPLOYMENT

The details of balance deployment of funds are as under:

(Rs. in Million)		
Sr. No.	Particulars	2006-07
1.	Setting up of new manufacturing facilities at Nalagarh, Himachal Pradesh (Unit VI)	226.46
2.	Setting up of an Export Oriented Unit (EOU) at Kelamangalam, Achettipalli Post, Hosur, Tamil Nadu (Unit V)	70.81
3.	Expansion of our existing manufacturing facilities located at Thally Road, Kallukondapalli, Hosur, Tamil Nadu (Unit II)	93.64
4.	Expansion of our existing tool manufacturing facilities located at Kundli, Sonapat, Haryana (Unit I)	24.96
	Total	415.87

INTERIM USE OF PROCEEDS

Pending use of funds as described above, we intend to invest the proceeds of the Issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorised by our Board or a duly authorised committee thereof. We may also use the same to fund our existing working capital requirement on a temporary basis.

MONITORING OF UTILISATION OF FUNDS

Citibank N.A. has been appointed as the monitoring agency for monitoring the deployment of proposed issue proceeds.

ISSUE STRUCTURE

Public Issue of 4,100,000 Equity Shares of face value of Rs. 10 each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million (hereinafter referred to as the “Issue”). The Issue comprises of a reservation for Employees of 400,000 Equity Shares of Rs. 10 each and a net issue to the public of 3,700,000 Equity Shares of Rs. 10 each (hereinafter referred to as the “Net Issue”). The Issue will constitute 34.58% of the total post issue paid-up equity capital of our Company. The Issue is being made through the 100% Book Building Process:

Particulars	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto 400,000 Equity Shares	Upto 1,850,000 Equity Shares or Net Issue to the public less allocation to Non-Institutional Bidders and Retail Individual Bidders	Not less than 555,000 Equity Shares	Not less than 1,295,000 Equity Shares
Percentage of Issue Size available for allocation	Upto 9.76% of the Issue	Upto 50% (of which 5% shall be reserved for Mutual Funds) of Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders *	Not less than 15% of Net Issue*	Not less than 35% of Net Issue *
Basis of allocation, if respective category is oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Share thereafter
Maximum Bid	Such number of Equity Shares so as to ensure that the bid size does not exceed 400,000 Equity Shares	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Permanent Employees of our Company as on the cut-off date i.e. May 31, 2006	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development financial institutions, Venture Capital Funds registered with SEBI, foreign Venture capital	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value

Particulars	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
		investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 mn. and pension funds with minimum corpus of Rs. 250 mn. in accordance with applicable law		
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to QIB Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate
Margin Amount	Full Bid Amount on bidding	10% of the Bid Amount in respect of bids placed by QIB Bidder	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in QIBs, Non-Institutional and Retail Individual categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of our Company, BRLM and subject to applicable provisions of SEBI Guidelines.

The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Employees of our Company will be added back to the net issue to any other category, at the discretion of our Company and the BRLM.

** In case the Bid Cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid Cum Application Form.

BASIS OF ISSUE PRICE

The price band will be decided prior to the filing of the Red Herring Prospectus with the RoC. The Issue Price will be determined by our Company in consultation with the BRLM, on the basis of assessment of market demand for our Equity Shares in this Issue. The face value of the Equity Shares is Rs. 10 each and the Issue price is [●] times the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

QUALITATIVE FACTORS

Experienced Management Team

Our management team is headed by Mr. J. K. Jain, our Chairman and Managing Director, who is a first generation promoter. He has a rich experience of about 35 years in automotive components industry and is one of the pioneers of the automotive components industry in India. The Institute of Economic Studies, Delhi has awarded him with the 'Udyog Rattan Award' for his contribution. Our Board also includes Mr. J. S. S. Rao and Mr. Pravin Kumar as executive directors who bring with them an experience of over 25 years in the automotive component industry. Our senior management team also comprises of individuals who have an in-depth knowledge of the processes and functions of our business.

Brand Value

Our products under the brand name 'FIEM' are well known in India for their exemplary quality and durability. 'FIEM' brand is about three decades old in India and now commands a respectable brand image.

Wide Range of products

Our diversified products portfolio ranging from rear view mirrors, head lamps, tail lamps, roof lamps, wheel covers, warning triangle, complete rear fender assembly, frame assembly, mudguards and various sheet metal & plastic parts etc. is capable of catering to the needs of almost all segments of automobile industry viz., two-wheelers, three wheelers, LCVs, HTVs and tractors. Our product range helps to meet the customer demand of one stop shop for their outsourcing requirement of various parts.

Supplies to OEMs

Our focus is primarily on OE vehicle manufacturers. We supply our products to some of the prestigious OEMs in domestic and global automotive industry viz., TVS Motor Co. Ltd., Honda Motorcycle & Scooter India P. Ltd., Suzuki Motorcycle P. Ltd., General Motors India Ltd., Aspock Systems (Austria), Piaggio (Italy), etc. Our capability to offer a wide range of products from multiple locations in close proximity to the OEMs, thereby offering logistic benefits, enables us to service large auto manufacturers who in general prefer to source multiple products from a single vendor.

Strong Customer Bonding

Our commitment to customers' satisfaction in terms of quality, cost, timely delivery and services is amply reflected in the repeat orders and awards from our customers. We have had the opportunity of been associated with some of our prestigious OEM customers since the start of their operations in India.

Strategic Technical Support Agreement

The Technical Support agreement executed with ICHIKOH Industries Limited, Japan on 11th Day of November, 2005 is an important milestone in the history of our Company. ICHIKOH Industries Ltd. is a well-known name world wide in automotive lighting, rear view mirrors & wiper blades and is a Tier 1 supplier to the major Japanese Vehicle Manufacturers Majors such as Nissan Motor Co. Ltd, Toyota Motor Corporation, Fuji Heavy Industries, Daihatsu Motor Co. Ltd., Mazda Motor Corporation etc.

Multi-locational Plants

Our plants are multi-locational having proximity to our OEM customers. Our existing plants are located at Kundli (Sonapat, Haryana), Hosur (Tamil Nadu) and Mysore (Karnataka). Our upcoming units will be located at Hosur (Tamil

Nadu) and Nalagarh (Himachal Pradesh). The proximity of our plants to our OEM customers offers logistic savings to our valued customers and further enables us to cut our inventory carrying costs and shorten the delivery time.

In-house lab & testing facilities

Our lab and testing facilities conform to and meet the latest stringent Indian and international standards. In the year 2002, our Unit I at Sonapat, Haryana also received the 'Conformity of Production' compliance certification from RDW, Netherlands for e-marked products.

Strong Design & Development Team

We have a strong team of qualified and experienced professionals. We have an overseas Design & Development Center at Isehara, Japan where our engineers are being trained to keep our team abreast of the latest global inventions and developments in this arena. This provides us the ability to add value to the designs or design ideas proposed by the customers to us. Our Design & Development Team develops the product in a very short lead-time which helps us in building stronger relationship with our customers which further strengthens our competitive position vis-à-vis the competitors.

Operational Efficiency

Our ability to meticulously plan the entire range of activities for development of a product within a very short time frame provides operational efficiency and thereby helps to reduce our costs, helping us to price our products competitively.

Good Labour Relations

Our humane approach with our staff and workers has enabled us to maintain harmonious labour relations.

QUANTITATIVE FACTORS

1. Adjusted EPS*

Financial year ended	EPS * (Rs.)	Weightage
March 31, 2004	1.26	1
March 31, 2005	6.15	2
March 31, 2006	10.16	3
Weighted Average EPS	7.34	

*EPS on Equity Share of face value of Rs. 10.

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

Particulars	
Based on March 31, 2006 EPS	[●]
Based on weighted average EPS	[●]

Industry P/E *

Sr. No.	Particulars	Industry P/E
1.	Highest	72.7
2.	Lowest	6.90
3.	Average	39.80

(Source: Capital Market Vol. XXI/07 dated Jun 05 – 18, 2006)

* The Industry P/E given in the table is not strictly comparable. The same has been derived from the Auto Ancilliary segment of the Industry as a whole. This whole segment being broader in nature may include Companies which manufacture products which may vary from those manufactured by our Company.

3. **Return on Net worth**

Financial year ended	RONW %	Weightage
March 31, 2004	4.91%	1
March 31, 2005	18.48%	2
March 31, 2006	27.05%	3
Weighted Average RONW	20.5	

4. **Minimum return on total net worth needed after the Issue to maintain pre-Issue EPS at Rs. is [●] (at an issue price of Rs. [●] per share)**

5. **NAV ***

Particulars	Rs.
As at March 31, 2006	35.80
After Issue at Issue price of Rs. [●]	[●]

*NAV on Equity Share of face value of Rs. 10.

6. **Comparison of accounting ratios of our Company with the industry average and accounting ratios of peer group for FY 2006.**

Name of the Company	Face Value of Equity Shares (Rs.)	EPS (Rs.)	PE Ratio	RONW (%)	NAV (Rs.)
FIEM Industries Limited	10	10.16	-	27.05%	35.80
Peer Group					
Minda Industries Limited	10	9.1	13.2	39.8	27.2
Lumax Industries Limited	10	11.1	12.2	14.2	71.7

(Source: Capital Market Vol. XXI/07 dated Jun 05 – 18, 2006)

7. The face value of the Equity Shares is Rs. 10 each. The issue price is [●] times the face value at the lower end of the price band and [●] times the face value at the higher end of the price band. The Issue Price of Rs. [●] has been determined by us in consultation with the BRLM on the basis of assessment of market demand for the Equity shares by way of Book Building and is justified on the basis of the above factors.
8. The BRLM believes the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. Please refer to the section titled 'Risk Factors' beginning on page no. x of this Draft Red Herring Prospectus and the financials of our Company including profitability and return ratios, as set out in the section titled 'Management's Discussion and Analysis of the Financial Condition and Results of Operations' on restated financial statements beginning on page no. 150 of this Draft Red Herring Prospectus to have more informed view.

STATEMENT OF POSSIBLE TAX BENEFITS

To,
The Board of Directors,
Fiem Industries Limited
D-34, DSIDC, Packaging Complex
Kirti Nagar,
New Delhi - 110015.

Dear Sirs,

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to Fiem Industries Limited ('the Company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure (No.1) are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India.

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

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits, where applicable have been/would be met.

For **Anil S. Gupta & Associates.**
Chartered Accountants

Sd/-
Anil Kumar Gupta
Proprietor

Place: New Delhi
Date: 2.06.2006

ANNEXURE NO.1 – STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO FIEM INDUSTRIES LIMITED ('THE COMPANY') AND ITS SHAREHOLDERS.

A. Tax Benefits available to the Company

Under the Income Tax Act, 1961

1. Deduction under Section 80-IC of the Act

The entire profit of the Nalagarh (Himachal Pradesh) Unit would be eligible for deduction @ 100% under section 80-IC of the Act for the period of five consecutive assessment years and thereafter at 30% for subsequent assessment years beginning from the year in which undertaking commenced the manufacturing activity. However, the total period of deduction shall not exceed ten consecutive assessment years. The profits of the unit for the purposes of Section 80-IC of the Act shall be computed on a stand-alone basis.

The benefit would be available subject to the fulfilments of the conditions prescribed by this section.

2. Deduction under Section 10-B of the Act

100% of the profit of the Hosur (Tamilnadu) Unit (Newly established hundred per cent export-oriented undertaking) derived from export of article or thing would be eligible for deduction under section 10-B of the Act, beginning from the year in which undertaking commenced the manufacturing activity. Provided also no deduction under this section shall be allowed to the New EOU for the assessment year beginning on the 1st day of April 2010 & subsequent years. The profits of the unit for the purposes of Section 10-B of the Act shall be computed on a stand-alone basis.

The benefit would be available subject to the fulfilments of the conditions prescribed by this section.

3. Dividends (whether interim or final) declared, distributed or paid by any domestic Company on or after April 01, 2003 is completely exempt from tax in the hands of the Company, in the capacity as a shareholder, as per the provision of 10(34) of the Act read with Section 115O of the IT Act Further, income from units of a Mutual Fund specified under section 10(23D) of the Act would also be exempt as per the provisions of section 10(35) of the Act.

4. Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as “long term capital gains”.

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

Long-term capital gains, as computed above, would be subject to tax @ 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the Act. However, as per the proviso to Section 112(1)(b), if the tax payable in respect of long-term capital gains resulting on transfer of listed securities or units (not covered by section 10(38)), exceeds ten percent of the amount of capital gains before giving effect of the provisions of the second proviso to section 48, then such excess shall be ignored for the purpose of computing the tax payable by the assessee.

5. As per the provisions of section 10(38) of the Act, long term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Tax if such transfer/sale takes place after October 01, 2004 and such sale is subject to Securities Transaction tax. However the income by way of Long-Term Capital Gains of the company shall be taken in to account in computing the Book Profit & income tax payable u/s 115JB of the Income Tax Act.
6. As per the provisions of section 111A of the Act, short term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax @ 10% (plus applicable surcharge and education cess), provided such a transaction is entered into after October 01, 2004 and the transaction is subject to Securities Transaction Tax.
7. As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, the Company would be entitled to exemption from tax on capital gains arising from transfer of the long term capital asset (not covered by section 10 (38)), if such capital gain is invested in two notified bonds (NHAI and REC) within six months after the date of transfer. Where the notified bonds are transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the notified bonds are transferred or converted into money.
8. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, the shareholder would be entitled to exemption from tax on Long-Term Capital Gains arising on transfer of their shares in the company before April 1, 2006, being listed securities (not Covered by Section 10(38)), to the extent such capital gains are invested in acquiring Equity shares forming part of an 'eligible issue of capital' within six month after the date of such transfer. The amount of exemption under this section available only up to the assessment year 2006-07.

Eligible issue of capital has been defined as an issue of equity share, which satisfies the following conditions:

- The issue is made by a public company formed and registered in India; and
- The shares forming part of the issue are offered for subscription to the public.

Where the specified equity shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified equity shares are sold or otherwise transferred.

Deduction under Section 32:

As per provisions of Section 32(1)(iia) of the Act, the company is entitled to claim additional depreciation of 20 per cent of the actual cost of any new machinery or plant which has been acquired and installed after 31st March 2005. If, however, the assets is put to use for less than 180 days in the year in which it is acquired, the rate of additional depreciation will be 10 per cent subject to fulfillment of conditions prescribed therein.

B. Tax Benefits available to the Resident Shareholders.

1. Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 01, 2003 is completely exempt from tax in the hands of the shareholders of the Company as per the provisions of section 10(34) of the Act read with Section 115O of the Act.
2. Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as "long term capital gains".

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

Long-term capital gains, as computed above, would be subject to tax @ 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the Act. However, as per the proviso to Section 112(1)(b), if the tax payable in respect of long-term capital gains resulting on transfer of listed securities or units (not covered by section 10(38)) exceeds ten percent of the amount of capital gains before giving effect of the provisions of the second proviso to section 48, then such excess shall be ignored for the purpose of computing the tax payable by the assessee.

3. As per the provisions of section 10(38) of the Act, long-term capital gain arising from the transfer of Equity Shares in any company through a recognized stock exchange shall be exempt from tax if such transfer takes place after October 01, 2004 and the transaction is subject to Securities Transaction tax.
4. As per the provisions of section 111A of the Act, short term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange shall be subject to tax @ 10% (plus applicable surcharge and cess), provided such a transaction is entered into after October 01, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the Act.
5. As per the provisions of section 88E, where the business income of a resident includes profits and gains of business arising from taxable securities transactions, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However, the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
6. As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, the shareholders would be entitled to exemption from tax on long term capital gains arising on transfer of their shares in the Company (not covered by section 10(38)), if such capital gain is invested in certain notified bonds (NHAI and REC) within six months after the date of transfer. Where the notified bonds are transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the notified bonds are transferred or converted into money.
7. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, the shareholder would be entitled to exemption from tax on Long-Term Capital Gains arising on transfer of their shares in the company before April 1, 2006, being listed securities (not Covered by Section 10(38)), to the extent such capital gains are invested in acquiring Equity shares forming part of an 'eligible issue of capital' within six month after the date of such transfer. The amount of exemption under section 54ED available only up to the assessment year 2006-07.

Eligible issue of capital has been defined as an issue of equity share, which satisfies the following conditions:

- The issue is made by a public company formed and registered in India; and
- The shares forming part of the issue are offered for subscription to the public.

Where the specified equity shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified equity shares are sold or otherwise transferred.

8. As per the provisions of section 54F of the Act and subject to the conditions specified therein, in case of a shareholder being an individual or a Hindu Undivided Family (HUF), the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by section 10 (38)), upon investment of net consideration in purchase of a residential house within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer, provided that the individual / HUF should not own more than one residential house other than the new residential house on the date of transfer.

If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains exempted earlier shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.

Similarly, if the shareholder purchases within a period of two year or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired or constructed.

C. Tax Benefits available to the Non-Resident Indian Shareholders

1. Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 01, 2003 is completely exempt from tax in the hands of the shareholders of the Company as per the provisions of section 10(34) of the Act read with Section 115O of the Act.
2. Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as “long term capital gains”.

Section 48 of the Act contains special provisions in relation to computation of long term capital gains on transfer of an Indian company's shares by non-residents. Computation of long-term capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

Gains arising on transfer of short-term capital assets are normally chargeable at the tax rates as applicable to the status of the shareholder. As per the provisions of section 111A of the Act, short term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange shall be subject to tax @ 10% (plus applicable surcharge and cess), provided such a transaction is entered into after October 01, 2004 and the transaction is subject to Securities Transaction Tax.

3. In the case of shareholder being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions specified in Section 115D read with Section 115E of the Act, long term capital gains arising from the transfer of an Indian company's shares (not covered by section 10(38)), will be subject to tax at the rate of 10% (plus applicable surcharge and education cess), without any indexation benefit but with protection against foreign exchange fluctuation.

In case of a shareholder being a non-resident Indian and subscribing to the shares in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in Section 115F of the Act, the non-resident Indian shareholder would be entitled to exemption on a proportionate basis from long term capital gains (not covered by section 10(38)) on the transfer of shares in the Company upon investment of whole or part of such net consideration received on such transfer within six months after the date of such transfer in any specified asset or savings certificates referred to in section 10(4B) of the Act. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. The specified asset or savings certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified assets or savings certificates are transferred.

4. In accordance with the provisions of Section 115G of the Act, a Non-Resident Indian is not obliged to file a return of income under Section 139(1) of the Act, if his only source of income is income from investments or

long-term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

5. In accordance with the provisions of Section 115H of the Act, when a Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are transferred or converted into money.
6. As per the provisions of section 115I of the Act, a Non-Resident Indian as defined therein may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act. The said chapter inter alia entitles a Non-Resident Indian to the benefits stated there under in respect of income from shares of an Indian company acquired, purchased or subscribed in convertible foreign exchange.
7. In the event the shares have been subscribed to in Indian Rupees, Section 48 of the Act shall apply which prescribes the mode of computation of capital gains and provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.

Long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the Act. However, as per the proviso to Section 112(1)(b), if the tax payable in respect of long-term capital gains resulting on transfer of listed securities or units (not covered by section 10(38), exceeds ten percent of the amount of capital gains before giving effect of the provisions of the second proviso to section 48, then such excess shall be ignored for the purpose of computing the tax payable by the assessee.

8. As per the provisions of section 10(38) of the Act, long term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange shall be exempt from tax if such transfer takes place after October 01, 2004 and the sale is subject to Securities Transaction tax.
9. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
10. As per the provisions of Section 90(2) of the Act, the provisions of the Act would apply over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

D. Tax Benefits available to Other Non-Resident Shareholders

1. Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 01, 2003 is completely exempt from tax in the hands of the shareholders of the Company, as per the provisions of 10(34) of the IT Act read with Section 115O of the Act
2. Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as “long term capital gains”.

Section 48 of the Act contains special provisions in relation to computation of long term capital gains on transfer of an Indian company's shares by non-residents. Computation of long-term capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

Gains arising on transfer of short-term capital assets are normally chargeable at the tax rates as applicable to the status of the shareholder. Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange shall be subject to tax @ 10% (plus applicable surcharge and cess), provided such a transaction is entered into after October 01, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the Act.

3. In the event the shares have been subscribed to in Indian Rupees, Section 48 of the Act shall apply which prescribes the mode of computation of capital gains and provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.

Long-term capital gains would be subject to tax @ 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the Act. However, as per the proviso to Section 112(1)(b), if the tax payable in respect of long-term capital gains resulting on transfer of listed securities or units (not covered by section 10(38)), exceeds ten percent of the amount of capital gains before giving effect of the provisions of the second proviso to section 48, then such excess shall be ignored for the purpose of computing the tax payable by the assessee.

4. As per the provisions of section 10(38) of the Act, long term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange shall be exempt from tax if such transfer takes place after October 01, 2004 and the transaction is subject to Securities Transaction tax.
5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
6. As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, the non-resident shareholders would be entitled to exemption from tax on capital gains arising from transfer of the long term capital asset (not covered by section 10 (38)), if such capital gain is invested in certain notified bonds (NHAI & REC) and within six months after the date of transfer. Where the notified bonds are transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the notified bonds are transferred or converted into money.
7. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, the shareholder would be entitled to exemption from tax on Long-Term Capital Gains arising on transfer of their shares in the company before April 1, 2006, being listed securities (not Covered by Section 10(38)), to the extent such capital gains are invested in acquiring Equity shares forming part of an 'eligible issue of capital' within six months after the date of such transfer. The amount of exemption under section 54ED available only up to the assessment year 2006-07.

Eligible issue of capital has been defined as an issue of equity share, which satisfies the following conditions:

- The issue is made by a public company formed and registered in India; and
- The shares forming part of the issue are offered for subscription to the public.

Where the specified equity shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified equity shares are sold or otherwise transferred.

8. As per the provisions of section 54F of the Act and subject to the conditions specified therein, in case of a non-resident shareholder, being an individual or a Hindu Undivided Family (HUF), the non-resident shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by section 10 (38)), upon investment of net consideration in purchase of a residential house within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer, provided that the individual / HUF should not own more than one residential house other than the new residential house on the date of transfer.

If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains exempted earlier shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.

Similarly, if the non-resident shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired or constructed.

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

E. Tax Benefits available to Foreign Institutional Investors (FIIs)

1. Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company, as per the provisions of section 10(34) of the IT Act read with Section 115O of the Act.
2. In case of a shareholder being a Foreign Institutional Investor (FIIs), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the Act, tax on long-term capital gain (not covered by section 10(38)) will be 10% (plus applicable surcharge and education cess) and on short-term capital gain will be 30% (plus applicable surcharge and education cess) in either case. However, short-term capital gains from the transfer of Equity Shares in any company through a recognized stock exchange shall be subject to tax @ 10% (plus applicable surcharge and education cess), provided such a transaction is entered into after October 01, 2004 and the transaction is subject to Securities transaction tax as per the provisions of section 111A of the Act. It is to be noted that the benefits of Indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to FIIs.
3. As per the provision of Section 90(2) of the Act, the provisions of the Act would apply over the provisions of the tax treaty to the extent they are more beneficial to the FII.
4. As per the provisions of section 10(38) of the Act, long term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange shall be exempt from tax if such transfer takes place after October 01, 2004 and such transaction is subject to Securities Transaction tax.
5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
6. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, the shareholder would be entitled to exemption from tax on Long-Term Capital Gains arising on transfer of their shares in the company before April 1, 2006, being listed securities (not Covered by Section 10(38)), to the extent such capital gains are invested in acquiring Equity shares forming part of an 'eligible issue of capital' within six month after the date of such transfer. The amount of exemption under section 54ED available only up to the assessment year 2006-07.

Eligible issue of capital has been defined as an issue of equity share, which satisfies the following conditions:

- The issue is made by a public company formed and registered in India; and
- The shares forming part of the issue are offered for subscription to the public.

Where the specified equity shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified equity shares are sold or otherwise transferred.

F. Tax Benefits available to Mutual Funds

In case of a shareholder being a Mutual fund, as per the provisions of Section 10 (23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

G. Tax Benefits available to Venture Capital Companies/Funds

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

H. Benefits available under the Wealth Tax Act, 1957

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

I. Benefits available under the Gift Tax Act

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

Notes on above benefits

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2006 and will be available only to the sole / first named holder in case the shares are held by joint holders.
2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has fiscal domicile.
3. In view of the individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her participation in the scheme. The tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislations may not have direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

For **Anil S. Gupta & Associates**
Chartered Accountants

Sd/-
Anil Kumar Gupta
Proprietor

Place: New Delhi
Date: 2.06.2006

SECTION IV - ABOUT OUR COMPANY

INDUSTRY OVERVIEW

Auto Sector in India

India is amongst the few nations which has its "own" automobile industry and makes the entire range of automobiles. India is reckoned to be amongst the most exciting growth markets globally. Stronger economic growth, rapid growth in road infrastructure and increasing affordability will ensure a high sales growth momentum for the auto sector.

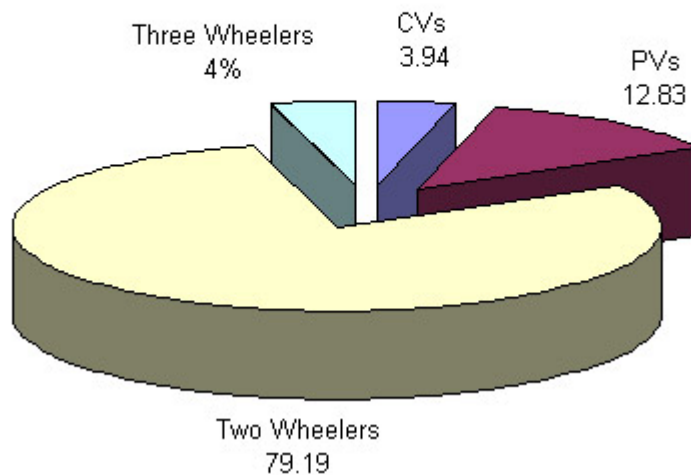
India is already the...

- 2nd Largest Two-Wheeler Market in the World
- 4th Largest Tractor Manufacturer in the World
- 5th Largest Commercial Vehicle Market in the World
- 3rd Largest Car Market in Asia (excl. Japan)

(Source – ACMA)

The Indian car industry is the second fastest-growing automotive market, currently totaling about eight million vehicles. India is still dominated by motorized two-wheelers, but passenger cars represent a high-growth segment. After double-digit growth in 2003 and 2004, passenger-car sales expanded by a more modest 5.2% between April and November 2005. Market growth forecasts, however, suggest a rate of about 10%-12% in 2006, which matches long-term economic growth expectations in India. Auto sales are being stimulated by new product launches, growing interest in diesel vehicles, low interest rates, greater access to consumer financing, and a reduction in local taxes, which still account for about 30% to 40% of the total selling price of a car. (Source – ACMA)

Market Share for 2005-06



(Source – SIAM)

Industry-wide profitability over the past two years has been relatively stable, highlighting the efficiency gains attained by the manufacturers, which have offset significant steel price increases. In 2005, the industry overall benefited from another year of strong GDP growth that resulted in higher per-capita income, low interest rates, and varied financing options. With India's government committed to infrastructure spending and economic growth likely to remain strong, the automobile industry is expected to be able to post further profitable growth in the medium term.

The Indian market is in some respects mirroring the development of the Chinese market with a few years' time lag, but without the explosive growth seen in China in 2002 and 2003, when private car ownership began to flourish. The steadier pace of investment in India suggests that automakers might be trying to avoid the overcapacities that have appeared in China. *(Source - Standard & Poor's)*

The Automobile Industry performance in the year 2005-06 showed encouraging results for all segments of the automobile industry. The industry registered a growth of around 13% in numbers over the year 2004-05.

The passenger vehicles posted a growth of around 8% in the year 2005-06 over the year 2004-05. Due to the delayed purchases of vehicles in anticipation of the announcements in Union Budget, the month of March 2006 witnessed a growth of more than 22% in Passenger Vehicle Sales. The exact trend of the sales in Passenger Vehicles for this year would be clear in coming months.

The commercial vehicle segment clocked a growth rate of 10%. While the M&HCV segment has grown by 4.5%, the LCVs grew by more than 19% during 2005-06 as compared to 2004-05. *(Source - SIAM)*

India is the 2nd largest producer and consumer of two wheelers in the world. Further, backed by Government's initiative on rural roads and better connectivity with major towns and cities, improved agricultural performance, upward trend of purchasing power in the hands of rural people, the Two Wheeler segment continued to post a steady growth of around 14% and was able to achieve the record performance of crossing 7 million two wheelers with exact sales standing at 7,056,317 during 2005-06. Motorcycle segment grew at the rate of more than 17% during the fiscal 2005-06 as compared to 2004-05. *(Source – SIAM)*

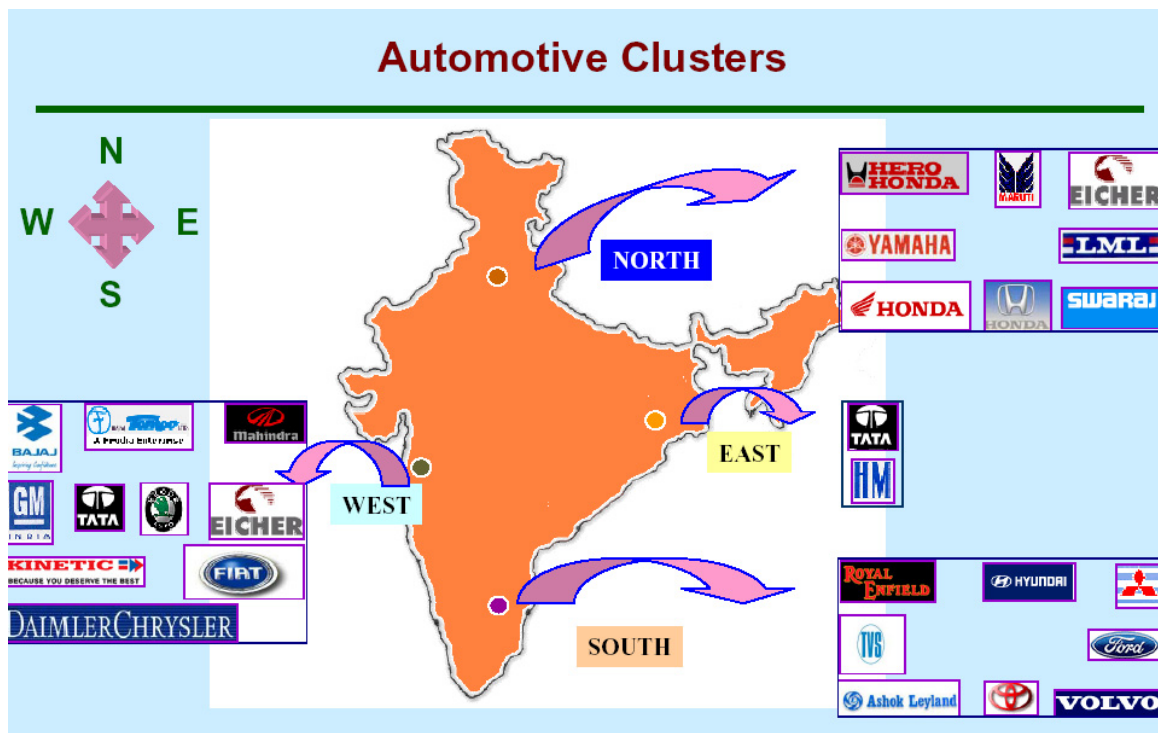
The Auto Components Industry

India's automotive component industry is riding piggyback on the expansion of automobile industry. Over the years it has become quality conscious and aims for global market. The industry is blessed with low cost manufacturing base, skilled workers, partnership with global supply chain and reasonable prices. It manufactures entire range of parts required by the domestic automobile industry for various vehicles including cars, jeeps, light and heavy commercial vehicles, tractors etc. The Indian auto components industry started out small in the 1940s supplying components to Hindustan Motors and Premier Automobiles. In the 1950s, the arrival of Telco, Bajaj, Mahindra & Mahindra led to steadily increasing production. It was however in the 1980s with Maruti Udyog Ltd., entering large scale four wheeler manufacturing that growth suddenly accelerated and the industry came of age.

Slowly, but surely, the sector is emerging as the next big business opportunity for Indian companies as global Original Equipment Manufacturers (OEMs) hike procurement plans and domestic companies expand. Spurred by the buoyancy in the auto sector, investments in the auto ancillary sector are rising rapidly. The size of the auto component industry has grown from US\$ 2.4 billion in 1997 to US\$ 8.7 billion in 2004-05. *(Source - IBEF)*

The Indian auto ancillary industry is expected to register a healthy compounded annual growth (CAGR) of 15-16 % over the next 5 years ending 2009-10. The industry has grown at over 20% over the last 2 years (2003-04 and 2004-05), due to substantial high growth in the domestic automobile sector and exports. The industry has witnessed substantial fluctuation in the past, the fundamentals of the industry have changed over the last few years and are expected to further improve in future, imparting better stability to business growth and margins in future. *(Source - McKinsey – ACMA study)*

A peculiar aspect of the industry is that each component used to make an automobile constitutes an independent segment in itself. Consequently the number of players both in the organised and unorganised segment is large. At present, there are close to 300 medium and large players in the organised sector and there are around 6000 small-scale ancillary units. The fragmented nature of the auto ancillary industry implies that the capacity of a domestic auto-ancillary producer is adequate to meet a week's requirement of global auto producers. The main reason for this is the relatively small size of the industry's main customer-the Indian auto industry. Although fragmented, the industry is concentrated in three main clusters in the North, West and South of India with Gurgaon, Pune and Chennai being the hubs as shown in the map below:



(Source – ACMA)

The players of automotive component industry segment are located near these structures. Historically pune in the western region, Hosur in the southern region and Gurgaon, Sonapat and Noida in the north have seen growth in automotive component industry. Given the competitive nature of the automobile industry costs play a significant role, similarly accessibility to automotive components are some of the key factors that have been considered by the automotive component manufacturers while deciding the location of their facilities.

Some of the players in the Auto component Industry are:

Engine Parts	Electrical Parts	Equipment (Lighting)
Motor Industries Corporation (MICO)	Amara Raja Batteries	
Sigma Corporation	Denso India	Minda Industries
SKF India	Exide Industries	Lumax Industries
Sundaram Fasteners	Motherson Sumi	
Ucal Fuel	Visteon Automotive Systems	India Japan Lighting
Subros	Phoenix Lamps	Unitech Machines
		Rinder
		Varroc

Sources of Demand

OEM demand: The pattern of growth in the automotive segment affects the performance of the automotive components segment as components content per vehicle differs significantly across vehicle categories. Thus, the demand emanating from the automotive segment could have a significant bearing on the performance of the automotive component player supplying to such segment.

The opening of the Indian economy for the automotive sector in the eighties and nineties led to the influx of a host of foreign vehicle manufacturers ranging from Ford, General Motors, Hyundai among others for four wheeler segment and

Honda, Suzuki, Yamaha and Kawasaki in collaboration with various Indian players for the two wheeler segment. The rapid expansion presented a huge opportunity for the components industry, which responded with huge capacity additions and modernisation programmes.

The principal drivers of demand for the automotive components from the OEM segment have been passenger cars, commercial vehicles and two wheelers in the recent years. In addition to the growth in production, increasing indigenisation levels of the manufacturing operations of most of the OEMs that entered the Indian market have also contributed to the growth in demand from OEMs.

While OEMs are an assured source of demand for component manufacturers, the component suppliers face pricing pressures from OEMs. It is the relatively large order size of the OEMs that gives them the bargaining strength. Moreover, various auto OEMs have been rationalising their vendor base with the result that the number of direct suppliers to some prominent auto OEMs have reduced over time.

Replacement demand: The automotive component supplier also caters to the demands from the replacement market. Historically, the replacement market provided higher margins to vendors, but now the margins for vendors are declining as OEMs have increased their focus to boost their spare sales. The replacement market is also characterised by presence of unorganized sector players who compete on prices.

Five factors primarily influence the aggregate annual demand for replacement parts are:

- Size of the national vehicle population
- Average age of the national vehicle population
- Pollution norms and Government regulations
- Average number of kilometres driven per vehicle
- Road and other related conditions

With the vehicle population and usage in India increasing, and given the lower scrappage rates, the replacement demand for automotive components is likely to emerge as an important source of demand for automotive components. However, the replacement market continues to face competition from spurious parts.

Export demand: The Indian operations of the International automotive manufacturers have increased or are in the process of increasing the local contents for their vehicles in India. The demonstrated ability of Indian component makers to make supplies to global automotive manufacturers in the country has opened up the doors for the component makers supplying the same OEMs in other countries too.

Indian component manufacturers continue to enjoy competitive advantages primarily on the strength of the following factors:

- Low labour costs which pull down the total cost of production, typically in assembled parts such as clutches and lighting equipment
- Strengths in designing, process improvements and engineering
- Low minimum economic scales and possession of established technology
- Relatively less stringent environmental regulations (environmental regulations have rendered the production of some parts like castings cost prohibitive in developed countries)
- Improved quality of products

During the past five years, India's (autocomponents) exports have grown by around 20% per annum. Factoring in the outsourcing opportunity, exports could grow by 25% by '10. As per the latest McKinsey report, the Indian auto component industry has the potential to grow by 30% and touch \$33-40 bn, of which exports would be between \$20-25bn. (Source: Mckinsey)

Auto components manufactured in India are mainly being exported to US and European markets and, which have a high population of automobiles. Neighbouring countries in South Asia form the next export destination. Exports are targeted at global OEMs, replacement market as well as domestic OEMs who export vehicles.

The global vehicle manufacturers are facing pressures on account of imperatives to launch new models (as product lifecycles shorten) with additional features while maintaining selling prices. Thus, OEMs have identified the potential for cost savings through outsourcing to India, China and South East Asian countries among others. While these exports offer higher volumes, margins may be lower in various cases than domestic sales due to higher costs of logistics and product liability insurance costs.

In the last couple of years, many global automobile manufacturers have identified India as a manufacturing base for some of their models (which are then exported to other countries). The export of vehicles increases the demand for domestic auto components. (*Source – ICRA*)

Opportunity and India's potential

According to “Automotive Component Industry: Vision 2015”, a Report prepared by McKinsey & Co, India-based automotive component manufacturing has the potential to grow from US\$6.7 billion in 2004 to US\$33-40 billion by 2015. The potential growth, it says, could create 2.5-3 million additional direct and indirect jobs and provide a significant employment opportunity for the rural/small town population

The industry's strengths, it says, lies in the labour intensive, commodity components such as castings, forgings, tools and dies and such other parts, which are low value, low-margin products. High-technology and high value components such as engine management and emission control systems are dominated by multinationals. Further, it says that there are only a handful of players, which have the size and scale to compete in the global markets at Tier I supplier. The strengths of the domestic industry lie in the Tier II and Tier III products where the competitiveness comes mainly from lower labour costs.

The same study projects the export potential as \$ 20 billion by 2015. We are already witnessing acquisitions of companies in Europe and North America by Indian automotive components manufacturing companies. All these are indicative of the fact that India is fast emerging as a global automotive hub and is engaging much attention for its high competitiveness, cost-effective solutions, good engineering and design skills etc. This is helping us project ourselves as an ideal outsourcing destination. A stable economic environment is enabling the exponential development. (*Source: ACMA-Volume McKinsey Report*)

Future Growth Drivers

Export opportunity

According to a ACMA- McKinsey study, India can achieve a 3-4% share of the potential outsourcing market (estimated by them at US \$700 billion) by 2015 given India's strengths, especially its competitiveness in manufacturing labour intensive, skill-intensive parts and parts in evolving technology aggregates among others.

Increased outsourcing to low cost destinations by global OEMs offers a growth opportunity to the Indian auto-component players who can also diversify the revenue streams and reduce their dependence on the domestic automotive market. To capitalise on the outsourcing opportunity, some Indian companies have already initiated steps to cater to the requirements of the global OEMs as well as Tier I suppliers. While a host of companies started with supplying labour intensive components, a few of them have graduated to add on technology intensive equipments either to OEMs directly or as sub-suppliers to the Tier 1 suppliers. Then there are some companies who have emerged as partners and some have obtained full service supplier status for select components (that includes presence across entire design, development, tooling, casting, machining, assembly and program management).

To cater to the growing domestic market, be able to undertake and execute large export orders and leverage economies of scale, a host of players have planned investments for capacity expansion as well as improvement in technology.

Besides exports from India, some auto-component manufacturers are establishing/ strengthening their presence in select developed automotive markets. Thus, they have acquired or are in the process of acquiring manufacturing units in such destinations that offer proximity to global OEMs. Benefits of such acquisitions include multi-locational manufacturing facilities, expansion of product range, access to clients and to new technologies and progress in the value chain of component supply.

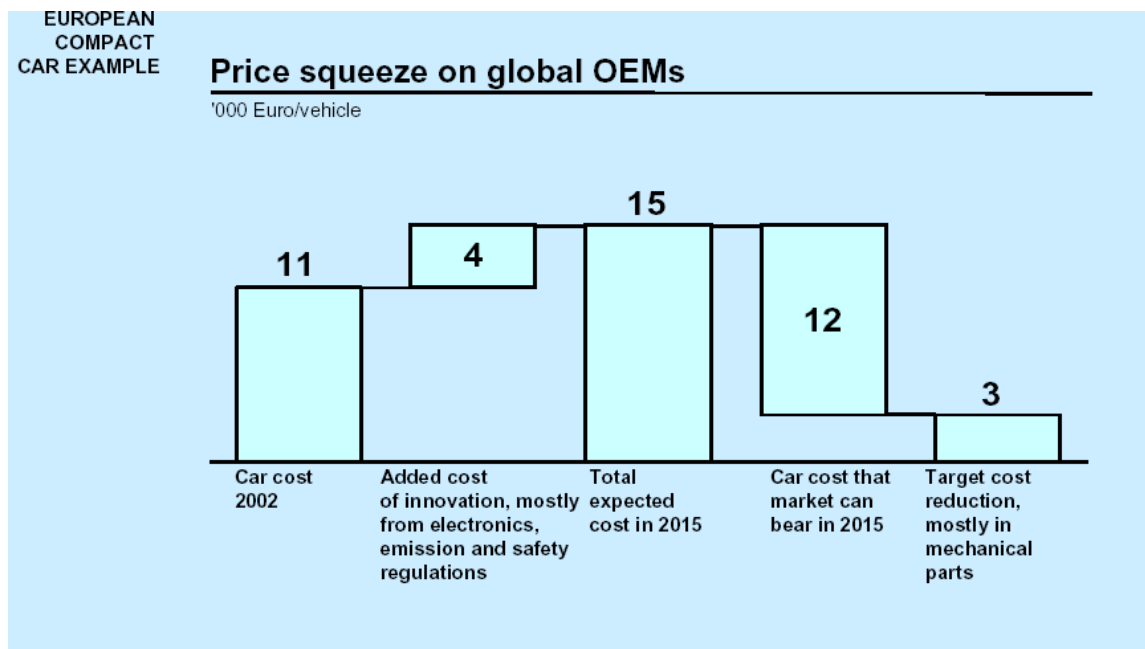
Additionally, the joint venture route is also being explored by a few players with a view to promote demand from automotive components in a number of countries and capitalise on the resources available in such geographies.

The profits of global OEMs are under increasing pressure due to increased competition and as a result, component sourcing will migrate towards "low cost" countries. Hence, component "outsourcing" is on the rise and expected to continue to rise further.

The global automobile industry is operating at a capacity utilisation level of 65 per cent leading to excess capacity in the industry. As per some estimates, the world will be having just five automobile majors by year 2010 compared to present level of 13 existing players. This will lead to inter-se competition among the majors on cutting the manufacturing costs and remain slim. One way to achieve it will be to opt for sourcing assemblies or systems instead of individual components from auto ancillaries. This will help in reducing costs substantially by reducing number of direct suppliers, providing economies of scale to suppliers through large volumes, sharing designs and development costs of components, reducing time for vendor development costs of components, reducing time for vendor development, reducing capital investment for assembling sub-systems etc.

A case in point is the study done by McKinsey for the ACMA. It says that cost pressure on global OEM's will drive them to outsource form Low Cost Countries (LCC) especially India and China.

In the given illustration below, a European Compact car (Small car segment in India) would cost Euro 15000 by 2015 owing to increased costs related to innovation and especially due to stringent safety and emission norms prompting design and technology changes. However, a consumer would be willing to pay around Euro 12000 only considering the economic climate at that point of time in 2015. This cost gap of Euro 3000 would have to be reduced by the OEM's if they want to stay competitive in the market. This can be achieved only by sourcing components from LCC's. This provides a huge market and the potential is immense for auto component manufacturers in LCC's.



(Source – McKinsey study for ACMA)

Rural economy - an untapped market: Rural India accounts for 2/3rd of the country's population and is dependent on agriculture and allied activities. Despite its size, this segment has been largely ignored for a long time now. However, there are few structural changes taking place in this part of the country. Among many positive factors like rural development, increased private sector participation in farming, we believe that Indian infrastructure development will drive growth in rural areas in the long term. Accessibility has been an issue till now, which will steadily improve going forward. In the long run, the rural economy can grow by around 4%, as against the current rate of 2% during last decade. As per NCAER, the penetration of cars/jeeps in the rural households is mere 0.3% as compared to 10% in the urban centers.

Infrastructure thrust: Over the past six years, we have seen significant improvements in road infrastructure. To give a perspective, the Golden Quadrilateral, which is nearing completion, accounts for around 1% of the total road surface in the country. Similarly, the government is expected to spend around Rs 750 bn (accounting for 34% of the infrastructure outlay) towards road development in the next three years. If one looks at the developing (that have better road infrastructure) as well as developed nations, it would not be wrong to assume that this is just the beginning. Development in road infrastructure is generally accompanied by a steady rise in demand for vehicles.

Investments and capacity expansions: A number of companies have announced substantial capacity expansion as well as investments in R&D. According to SIAM, automotive vehicle manufacturers are expected to invest a whopping Rs. 25,000 crore in the Indian market from 2005 to 2010. Of this, about Rs. 10,000 crore will be on research and development and the rest likely to be largely on capex.

India's Edge

- The country provides skilled and cheap labor. For eg the wage cost as a percentage of sales in Indian forging industry is less than 9% and the same for US companies was 38.8%.
- Indian component manufacturing companies have achieved significant level of automation and that too at a lower cost. Global benchmarks for quality standards are also not too far from being achieved.
- Lowering costs by following Total Quality Management and Total productivity management by the companies.
- Investments in the auto component industry in India have witnessed a robust CAGR of 9.4% over the last seven years.
- Legal and accounting systems are in place to meet the global standards.
- The technology in the industry has improved significantly with quite a few Indian companies entering into technological collaborations with global majors.
- With respect to quality many companies have achieved various certifications.

According to ACMA there are currently 456 companies with ISO-9000 certification, 136 companies with QS-9000 certification, 129 with ISO-14001 certification, 240 with TS-16949 certification, 32 companies with OHSAS certification, 6 Deming prize winning companies, 4 companies with TPM excellence and 1 Japan quality medal winning company.

Product Liability

The Indian auto component companies need to adhere to strict quality control to prevent any defects in the designing and manufacturing of their products.

The World's leading OEMs follow strict product liability rules while going for any contract with their suppliers. Under product liability rules any supplier could be penalized by its client if the product fails to meet the set quality standards and results in line stoppages, recalls and claims.

Domestic insurance companies are now providing product liability insurance to the Indian autocomponent manufacturers. As a result, Indian auto component manufacturers are likely to be more confident while doing business with global OEMs. With product liability insurance in place, the acquisition and execution of export contracts will be easier for the Indian companies.

R&D Capability

In recent years the world's leading automakers and Tier I suppliers have opened their R&D centers in different parts of the country. The cost of R&D in India is low compared to any developed country and skilled manpower is available. In the long run the entry of foreign companies would benefit the Indian industry as people working in foreign firms would acquire insights and skills which otherwise would be impossible to acquire. In India there is not a single auto component manufacturer which does original R&D. Only a few companies have recently started design and development (D&D). D&D is the initial stage of R&D and it works as a support function for R&D in auto component industry. Every major auto component manufacture starts with D&D before venturing into full scale R&D. R&D in auto component industry involves developing a component as per the requirement of vehicle maker/OEMs/Tier I supplier. It involves developing the original design of the component, making prototypes and testing and then mass production of the component. R&D in auto component industry requires high technological capabilities and Indian companies are on a learning curve.

Design and Machining Capability (Scale 1 = Low, 10 = High)

	Germany	India	US	Brazil	Mexico	Che. Republic	China
Availability of Skilled Labour	7.5	7.4	7.2	6.4	6.3	5.9	4.8
Availability of Qualified Engineers	8.5	7.5	7.4	6.6	6.6	6.3	4.2

(Source: ACMA)

India's strength in software can be utilized in R&D in the auto component sector. Already some of the major Indian companies have started working in this direction and have set up laboratories that are equipped with the latest CAD/CAM/ CAE software. They are using this software for reverse engineering, designing and testing auto parts.

According to ACMA, India has the huge potential to export embedded software (for automobiles) for the developed markets. Embedded software handles many critical control functions such as ABS braking systems, airbags etc. Embedded software is also used for safety, climate control and so on.

Where does India Stand?

Country	Economic LT Risk	Political LT Risk	CBU Output Gr.	Vehicle Ownership/ Penetration Potential	Regulation	Competitive Environment	Composite Score	Regional Rank
India	4	8	9	10	8	3	42	1
Thailand	5	6	8	6	8	6	39	3
Indonesia	4	3	3	9	7	7	33	5
South Korea	9	7	1	2	8	6	33	5
Pakistan	1	2	8	9	6	7	33	5
China	8	2	5	9	6	2	32	9
Malaysia	7	3	7	4	6	5	32	9
Vietnam	1	1	1	9	6	8	26	13

LT Economic Risk: Based on BMI Country Risk Service Long Term Economic risk rating, LT Political Risk: Based on BMI Country Risk Service Long Term political risk rating. CBU Output growth: based on BMI forecast for 2004-2007 CBU production. Vehicle Ownership/ Penetration Potential: Based on saturation of market. Regulation: Based on BMI Business Environment Rankings, Foreign Direct Investment and industry regulations. Competitive Environment: Based on level of existing market competition. Composite Score: Unsighted total of Preceding six scores. Regional Rank: Highest composite score = most attractive auto sector environment within the Asia/ Pacific region; Lowest composite score = least attractive.

(Source: BMI Research (taken from the ACMA website))

The Indian companies have also proved their competence in making minor modifications to existing products that either result in new uses for the product or significant cost cutting.

Foreign automakers face numerous regulations, risks, and restrictions in emerging markets. Since China joined the WTO in 2001, tariffs on vehicle and auto-part imports have been declining. Nevertheless, car imports have remained relatively stable in recent years, as more of the foreign manufacturers' efforts went into producing locally rather than boosting import activities.

A further risk factor associated with investing in China is the legal uncertainty, including the chance of intellectual property violation. Several examples illustrate how difficult it is to protect proprietary technology, design, and trademarks in this legal environment. The problem is even more pronounced for spare parts, the technology and design of which are harder to protect. VW, for example, is reported to have discovered that local suppliers copied parts their manufacturing facility in China. A strategy that was popular among foreign auto manufacturers in the early days of investing in China using old technology and offering models from the previous season to protect proprietary technology is now considered impossible to sustain, as a result of increasing competitive pressures.

The regulatory environment in India is favourable to foreign entrants, and the IPR protection is stronger. There are no restrictions to setting up a automobile manufacturing plant, as 100% foreign ownership is permitted. India's new Auto Policy of 2002 led to a reduction of import duties on components and CKDs (completely-knocked down units) to 15% in 2005 from 30% in 2003, stimulating domestic production.

Furthermore, foreign direct investment is been encouraged by the provision of tax incentives. In line with WTO regulations (of which India has been a member since 1995), import duties and excise duties on import vehicles-while remaining high in absolute terms-are being reduced gradually.

Issues facing the auto component manufacturing industry

- Need to invest in facilities/ technologies to be able to undertake large export orders.
- Integration of overseas acquisitions, especially for large players who have made acquisitions in the past 2-3 years to benefit from synergies from operations in product mix, geographies and technology.
- Exposure to product liability risks -Most global OEMs also enforce a product-liability clause, which stipulates that suppliers will be charged punitive damages in case of a line stoppage or product recall caused by supply of defective components.
- Higher lead time in winning international contracts. In the case of export contracts from global OEMs, the lead-time from the request for quotation till the time of commencement of actual supplies can be as high as 3-4 years.
- Need to remain cost competitive to be able to commit to reduction in prices as required by global OEMs.
- At times restrictive policies of technical or financial collaborator may affect exports.

BUSINESS OVERVIEW

Brief History of the Business

Our Company is promoted by Mr. J. K. Jain, our Chairman and Managing Director, who is a first generation promoter. He has a rich experience of about 35 years in automotive components industry and is one of the pioneers of the automotive components industry in India.

Our Company is one of the leading manufacturers of automotive lighting & signaling equipments and rear view mirrors. Our major business comes from the two-wheeler segment of the vehicle industry. We have a wide range of two-wheeler lighting systems and rear view mirrors. Our diversified products portfolio ranging from rear view mirrors, head lamps, tail lamps, roof lamps, wheel covers, warning triangle, complete rear fender assembly, frame assembly, mudguards and various sheet metal & plastic parts etc. is capable of catering to the needs of almost all segments of automobile industry viz., two-wheelers, three wheelers, LCVs, HTVs and tractors.

Our Company was originally incorporated in India as Rahul Auto Private Limited on February 6, 1989 in New Delhi under the Companies Act, 1956. We set up our unit at HSIDC Industrial Estate, Kundli, Sonapat (Haryana) for carrying on the business of manufacturing rear view mirrors for two, three and four wheelers. We changed the name of our Company to FIEM Industries Private Limited w.e.f. May 7, 1992. Subsequently, our Company was converted into a public limited Company w.e.f. November 30, 1993, pursuant to which, the name of our Company was changed to FIEM Industries Limited.

Our existing plants are located at Kundli (Sonapat, Haryana) (Unit I), Hosur (Tamil Nadu) (Unit II & III) and Mysore (Karnataka) (Unit IV). Our upcoming units will be located at Hosur (Tamil Nadu) (Unit V) and Nalagarh (Himachal Pradesh) (Unit VI). The proximity of our plants to our OEM customers offers logistic savings to our valued customers and further enables us to cut our inventory carrying costs and shorten the delivery time. Moreover, our commitment to customers' satisfaction in terms of quality, cost, in-time delivery and services is amply reflected in the repeat orders and awards from our customers. We have had the opportunity of been associated with some of our prestigious OEM customers since the start of their operations in India.

Achievements and awards

We have received various awards from our customers, industry organization and government organization. These awards have been conferred on us at various points in time. Some of the awards given by our customers are given below:

Year	Award by	Award for
1991	Kinetic Honda Motors Ltd.	Best Performance
2001	Hyundai Motors India Ltd.	Best Performance
2001	Kinetic Engineering Ltd.	Best Performance
2001	TVS Motor Co. Ltd.	Best Performance
2002	Hyundai Motors India Ltd.	Best Performance
2003	Hyundai Motors India Ltd.	Best Performance
2003	Honda Motorcycle & Scooters India (P.) Ltd.	QCDDM#
2004	Honda Motorcycle & Scooters India (P.) Ltd.	QCDDM#
2004	Hyundai Motors India Ltd.	Best Performance
2005	Hyundai Motors India Ltd.	Best Performance
2006	Honda Motorcycle & Scooters India (P.) Ltd.	New Model Development
2006	Honda Motorcycle & Scooters India (P.) Ltd.	Valuable Contribution & Support

QCDDM-Quality, Cost, Delivery, Development and Management

In addition to the above, we have been appreciated for excellence in quality of our products and achieving target for supplies.

Year	Appreciation certificate by	Certificate for
2001	Hyundai Motor India Ltd.	Achieving the target
2002	Hyundai Motor India Ltd.	Achieving the target
2003	Hyundai Motor India Ltd.	Achieving the target
2004	Hyundai Motor India Ltd.	Achieving the target
2006	International Study Circle	Transworld Gold Star Award for Certificate of Excellence in Quality

Our Company was awarded the 'Bhartiya Shiromani Puraskar' by the Institute of Economic Studies (IES), New Delhi in the year 2005 as a certificate of excellence for enhancing the image of India. Our Company was presented with the 'Business Sphere Award' for the year 2005-06 for being the most successful pioneer and among toppers in export & manufacture of auto components for 2 wheelers. In February 2006, our Company was awarded the 'Transworld Gold Star Award' by the International Study Circle (ISC), New Delhi for excellence in quality.

Product Portfolio

Our existing product portfolio comprises of the following:

Automotive Lamps & Signaling Equipments	Rear view mirrors	Others
Head lamps	Inside rear view mirrors	Plastic components such as fender rear, side panels, seat base, engine guard, frame cover, magneto cover, Meter top and bottom cover, etc.
Tail lamps	Outside rear view mirrors	Sheet metal components such as frame assembly (chasis for two-wheelers), mudguards, stands, Exhaust Pipes, silencer covers, petrol tank, head lamp bracket, etc.
Rear Combination lamps	Prismatic rear view mirrors	
Side Indicator lamps (Turn signal lamps)		
Interior lamps		
Front / Fog / Auxiliary lamps		
Number plate lamp Roof lamps Work lamps Beacon lamps		
LED tail lamps, direction indicator, side lamps, outer marker, side marker, beacon lamps, bulbs, decorative lights, number plate lights		
Warning triangles		

We also manufacture and supply value added products such as a complete Rear Fender Assembly for two-wheelers which typically consists of rear fender (plastic) fitted with two turn signal lamps, tail lamps, number plate, reflex reflectors fitted with various mounting sheet metal brackets.

We have commenced trial runs at our Export Oriented Unit (Unit V) located at Hosur, Tamil Nadu initially for manufacture of mirror plates for four-wheelers with technical support of Ichikoh, Japan. Subsequently, we propose to manufacture the complete rear view mirror assembly for exporting to Ichikoh, Japan and to various four-wheeler vehicle manufacturers in India under the technical support of Ichikoh, Japan. We also propose to manufacture head lamps, tail lamps, blinkers, plastic parts for two-wheelers and four-wheelers for exports.

In addition to the products mentioned above, in our forthcoming joint venture, we propose to manufacture automotive radiators, heating elements for two-wheelers and four-wheelers and complete air conditioning systems for four-wheelers.

Production Facilities

Our existing and proposed production facilities and other infrastructure details are provided in the table below. Our units are strategically located to service our domestic OEM customers who are located in different automotive clusters in India as depicted in the picture appearing in the section titled 'Industry Overview' beginning on page no. 54 of this Draft Red Herring Prospectus.

Plant Location	Products / activities	Area	Freehold / Leasehold	Workforce #
Unit I - 32 Mile Stone, G. T. Road, Kundli, Sonapat, Haryana	Head lamps, Tail Lamps/ Rear combination lamps, Side indicator lamps, Fog lamps, Reflex reflectors, Warning triangles & Rear view mirrors, LED lamps	19425 sq. mtrs.	Freehold	886
Unit II - 219/2B, Thally Road, Kallukondapalli, Hosur, Tamil Nadu	Head lamps, Tail Lamps/ Rear combination lamps, Side indicator lamps, Reflex reflectors & Rear view mirrors and rear fender assembly	12505 sq. mtrs.	Freehold	258
Unit III - Kelamangalam, Achittapalli Post, Hosur, Tamil Nadu	Sheet metal items-complete frame assembly (Chasis for two-wheelers), mudguards, stands, Exhaust Pipes, silencer covers, petrol tank, head lamp bracket, etc.	25578 sq. mtrs. (approx.)	Freehold	256
Unit IV - S. No. 29, Madargali Village, Varuna Hobli, Mysore Taluk, Karnataka	Rear Fender assembly	1000 sq. mtrs.	Lease hold Terminating on September 1, 2008	11@
Unit V (EOU) - Kelamangalam, Achittapalli Post, Hosur, Tamil Nadu	Mirror plates, Mirror assembly, Head lamps, tail lamps, side indicators and plastic parts	7000 sq. mtrs. (approx.)	Freehold	12*
Unit VI - Nalagarh, Himachal Pradesh	Head lamps, Tail Lamps, Side indicator lamps, rear fender, Reflex reflectors, & Rear view mirrors	37030 sq. mtrs.	Freehold	-*

These employees consists of permanent employees as well as contractual labour.

@ The production has partially commenced for the range of products to be manufactured in this Unit.

* The production is yet to commence.

Our Customers

We have been supplying to almost all major OEMs in the domestic market as well as few global OEMs besides some global Tier I automotive lamp manufacturers.

Our OEM customers in the **four-wheeler** segment include the following:

General Motors India Ltd.	Hyundai Motors India Ltd.
Tata Motors Ltd.	International Tractors Ltd.
Swaraj Mazda Ltd.	VST Tiller & Tractors Ltd.
Ashok Leyland Ltd.	Tractors & Farms Equip. Ltd.
HMT Tractors Ltd.	Punjab Tractors Ltd.
Skoda Auto India Pvt. Ltd.	Force Motors Ltd.

Our OEM customers in the **two-wheeler** segment include the following:

TVS Motor Co. Ltd.	Honda Motorcycle & Scooter India P. Ltd.
Suzuki Motorcycle India P. Ltd.	LML Ltd.
Kinetic Engg. Ltd.	Kinetic Motor Co. Ltd.
Hero Motors Ltd.	Majestic Auto Ltd.
Scooters India Ltd.	

Some of our **overseas customers** include the following:

Four Wheeler	Two Wheeler
Aspock Systems, Austria	Piaggio, Italy
Sparex, UK	ZADI, Italy (Proposed)
Geka, Germany	
Ichikoh, Japan (Proposed)	
KAC, Korea (Proposed)	

Our Existing Joint Ventures and Collaborations

- **Joint Venture with Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited) and Sung San Co. Ltd., Korea**

Our Company had entered into a Joint Venture agreement with Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited) (“DDML”) and Sung San Co. Ltd., Korea (“Sung San”) (now SL Sung San Corporation Ltd.). Pursuant to this agreement, FIEM Sung San India Ltd. was set-up for engaging into the business of manufacture of automotive lighting and signaling equipment for four-wheelers. SL Sung San Corporation Ltd. is a group concern of SL Samlip Corporation, Korea and is a supplier to GM Daewoo. It has its manufacturing facilities all over the world. For more details on the Joint Venture agreement, please refer to the section titled ‘Shareholders and Other Agreements’ beginning on page no. 90 of this Draft Red Herring Prospectus.

- **Technical Support Agreement with Ichikoh Industries Ltd., Japan**

We have signed a Technical Support Agreement with Ichikoh Industries Ltd., Japan (“Ichikoh”) initially for setting up a unit for manufacturing automotive mirrors

Ichikoh is a one of the leading manufacturers of automotive lamps and signaling equipment, Rear View Mirrors, Wiper Blade Assemblies and LED lamps. Ichikoh is a major supplier to all major OEMs in Japan and includes principal clients such as Nissan Motor Co., Ltd., Toyota Motor Corporation, Suzuki Motor Corporation, Mitsubishi Motor Corporation and Honda Motor Co. Ltd. Major shareholders of the company are Valeo Bayen, Toyota Motor Corporation, Daihatsu Motor Co Ltd. Ichikoh has overseas operations in Kentucky (USA), Nilai Negari Sembilan (Malaysia) and West Java (Indonesia). (Source: www.ichikoh.com)

We will be initially exporting mirror plates and eventually the complete mirror assembly to Ichikoh.

- **Memorandum of Understanding entered into with Aspock Holding, GmbH, Austria for Joint Venture**

We have entered into a Memorandum of Understanding with Aspock Holding, GmbH, Austria (“Aspock”) for establishing a Joint Venture. The Joint Venture agreement to be entered as per the above MOU, proposes to set up facility to manufacture automotive lighting & signaling equipment and wiring harness for trucks and trailers. For the salient features of this MOU, please refer to the section titled ‘Shareholders and Other Agreements’ beginning on page no. 90 of this Draft Red Herring Prospectus.

- **Joint Venture with Korea Air Conditioners Co. Ltd., Korea**

We have entered into a Joint Venture agreement with Korea Air Conditioners Co. Ltd. (“KAC”) for manufacture of automotive radiators, heating elements and air-conditioning systems. The agreement provides for a buy-back commitment from KAC, whereas the rest of the production will be sold to domestic and overseas OEMs.

KAC is a leading manufacturer of automotive radiators, heating elements and air-conditioning systems and supplies to major OEMs in Korea.

For the salient features of this agreement, please refer to the section titled ‘Shareholders and Other Agreements’ beginning on page no. 90 of this Draft Red Herring Prospectus.

- **Memorandum of Understanding entered into with ZADI Divisione Fanaleria CEV Spa, Italy**

We have entered into a Memorandum of Understanding with ZADI Divisione Fanaleria CEV Spa, Italy (“ZADI”) for entering into a proposed technical, commercial and / or financial collaboration. For the salient features of this MOU, please refer to the section titled ‘Shareholders and Other Agreements’ beginning on page no. 90 of this Draft Red Herring Prospectus.

ZADI is engaged in the manufacture of designing, manufacturing and selling automotive components and more specifically headlights, tail lights, blinkers, license plate lights as well as instruments clusters, odometer drives, handlebar switches and electronic devices, as well as lock sets consisting of mechanical, electromechanical and electronic ignition switches cum steering lock, seat locks, fuel tank caps, tool box locks mainly for two- and three-wheelers and possesses proprietary know-how in all these fields.

Competition

In the automotive lighting systems segment, we face competition from the following Indian players. The technology providers for these manufacturers are as under:

Indian player	Collaborator / Technology provider
Lumax	Stanley, Japan
India Japan Lighting	Koito, Japan
Hella	Hella, Germany
Tata Visteon	Visteon, France
Rinder	Rinder, Spain
Unitech	Stanley, Thailand
Minda	TYC, Taiwan

In the rear view mirrors segment, we face competition from the following Indian players. The technology providers for these manufacturers are as under:

Indian player	Collaborator / Technology provider
Tata Fico – Fico	Fico, Spain
Scphnecker Motherson Ltd.	Scphnecker, Germany
Lumax Magna Donnley Ltd.	Donnley, Italy
Alpha Toyo	-
Krishna Toyo	Toyo, Japan
Sandhar Locking Devices	-
Varroc	-

In the plastic components segment, we face competition from the following:

TAFE (Plastic Division)	Krishna Maruti
Harita Plastics	Evershine Moulders
Brite Industries	Vimal Moulders
Paradise Industries	Machino Plast
Mutual Industries	

In the sheet metal segment, we face competition from the following:

Omax Industries	Jai Bharat Maruti
Bharat Sheets	Neel International

We also face competition from various other players from the organized and unorganized sector for the aforesaid segments.

Our Products

Our product lines can be broadly categorized into:

1. Automotive Lighting & Signaling Equipment;
2. Rear View Mirrors; and
3. Plastic and Sheet Metal Components.

Following is a brief description of our products under each segment and their manufacturing process. All activities are controlled as per the latest international automotive technical specifications ISO/TS 16949-2002.

A. Automotive Lighting & Signaling Equipment

1. **Head lamps** are powerful lights mounted to the front of a vehicle that help illuminate the road in front of the driver. A complete headlight unit consists of bulb, reflector, lens holder and power supply. Modern headlights are electrically operated, positioned in pairs, one or two on each side of the front of a vehicle. A headlamp system is required to produce a low and a high beam. High beam cast most of its light straight ahead, maximizing distant visibility. Low beam has stricter control of upward light, and directs most of its light downwards, to provide safe forward visibility without excessive glare.

2. **Signal lights** are brake, park and turn signal lights that alert other drivers when the vehicle is decelerating, stopping or turning. These include Tail Lamps and Side indicators.
3. **Fog lamps** are positioned on or below the front bumper of the vehicle. Fog lights provide a wider beam pattern and are mounted lower than headlights to illuminate below the normal line of vision to minimize reflected light and help better visibility in adverse conditions.
4. **Reflex Reflectors and Warning triangles** are electroforms integrated in moulds that glow when exposed to light and serve as an indicator even when a vehicle's other lights are not functioning. The presence of reflex reflectors help in giving a visual warning to other drivers especially during night time driving for safety.

Manufacturing Process

The manufacturing process along with a diagrammatic representation for the above items is detailed below. Most of the processes in the automotive lighting and signaling segment are similar except for a few modifications for specific products which have been highlighted in the process description.

i) Raw Materials / Bought Out Parts

The plastic raw materials and the bought out parts (BOP) like fasteners, bulbs, wiring assembly including holders, glass lens, consumables etc, are procured and stored in advance after verifying and testing the same for specified mechanical, electrical and environmental requirements.

ii) Injection Moulding

In-house process starts with processing of the plastic items such as the base with the integral multi focal reflector (MFR) and lens by moulding. The injection moulding machines preheat the plastic raw materials in their respective hoppers with stipulated temperature control arrangements to eliminate trapped moisture contents before moulding.

iii) UV Hard coating

The plastic lens which is moulded undergoes a specific highly controlled automated robotic treatment called UV hard coating to get protected from weather conditions, dust and chemical abrasions. For headlamps with glass lens the lenses are washed, cleaned, checked for colour polarization limits, individually packed and stored for onward assembly. This process is carried out only for headlamps.

iv) Ionised AIR cleaning & Base Coat Lacquering

The reflector after moulding goes for ionised air cleaning to remove any external particles to get a smooth and dust-free surface for the base coat lacquering process which is done in a strictly regulated dust free environment at a specific temperature and pressure. Proper baking is done for painted components.

v) Metalizing & Top coating

The reflectors are loaded in the computer controlled vacuum metalizing plant which also has inbuilt sophisticated HMDSI system (high glow discharge plasma silicone coating) for top coating to further protect the metalized aluminium reflective layer from moisture before it is exposed to normal environmental conditions.

v) Assembly

The assembly lines are fully equipped with equipment for the sub assembly of items like bulb holders, nuts, brackets, etc. and the process of hotmelt application by Automated Programmable Robot Applicators to seal the lens with the

reflector. The verification of this process is done through automated leakage testing for each sub assembly to ensure vibration robustness and to stop entry of moisture and dust.

vi) Light testing & Final Inspection

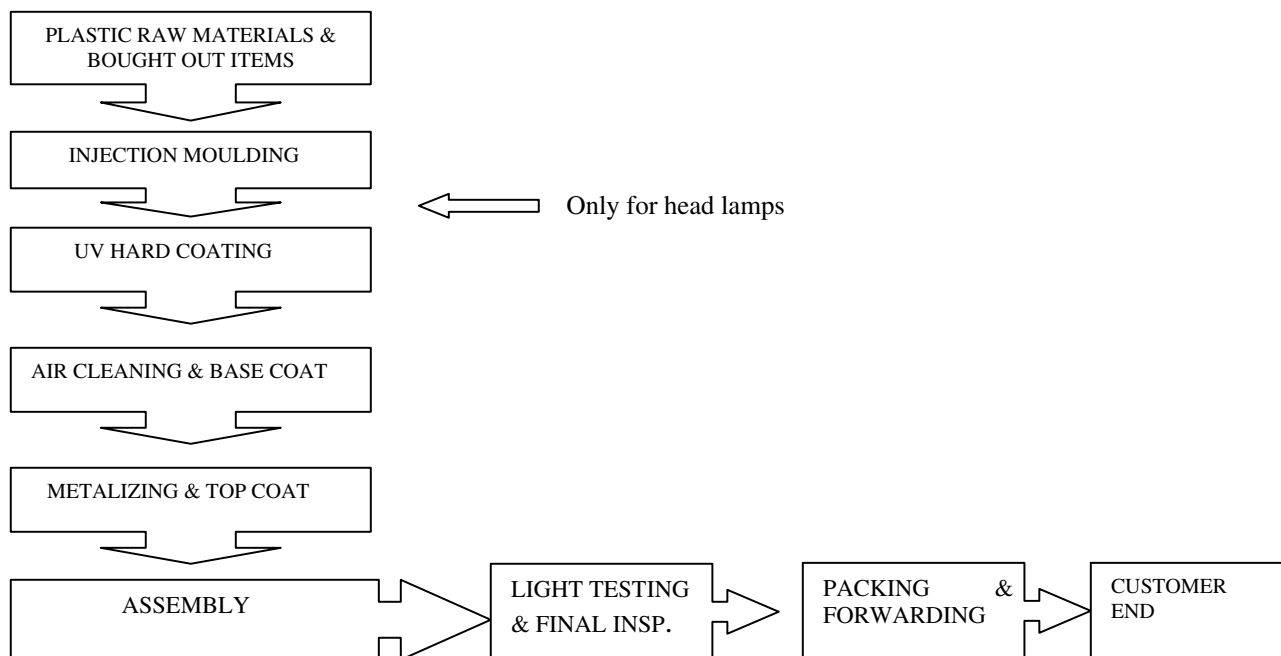
The assembly is finally checked after fitting the wiring harness assembly and bulb in an automated photometry checking equipment to ensure the light intensity of both the passing and driving beams. The same equipment has the facility for identifying any missing parts like nut, bracket etc. pre assembled with the headlamp for mounting as per the customer requirements. This is confirmed by the equipment with an automatic “OK” stamp impression on each headlamp assembly.

vii) Packing & Forwarding

The final packing and forwarding to the respective customers with Pre Delivery Inspection Reports (PDIR) as per the customer specific requirements.

A diagrammatic representation of the above process is given below:

LAMP ASSEMBLY PROCESS FLOW SUMMARY



B. Rear View Mirrors

Rear-View Mirror is a functional type of mirror found on automobiles and other vehicles, designed to allow the driver to view the area behind the vehicle through the back window. The conventional rear view mirror is being transformed into a high-tech hub of auto electronics with the introduction of auto-dimming mirrors, signal mirrors, power-folding mirrors, wide-angle spherical mirrors etc.

We manufacture rear view mirrors for a variety of vehicles and are a preferred supplier to many OEMs. We employ sophisticated CAD/CAM systems and automated equipment in the manufacturing process. The process involves bending the mirror plates and maintaining high accuracy of the radius of curvature and precisely maintaining the low distortion levels to meet the customer specifications.

The sequence of activities in the process are detailed below:

i) Raw Materials / BOP Items Procurement

Plastic raw materials and the bought out parts (BOP) like fasteners, stayrods, floatglass, consumables, etc., are procured and stored in advance after verifying and testing the same for specified mechanical and surface treatment requirements.

ii) Injection Moulding / sheet metal pressing

In house process starts with processing of the plastic items and sheet metal items like mirror housings, brackets, etc. The plastic mirror housings and brackets are moulded using the latest microchip controlled computerised moulding machines. These injection moulding machines are capable of pre-heating the plastic raw materials in their respective hoppers with stipulated temperature control arrangements to eliminate trapped moisture contents before moulding.

The sheet metal housings and brackets are formed by sheet metal pressing of deep drawn quality grade cold rolled carbon steel sheets. These housings and brackets are further processed by plating or painting depending on customer specifications. The housings and brackets produced from both the processes are inspected and stored till it is moved to the assembly line.

MIRROR PLATE PROCESS

i) Strip Cutting & Profile Cutting

The float glass is stripped to nominal sizes depending on the finished mirror size allowing minimum wastage. The profile marking is done on these strips by automated machines with diamond cutters and templates where the accuracy of mirror blank size is maintained throughout the process. These customized marked plates are kept for stress relieving for the stipulated time and then stripped to take out actual size blanks.

ii) Initial washing

The mirror blanks are then washed, cleaned and dried in a digitally automated conveyor machine.

iii) Bending (Convexing)

After thorough inspection, the plates are sent to a highly sophisticated temperature controlled conveyerised oven with specially formed porcelain bricks for bending the plates to the required radius of curvature. The highly precise oven is controlled by a master computer which detects each process temperatures and vacuum and gives warnings in case of any emergency. Once the process cycle is completed, these bent mirror plates are put to a open belt conveyor for cooling and inspection.

iv) Pad printing & curing

Each mirror plate is printed with the statutory warning as per national / international specification and then cured in a conveyerised oven.

v) Final washing and drying

The mirror plates from the above process are finally washed, dried and checked.

vi) Vacuum Metalizing

The glass plates are then loaded in special jigs for aluminium vacuum metalizing in the computer controlled vacuum metalizing chamber for giving reflective surface.

vii) Flow coating and baking

These metalized mirror plates are painted at the back to protect the coating and baked in a conveyerised oven.

viii) Final inspection and storage

The finished mirror plates are checked, stamped and stored for onward usage in assembly line.

MIRROR ASSEMBLY PROCESS

i) Sub assembly stage

The mirror sub assembly with stay rod and housing etc. are fixed using electrically controlled screwdrivers to maintain consistent torque as per the customer specifications on each mirror assembly.

ii) Mirror plate fixing

The sub assembly with plastic mirror housing is heated in a conveyerised oven and the mirror plate is fixed, and then allowed to cool. The sheet metal mirror housings are fixed with mirror plates with the help of specially designed polyvinyl gaskets.

iii) Final inspection

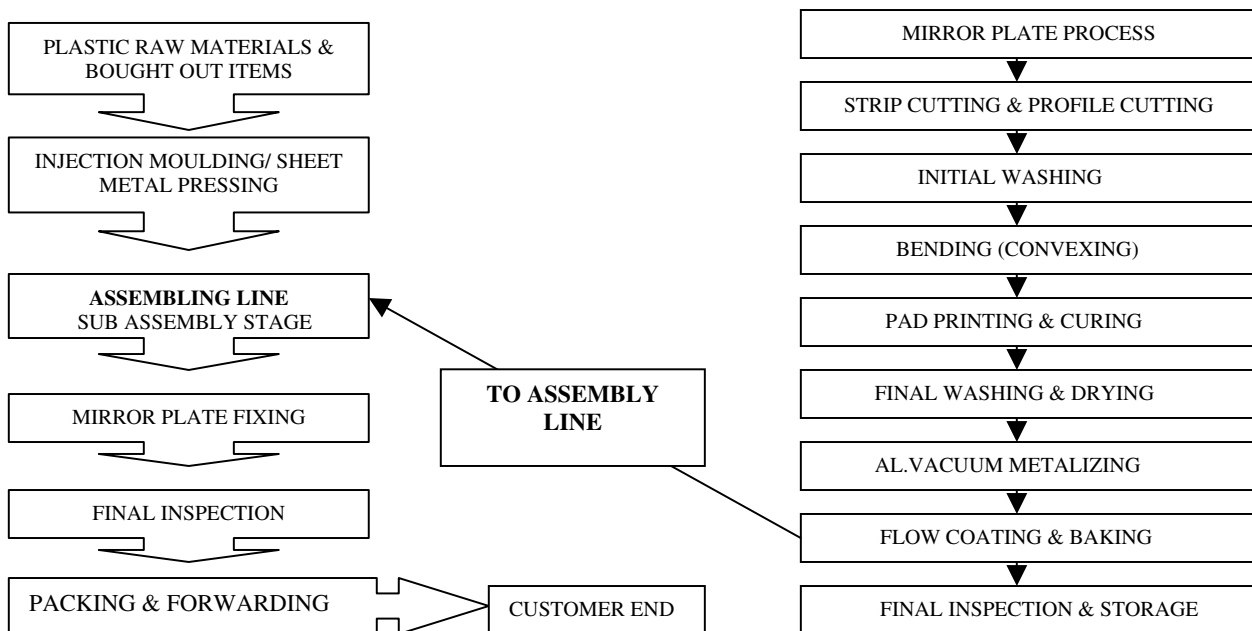
The Mirror assembly is finally checked for torque and distortion levels in total computer controlled equipment and the results are recorded.

iv) Packing & Forwarding

The final packing is done and forwarded to the respective customers with Pre Delivery Inspection Reports (PDIR) as per specific requirements.

A diagrammatic depiction of the process is given below:

REAR VIEW MIRROR ASSEMBLY PROCESS FLOW SUMMARY



C. Plastic and Sheet Metal Components

We also fabricate sheet metal / tubular components such as Frames, Mudguards, Stands, Guard exhausts, Exhaust pipes, etc. for two wheelers from superior grade cold rolled carbon steel raw materials procured from internationally accredited suppliers.

We design and manufacture components to match the ultimate quality requirements of the customers. We use dedicated digitally controlled equipment for manufacturing as well as for measurement purposes.

The production process involves the following process:

i) CRCA sheet / strips and BOP Items Procurement

The CRCA sheet / strips and bought out parts (BOP) like fasteners, consumables etc., are procured and stored in advance after verifying and testing the same for specified mechanical properties such as cupping, tensile, elongation tests etc.

ii) Cutting

In house process starts with cutting the sheets and tubes by shearing and cutting machines to the required sizes.

iii) Bending

The sheet metal components are then formed with the help of power press machines. In case of tubular components a CNC Bending machine is used for bending the material to accurate shapes as per the customer specifications.

iv) Welding & Checking

The welding of both parts depending on the specific requirements of customer is done in a MIG welding machine which has the accuracy to join both the items uniformly within the tolerance in microns and for any complicated shapes. The checking of the welded item for the layout inspection is done in a CMM machine having accuracy upto 5 decimal points to conform to the customers quality norms.

v) Oiling & Loading

In the case of items which are essentially painted for body colour / chrome plated with other sub fittings, oil is applied on each component for protection against rust. After processing, it is packed in small containers and sent directly to various customers.

In certain cases, components like Stands etc. once fabricated, will undergo the following process:

i) Spurting (manually) & phosphating

The spurting is done manually and then the components are passed through 9 stages of phosphating process in specially built tanks having different chemicals and distilled water maintained at different temperatures controlled digitally and monitored according to the customer specifications.

ii) Powder coating & baking

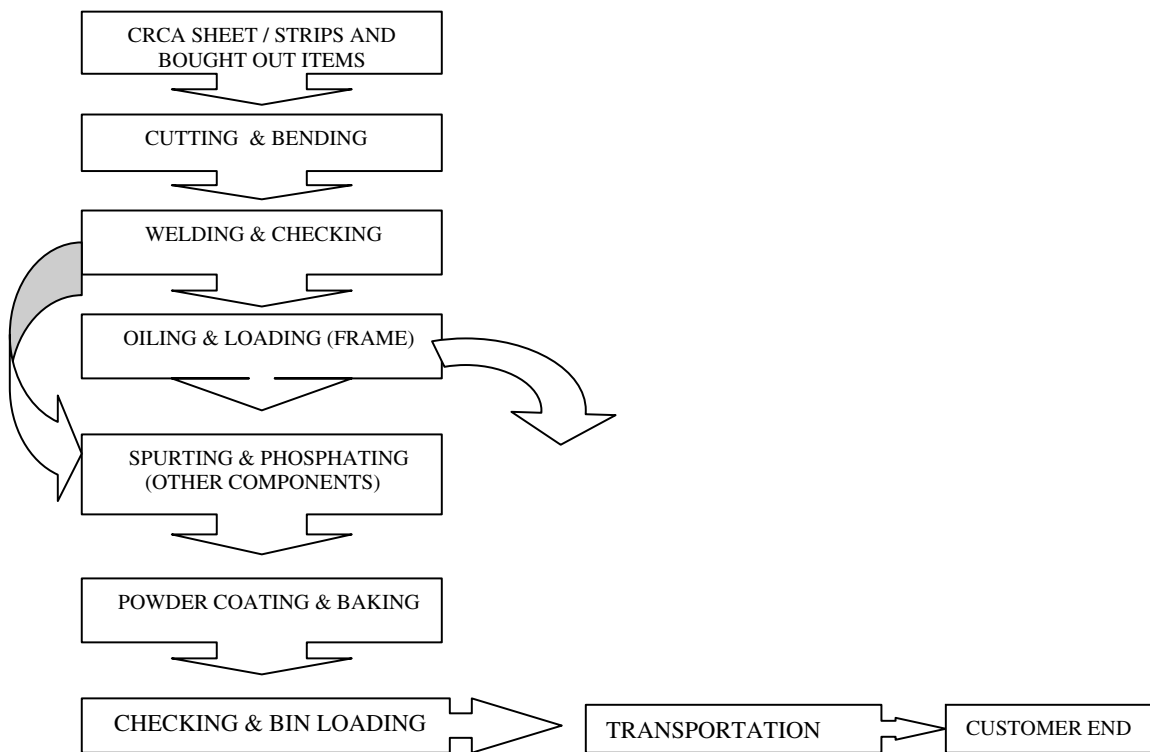
After the above process, the components are loaded in specific trolleys and sent for powder coating in a conveyerised oven by electro statically powder coating gun with required colour according to the customers specifications. After this, baking is done for specific period in the temperature controlled oven.

iii) Checking and Bin loading

The components are taken out from the trolleys after cooling, checked and loaded in bins for onward submission to customers.

A diagrammatic depiction of the process is given below:

SHEET METAL COMPONENTS PROCESS FLOW SUMMARY



REFLEX REFLECTORS / WARNING TRIANGLES

The sequence of activities involved in the process of manufacturing reflex reflectors / warning triangles are detailed below:

i) Plastic Raw materials and BOP Items Procurement

The plastic raw materials and bought out parts (BOP) like fasteners, consumables, etc. are procured and stored in advance after verifying and testing the same for specified mechanical, electrical and environmental requirements.

ii) Injection Moulding

In house process starts with processing of the plastic items such as the base and reflex reflector lens by moulding. The microchip controlled computerised moulding machine which is sensitive to temperature and high pressure with

the specific moulds which are specially designed and manufactured using international advanced technologies. These injection moulding machines are capable of preheating the plastic raw materials in their respective hoppers with stipulated temperature control arrangements to eliminate trapped moisture contents before moulding.

iii) Assembly

The assembly lines which is fully equipped with the advanced technology equipment for the assembly of items like, nuts, brackets etc and the process of ultrasonic welding of base with reflex reflector lens by Automated programmable machines with specially designed horns. This special process of welding is attained by specially designed energy directors on the lens and base to avoid water entry and dust which enables the long lasting life of the reflex reflectors.

iv) Final inspection

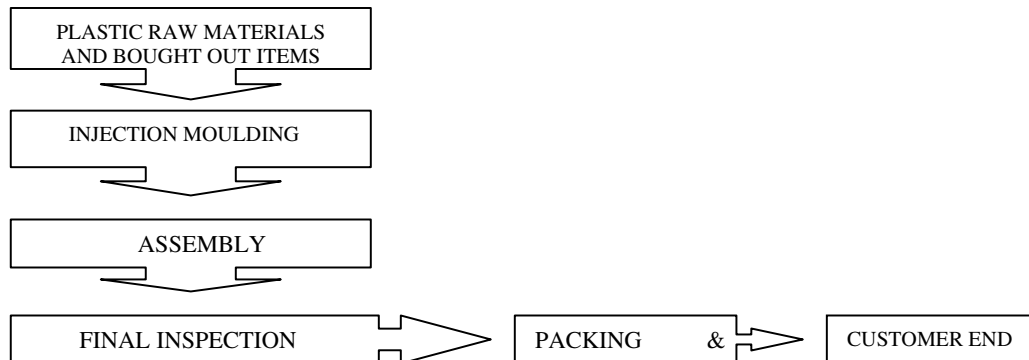
The assembly is finally checked for visual defects.

v) Packing& Forwarding

After the final inspection, the reflex reflector is packed as per the customer specifications and then forwarded to the respective customers with Pre Delivery Inspection Reports (PDIR).

A diagrammatic depiction of the process is given below:

REFLEX REFLECTORS/ WARNING TRIANGLES PROCESS FLOW SUMMARY



Product Testing and Quality Control

For Bought Out Parts, Inprocess Items , Final assembly Items, Homologation Test Items (ECE / ARAI), we employ various testing and measuring procedures which are certified by RDW Netherlands. These are:

Performance / Durability Tests

1. Photometric test: The test to check the spread of the lights on the road for visibility and presence, as well as to check the performance of individual lights for specific functions as per the standard requirements.

This is the basic test to check the requirement of light intensity distribution measured in lux / candela on all test points as per the specified standard for the lighting and light signaling equipments. This measurement is done by using high class precision test equipment such as photo goniometer, automated sensors and data acquisition systems.

2. Colour test: The test which detects the specific colour intensity of the lightings for the automobile use such as white, red, amber, etc as per the specified limits using a colour spectrometer.
3. Diffusion and Transmission test: The test to assess the difference in light output after long use. The test which detects the absorption/ transmission of light when sent through a medium of plastic or glass used in lamp assys. This test is done with the help of highly precise equipment with integrated spheres and lux meter.
4. Vibration test: The vehicle movement on bumpy and deteriorated road conditions is simulated in this test. This test detects the failures on components by simulating the vibration conditions of a vehicle by mounting the parts on a vibration test bench as per the standards.
5. Bulb wattage and Dura test: The test to check the electrical characteristics of a bulb and stipulated life as per the standard requirement.
6. Load test: To check the crimping load characteristics of terminals to the wires as per the standard requirements.
7. Distortion test: The test which detects the clarity of the image on the convex mirror to the specified limits as per the standard by the help of high resolution cameras.
8. Impact test: The test to check the resistance of a mirror assy from breakage due to high impacts from external forces. The test is conducted by hitting the mounted mirror assy with a pendulum of specified mass as per the standard requirements.
9. Reflectance test: The test to check the property- reflectivity of the coating medium of a mirror enabling the mirror to form a good image for visibility. This test is conducted with the help of an equipment having high resolution camera.
10. Alkali& Acid test: The test to detect the property characteristics of a material whether it fails when comes in contact with the chemicals as specified in standards.
11. Tape test: The test to check the adhesion of the coating medium on the substrate.
12. Plating thickness test: The test to detect the thickness of the coating layer of plating such as chrome/ nickle plating, zinc plating etc. This test is conducted with the help of an electrical equipment of high accuracy.
13. Hardness test: To measure the hardness of ferrous as well as non-ferrous metal sheets, blocks etc. Specific test equipments with high precision dead weights are used as per the standard requirements.
14. Mechanical deterioration test: The test to simulate the conditions of environmental as well as dust/ sand abrasions on the headlamp lens for assessing / measuring the diffusion and transmission values.

Environmental Tests

1. Heat and cool cyclic test: The test to check the changes happening on plastic as well as on metallic items during hot and cold atmospheric conditions.

The test to simulate the extreme environmental conditions with the help of a chamber which is highly sensitive and electronically controlled. The components are loaded in this chamber and tested for stipulated cycles of heat and cold as per the standards.

2. UV Test: The colour fading and cracks on plastic components are detected by this test. The components / assys are checked for simulated extreme weather conditions such as sunlight and humidity for specified no of hours in an electrically controlled equipment with xenon lamps.

3. Dust test: This test is to check the effect of extreme dusty conditions on lamp / mirror assys with simulated dust conditions in a chamber.
4. Water spray test: This test is to check the effect of rain shower/ service washing on the components / assys. The water ingress if any is detected and this condition is simulated in a water spray chamber with electrical / pressure controls.
5. Thermal shock test: This specific test is to determine the property of the glass headlamps during operation from breakage while it is dipped in water. The test is conducted as per the specifications.
6. Salt spray test: The test to check the rusty condition on metallic items. The test to check the resistance to corrosion when the parts come in contact with salt mist for a period of time as per the specifications. This test is conducted in a precise chamber with simulated conditions for salt spray.
7. Boiling test: The test to check the adhesion and rigidity of the paint coating on the aluminum substrate of a mirror plate dipped in boiling water. The test is carried out for one hour in the boiling condition.

Regulations / Certifications and Product Compliance

We have received the following certifications:

We have been accredited with ISO-9002 in the year 1997 by BVQI, London. In the year 1999, our Unit I at Sonapat, Haryana was accredited with ISO 9001:2000 & ISO 9002:1994 and the quality system requirements certification QS-9000:1998 by Underwriters Laboratories Inc. (UL), USA for the manufacture of automotive lighting & signaling equipments and rear view mirrors. Subsequently, in the year 2004, our Unit I at Sonapat, Haryana was accredited with ISO/TS 16949:2002 by UL, USA. In the year 2005, our Unit II at Hosur, Tamil Nadu was accredited with ISO/TS 16949:2002 by UL, USA. In the same year, our Unit I at Sonapat, Haryana was accredited with ISO 14001:2004 by UL, USA. Prior to this, in the year 2002, our Unit I at Sonapat, Haryana also received the 'Confirmity of Production' compliance certification from RDW, Netherlands for e-marked products.

Within India we adhere to Automotive Industrial Standards (AIS / BIS) and Central Motor Vehicles Rules, 2005 (CMVR). For international markets we conform to regulations and standards like ECE, Dot/ FMVSS, ADR, JIS, etc.

We also have the distinction of being a core panel member on Indian and UN ECE regulatory bodies.

Infrastructure Facilities for Raw Materials and Utilities like Water, Electricity, etc.

Raw material

For the manufacturing of the automotive lighting and rear view mirrors the basic Raw materials are:

- 1) Plastic Granules of different grades, such polycarbonate, acrylic (PMA), polypropylene, ABS etc.
- 2) Float Glass sheets.
- 3) CRCA sheets of various thickness.
- 4) Bought out components and materials such as, bulbs of different wattage, rubber parts, fastners, turned components, wiring harness, adhesives, paints, thinners, lacquer, etc.

The plastic granules of different grades are available in abundance in Indian as well as global market and there is no indication at all for any shortages of these in near future.

Following are the details of Indian as well as global manufacturers:

GE India Industrial Pvt Ltd.
Lg Mma Corpn. Korea
Gujrat State Fertilizers Corpn.
Bansali Engineering Polymers Ltd.
IPCL Ltd.

Following are the India based CRCA suppliers:

Hero Cycles Ltd. (Cold Rolling Division)
Bhushan Steel & Strips Ltd.

Bulbs are the important input for the lighting industries and we import as well as buy from the local manufacturers as under:

Philips Automotive Lighting Hubei Co. Ltd.
Osram India Pvt. Ltd.
Phoenix Lamps Ltd.
Patodia Glass Industries

Other inputs like rubber parts, fasteners, turned components etc manufacturer with good set ups are available and can meet up to any growing demand at a very short notice.

Electricity

The process of manufacturing of automotive lamps and the mirrors requires good quality of electricity and the load requirements is also very high specially in the process of injection moulding, surface treatment and mirror bending apart from the high electricity load these process requires uninterrupted and constant voltage power for getting high quality of product with increase in the productivity as well as in life of the machines.

Therefore, keeping all these factors in consideration and knowing well that state owned electricity generation would not meet our process requirements, our Company has always made arrangements for captive power generation through generator sets and sophisticated machines are equipped with voltage stabilizers.

Unit wise details of the sanctioned load as well as captive power generation is given under:

Unit	Sanctioned load	Captive generation
Kundli (Sonapat, Haryana) (Unit I)	1600 KVA	1740 KVA
Hosur (Tamil Nadu) (Unit II)	750 KVA	640 KVA
Hosur (Tamil Nadu) (Unit III)	975 KVA	430 KVA
Mysore (Karnataka) (Unit IV)	-	87.5 KVA
Hosur (Tamil Nadu) (Unit V)	Common to Unit III	500 KVA
Nalagarh (Himachal Pradesh) (Unit VI)	Applied	In-process

Water Resources

Our Company is in the manufacturing of automotive lighting & signaling equipments and rear view mirrors. As per the process, water is required in the process of injection moulding and surface treatment mainly for the cooling of machines as well as for domestic purposes also.

The required water is drawn from the under ground through own bore wells for all our manufacturing units and for some specific machine the raw water is further treated through de-mineralisation plant.

The total requirement for the manufacturing processes as well as domestic is fully met from company owned bore wells, the water is available in abundance because of these bore wells. There is no dependence on outside or govt. supply.

Human Resources

The manufacturing of automotive lamps and rear view mirrors is a very labour intensive process. This industry demands very specialized skilled human resources in some of the key processes. Thus, we have a combination of such trained and talented labour with us. Further, we are creating such force to take up the challenges at the new forthcoming units which are now in the construction stage.

Unit	Staff	Workmen (Company)	Workmen (Contract)
Kundli (Sonapat, Haryana) (Unit I)	136	250	500
Hosur (Tamil Nadu) (Unit II)	20	89	149
Hosur (Tamil Nadu) (Unit III)	16	79	161
Mysore (Karnataka) (Unit IV)	2	2	7
Hosur (Tamil Nadu) (Unit V)	4	-	8

Property

We have our registered office located at D-34, DSIDC Packaging Complex, Kirti Nagar, New Delhi – 110 015, India. The same is occupied on freehold premise and has covers an area of 188.18 sq. mtrs. Our Corporate office is situated at 32 Mile Stone, G. T. Road, Kundli, Sonapat, Haryana which also houses our Unit I.

Our existing plants are located at Kundli (Sonapat, Haryana) (Unit I), Hosur (Tamil Nadu) (Unit II & III) and Mysore (Karnataka) (Unit IV). Our upcoming units will be located at Hosur (Tamil Nadu) (Unit V) and Nalagarh (Himachal Pradesh) (Unit VI). For more details, please refer to the paragraph titled ‘Production Facilities’ of the section titled ‘Business Overview’ beginning on page no. 63 of this Draft Red Herring Prospectus.

We also have an overseas Research & Design centre in Japan which is located at 2-7-29, Isehara-Shi, Kanagawa, Ken, 259-1131, Japan. The premises are occupied on rental basis. The agreement will terminate on December 31, 2007.

Insurance Coverage

We have insurance coverage, which we consider adequate to cover all normal risks associated with the operations of the business. The insurance covers the entire plant and machinery and inventories at all our locations as well as goods in transit. We believe that our current levels of insurance coverage are in line with industry norms in India.

Keyman Insurance Policy

We have purchased a keyman insurance policy for Mr. J. K. Jain, our Chairman and Managing Director from Life Insurance Corporation of India. The term of the policy is for a period of 20 years and the sum assured is Rs. 6 million.

Export Obligations

Our Company has to fulfill export obligation under the Export Promotion Capital Goods (EPCG) Scheme amounting to US\$ 132,975.29 in respect of one licence in relation to import of certain Machinery. This Obligation has to be fulfilled by 2013. As on May 31, 2006, the exports achieved in respect of this license stood at US\$ 42346. Other than this, in respect of three licences wherein the export obligation to be fulfilled amounted to US\$ 1058149.2, we have achieved

exports to the tune of US\$ 1226219.98 and are in the process of making an application to the Director General of Foreign Trade for surrender of the same.

Additionally, our Company has also to fulfill export obligation under the Advance License Scheme amounting to US\$ 1,059,200 in respect of seven licences in relation to the import of certain raw material. This obligation has to be fulfilled by various years ranging from 2006 to 2008. As on May 31, 2006, the exports achieved in respect of these licences stood at US\$ 558250. Other than this, in respect of one licence wherein the export obligation to be fulfilled was of export of 20,000 sets of automotive lighting components, we have achieved exports to the tune of 20,000 sets thereof and are in the process of making an application to the Director General of Foreign Trade for surrender of the same.

Business Strategy

The Indian automotive components industry is expected to experience robust growth over the next decade. Growing demand from domestic OEMs coupled with the massive export opportunity created due to outsourcing by global OEMs and Tier I companies will ensure that the auto components industry will achieve growth in the foreseeable future.

We propose to enhance our position by addressing the needs of OEMs. We, therefore, propose to enhance our product range and offer a range of products and designing capability to our customers. In this regards, we believe that following step wise approach is necessary to achieve this end:

- Enhance product range and competence in technological upgradation
- Increased range of products
- Address export potential
- Collaborate / form joint ventures for addressing the demand of global OEMs entering Indian Markets.

Present Capacities

Our segment wise capacities, production and utilization for the past three years are as under:

(Nos. in Million)				
Product	Particulars	FY06	FY05	FY04
Automotive Lighting & Signalling Equipment & Parts	Installed Capacity	18.00	14.00	10.00
	Production	14.60	12.13	8.13
	Utilisation	81.11%	86.64%	81.30%
Rear View Mirrors & Parts	Installed Capacity	5.50	3.00	3.00
	Production	3.15	2.32	2.41
	Utilisation	57.27%	77.33%	80.33%
Sheet Metal Parts	Installed Capacity	8.00	4.00	0.00
	Production	3.56	3.34	0.00
	Utilisation	44.50%	83.5	NA

Proposed Capacities

Our segment wise capacities after expansion would be as under:

(Nos. in Million)			
Product	Existing capacity	Proposed Additions	Total Proposed Capacity
Automotive Lighting & Signalling Equipment & Parts	18.00	13.00	31.00
Rear View Mirrors & Parts	5.50	5.50	11.00
Sheet Metal Parts	8.00	-	8.00

Marketing and Selling Network

Our company has a marketing network which is personally supervised by our Chairman & Managing Director. He is assisted by three zonal heads who look after marketing strategies specific to their assigned geographies.

We supply our components directly to the automotive OEMs, both Indian and Global. We have good relationships with our existing customers and this provides us with repeat orders from them as well as invitations to develop new products for their new models.

Based on our credentials and the recognitions awarded to us by our valued existing customers, we approach new customers for business. Our management possesses flexibility in accepting the customers' specific requirements while negotiating the development of new products.

The key factors which contribute to our marketing network are:

- Performance with existing customers
- Interpersonal relations to maintain low response time
- Fast development of new products
- Just-in-Time delivery
- Management flexibility
- Competitive Cost
- Transparency in Business Association

Competitive Strengths

Experienced Management Team

Our management team is headed by Mr. J. K. Jain, our Chairman and Managing Director, who is a first generation promoter. He has a rich experience of about 35 years in automotive components industry and is one of the pioneers of the automotive components industry in India. The Institute of Economic Studies, Delhi has awarded him with the 'Udyog Rattan Award' for his contribution. Our Board also includes Mr. J. S. S. Rao and Mr. Pravin Kumar as executive directors who bring with them an experience of over 25 years in the automotive component industry. Our senior management team also comprises of individuals who have an in-depth knowledge of the processes and functions of our business.

Brand Value

Our products under the brand name 'FIEM' are well known in India for their exemplary quality and durability. 'FIEM' brand is about three decades old in India and now commands a respectable brand image.

Wide Range of products

Our diversified products portfolio ranging from rear view mirrors, head lamps, tail lamps, roof lamps, wheel covers, warning triangle, complete rear fender assembly, frame assembly, mudguards and various sheet metal & plastic parts etc. is capable of catering to the needs of almost all segments of automobile industry viz., two-wheelers, three wheelers, LCVs, HTVs and tractors. Our product range helps to meet the customer demand of one stop shop for their outsourcing requirement of various parts.

Supplies to OEMs

Our focus is primarily on OE vehicle manufacturers. We supply our products to some of the prestigious OEMs in domestic and global automotive industry viz., TVS Motor Co. Ltd., Honda Motorcycle & Scooter India P. Ltd., Suzuki

Motorcycle P. Ltd., General Motors India Ltd., Aspock Systems (Austria), Piaggio (Italy), etc. Our capability to offer a wide range of products from multiple locations in close proximity to the OEMs, thereby offering logistic benefits, enables us to service large auto manufacturers who in general prefer to source multiple products from a single vendor.

Strong Customer Bonding

Our commitment to customers' satisfaction in terms of quality, cost, timely delivery and services is amply reflected in the repeat orders and awards from our customers. We have had the opportunity of been associated with some of our prestigious OEM customers since the start of their operations in India.

Strategic Technical Support Agreement

The Technical Support agreement executed with Ichikoh Industries Limited, Japan on November 11, 2005 is an important milestone in the history of our Company. Ichikoh Industries Ltd. is a well-known name world wide in automotive lighting, rear view mirrors & wiper blades and is a Tier 1 supplier to the major Japanese Vehicle manufacturers majors such as Nissan Motor Co. Ltd, Tyota Motor Corporation, Fuji Heavy Industries, Daihatsu Motor Co. Ltd., Mazda Motor Corporation etc.

Multi-locational Plants

Our plants are multi-locational having proximity to our OEM customers. Our existing plants are located at Kundli (Sonapat, Haryana), Hosur (Tamil Nadu) and Mysore (Karnataka). Our upcoming units will be located at Hosur (Tamil Nadu) and Nalagarh (Himachal Pradesh). The proximity of our plants to our OEM customers offers logistic savings to our valued customers and further enables us to cut our inventory carrying costs and shorten the delievery time.

In-house lab & testing facilities

Our lab and testing facilities conform to and meet the latest stringent Indian and international standards. In the year 2002, our Unit I at Sonapat, Haryana also received the 'Confirmity of Production' compliance certification from RDW, Netherlands for e-marked products.

Strong Design & Development Team

We have a strong team of qualified and experienced professionals. We have an overseas Design & Development Center at Isehara, Japan where our engineers are being trained to keep our team abreast of the latest global inventions and developments in this arena. This provides us the ability to add value to the designs or design ideas proposed by the customers to us. Our Design & Development Team develops the product in a very short lead-time which helps us in building stronger relationship with our customers which further strengthens our competitive position vis-à-vis the competitors.

Operational Efficiency

Our ability to meticulously plan the entire range of activities for development of a product within a very short time frame provides operational efficiency and thereby helps to reduce our costs, helping us to price our products competitively.

Good Labour Relations

Our humane approach with our staff and workers has enabled us to maintain harmonious labour relations.

SWOT

Our Strengths

- One of the leaders in two-wheeler lamps
- Strong customer bonding
- Choice for the customer for Products on offer
- Brand image
- Technical support with Ichikoh Industries Ltd, Japan
- Advance products through adaptation of latest technology
- Management focus
- Risk taking ability

Weaknesses

- Late entry in four-wheeler business
- Relatively smaller operations

Opportunities

- Lack of quality manufacturers for 4 wheeler lamps
- Competitors not so aggressive
- Strained relation of competitor with JV partner

Threats

- Chinese products
- From new players due to low entry barriers

-

REGULATIONS AND POLICIES

The manufacturing of automotive parts industry is an unregulated industry and as such there is no specific registration governing the same. The following regulations and policies broadly govern this industry:

Liberalization of FDI Policy

The Government has allowed foreign equity participation upto 100% through automatic route, for investment in companies manufacturing auto components.

Central Excise Regulations

Excise Duty is imposed on goods produced or manufactured in India under the provisions of the Central Exercise & Tariff Act, 1985 (“Act”). At present, the rate of excise duty on automotive lamps, rear view mirrors and plastic parts is 16% of the value of the goods calculated in accordance with the provisions of the Act. An additional 2% education cess is levied and therefore, the aggregate excise duty is 16.32% ad valorem.

Custom Regulations

Custom Duty is levied on imports of goods in to the country under the Customs Act, 1962 at the rates specified in the Customs Tariffs Act, 1975. At present, the basic custom duty rate is 12.5%. An additional 2% education cess is levied on the custom duty besides additional countervailing duties.

Environmental and Other Regulations

In this field the industry has to comply with the provisions of the following regulations:

1. Environment Protection Act
2. Water (Prevention & Control of Pollution) Act
3. Air (Prevention & Control of Pollution) Act
4. Hazardous Waste (Management & Handling) Rules
5. Hazardous Chemicals Rules

There are other legislations like the Factories Act & various other industrial & labour legislations applicable to manufacturing concerns including others.

Regulation in relation to Automotive Lighting & Signaling Equipments & Rear View Mirrors

The manufacturing of automotive lighting & light signaling equipments and rear view mirrors come under the safety requirements. The Standards for the same are notified under the CMVR and are prepared by the National Authorities (ARAI, BIS etc.) constituted by the Ministry of Surface Transport.

Under these regulations, the various products of the Company have to meet the following standards:

Sr. No.	Name of the Products	Prescribed Standard under CMVR
1.	Rear View Mirrors	AIS-001 & 002
2.	Lamps for Two Wheelers	AIS- 009 & 010
3.	Lamps for Four Wheelers	AIS- 008 & 012
4.	Lamps for Tractors & Construction Equipments	AIS-030&062
5.	Reflex Reflectors	AIS-057
6.	Advance Warning Triangle	AIS-022

Our products meet the above standards and also international requirements such as ECE Regulations, DOT/FMVSS, JIS, ADR etc.

Export Promotion Capital Goods (EPCG) Scheme

The Scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods is allowed under the EXIM Policy as announced on March 31, 2003.

Haryana is the state where VAT was first introduced in 2003. Since VAT is already in force in Haryana, the net effect in our Kundli Unit is NIL. However the unit will get benefited once the CST is phased out.

There is no VAT in Tamil Nadu where our Hosur Units are situated. We have set up the unit in Mysore (Karnataka) in 2005. Karnataka had already implemented the VAT by then.

OUR HISTORY AND CORPORATE STRUCTURE

Our Company

Our Company is one of the leading manufacturers of automotive lighting & signaling equipments and rear view mirrors.

Our Company was originally incorporated in India as Rahul Auto Private Limited on February 6, 1989 in New Delhi under the Companies Act, 1956. We set up our unit at HSIDC Industrial Estate, Kundli, Sonapat (Haryana) for carrying on the business of manufacturing rear view mirrors for two, three and four wheelers. We changed the name of our Company to FIEM Industries Private Limited w.e.f. May 7, 1992. Subsequently, our Company was converted into a public limited Company w.e.f. November 30, 1993, pursuant to which, the name of our Company was changed to FIEM Industries Limited.

During the year 1993-94, we added additional facilities for manufacturing of automotive lighting and signaling equipments such as head lamp, tail lamp, side indicator lamp, reflex Reflector, fog lamp, etc.

With a view to expand our business, we shifted all our manufacturing facilities during the year 1993-94 to the plant situated at 32 Mile Stone, G. T. Road, Kundli, Sonapat (Haryana) (Unit I) having full fledged testing laboratory for manufacturing automotive lamps & mirrors conforming to International Standards viz., JIS, ADR, DOT, ECE, SAE and Indian Standards viz., AIS and BIS.

In the year 1996, our Company set-up a Joint Venture Company under the name and style of FIEM Sung San (India) Limited in association with Sung San Co. Limited, Korea and Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited) for engaging into the business of manufacturing automotive lighting and signaling equipments for Daewoo cars. Subsequently, FIEM Sung San (India) Limited became our subsidiary w.e.f. September 30, 2005 pursuant to the acquisition of 3,250,000 Equity Shares of Rs. 10 each. For more details, please refer to the section titled 'Our Subsidiary' beginning on page no. 89 of this Draft Red Herring Prospectus.

We further expanded our capacities with the setting-up of our Unit II in the year 2003-04 at 219/2B, Thally Road, Kallukondapalli, Hosur, Tamil Nadu for manufacturing head lamps, tail lamps / rear combination lamps, side indicator lamps, reflex reflectors and rear view mirrors.

We set up our Unit III in the year 2004-05 at Kelamangalam, Achittapalli Post, Hosur, Tamil Nadu for manufacturing sheet metal items viz., frame, mudguards, stands, guard exhaust and exhaust pipe. In the same year, we set up our Unit IV at S. No. 29, Madargali Village, Varuna Hobli, Mysore Taluk, Karnataka for manufacturing value added products such as assembly of rear fender for two-wheelers. Our Company also set up an overseas Research & Design centre in Japan which is located at 2-7-29, Isehara-Shi, Kanagawa, Ken, 259-1131, Japan to further strengthen our Company's design capability.

We are presently conducting trial runs at our Export Oriented Unit (Unit V) at Kelamangalam, Hosur, Tamil Nadu for manufacturing mirror plates, mirror assembly, head lamps, tail lamps and side indicators. We are also in the process of setting up of Unit VI at Nalagarh, Himachal Pradesh which shall engage in the manufacture of head lamps, tail lamps, side indicator lamps, rear fender, reflex reflectors and rear view mirrors primarily for the four-wheeler segment.

We have been accredited with ISO-9002 in the year 1997 by BVQI, London. In the year 1999, our Unit I at Sonapat, Haryana was accredited with ISO 9001:2000 & ISO 9002:1994 and the quality system requirements certification QS-9000:1998 by Underwriters Laboratories Inc. (UL), USA for the manufacture of automotive lighting & signaling equipments and rear view mirrors. Subsequently, in the year 2004, our Unit I at Sonapat, Haryana was accredited with ISO/TS 16949:2002 by UL, USA. In the year 2005, our Unit II at Hosur, Tamil Nadu was accredited with ISO/TS 16949:2002 by UL, USA. In the same year, our Unit I at Sonapat, Haryana was accredited with ISO 14001:2004 by UL, USA. Prior to this, in the year 2002, our Unit I at Sonapat, Haryana also received the 'Confirmity of Production' compliance certification from RDW, Netherlands for e-marked products. Our Company was also awarded the 'Bhartiya Shiromani Puraskar' by the Institute of Economic Studies (IES), New Delhi in the year 2005 as a certificate of excellence for enhancing the image of India. Our Company was presented with the 'Business Sphere Award' for the

year 2005-06 for being the most successful pioneer and among toppers in export & manufacture of auto components for 2 wheelers. In February 2006, our Company was awarded the 'Transworld Gold Star Award' by the International Study Circle (ISC), New Delhi for excellence in quality. We are also in receipt of various certificate of appreciation from our customers. For a detailed list, please refer to the section titled 'Business Overview' beginning on page no. 63 of this Draft Red Herring Prospectus.

Major events in the history of our Company since inception

Year	Key events
1989	<ul style="list-style-type: none"> ▪ Incorporation of our Company under the name and style of Rahul Auto Pvt. Limited ▪ Unit at HSIDC Industrial Estate, Kundli, Sonapat (Haryana) set-up
1992	Change of the name of the Company from Rahul Auto Pvt. Limited to FIEM Industries Pvt. Limited
1993	Converted to Public Limited company pursuant to which the name of the Company changed from FIEM Industries Pvt. Limited to FIEM Industries Limited <ul style="list-style-type: none"> ▪ Shifted all manufacturing facilities to the plant situated at 32 Mile Stone, G. T. Road, Kundli, Sonapat (Haryana) (Unit I) having full fledged testing laboratory
1996	FIEM Sung San (India) Limited, a Joint venture Company set-up in Noida, Uttar Pradesh pursuant to a Joint Venture Agreement in association with Sung San Co. Limited, Korea and Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited)
2004	Set-up Unit II at Kallukondapalli, Hosur, Tamil Nadu
2005	<ul style="list-style-type: none"> ▪ Set-up Unit III at Kelamangalam, Hosur, Tamil Nadu ▪ Set-up Unit IV at Mysore, Karnataka ▪ Entered into a Technical Support Agreement with Ichikoh Industries Ltd., Japan ▪ Established Overseas design centre and liason office in Japan ▪ Signed MOU for establishing a Joint Venture company with Aspock Holding, GmbH, , Austria ▪ Awarded the 'Bhartiya Shiromani Puraskar' by the Institute of Economic Studies (IES), New Delhi ▪ Presented with the 'Business Sphere Award' for the year 2005-06 for being the most successful pioneer and among toppers in export & manufacture of auto components for 2 wheelers
2006	<ul style="list-style-type: none"> ▪ Entered into a Joint Venture agreement with Korea Air Conditioner Co. Ltd. for establishing a company at Hosur, Tamil Nadu ▪ Setting up an EOU unit at Kelamangalam, Hosur, Tamil Nadu– (Unit V) ▪ Setting up a Unit VI at Nalagarh, Himachal Pradesh ▪ Awarded the 'Transworld Gold Star Award' by the International Study Circle (ISC), New Delhi for excellence in quality ▪ Signed MOU with ZADI Divisione Fanaleria CEV Spa, Italy

Changes in registered office of our Company

The details of changes in the address of the registered office of our Company are as under:

Date of change	Previous address	New address	Reasons for change
28.2.1992	D-5, Mansarovar Garden, New Delhi-110 015.	D-4, Rajouri Garden, New Delhi - 110 027.	Administrative convenience
20.9.1993	D-4, Rajouri Garden, New Delhi-110 027.	C-171, Mayapuri Industrial Area, Phase II, New Delhi - 110 064.	Administrative convenience
24.7.1998	C-171, Mayapuri Industrial Area, Phase II, New Delhi - 110 064.	C-172, Mayapuri Industrial Area, Phase II, New Delhi - 110 064.	Administrative convenience
20.7.2000	C-172, Mayapuri Industrial Area, Phase II, New Delhi - 110 064.	D-34, DSIDC Packaging Complex, Kirti Nagar, New Delhi - 110 015.	Administrative convenience

The objects clauses of the Memorandum of Association enable our Company to undertake activities for which the funds are being raised in the IPO and also the activities, which our Company has been carrying on till date.

Main Objects of our Company

The main objects of our Company as stated in the Memorandum of Association include the following:

1. To carry on the business of manufacturers, repairers, importers, exporters, assemblers, distributors and dealers in automobile electrical components and accessories of all kinds such as head lamps, tails lamps, direction indicator lamps, parking lamps, fog lamps, spot lamps, indicator lamps, switches, wiring harnesses, connectors, terminals, couplers, all types of bulbs, fuse carriers, fuse beams lens and sheet metal parts, head beams and all other related items for vehicles and conveyances of all kinds.
2. To carry on the business as importers, exporters and dealers in electrical, mechanical and any other kinds of machines, appliances and apparatus and dealing in all kinds of machines.
3. To carry on the business of electroplating plastic and glass moulding, sheet metal forming of all types, pressing and welding in connection with the business referred in paras (1) and (2) above.

Changes in Memorandum of Association

The details of changes in the Memorandum of Association of our Company are as under:

Date	Details of amendment in the MOA
17.4.1992	Increase in the authorized capital from Rs. 1 mn. comprising of 10,000 Equity Shares of Rs. 100 each to Rs. 10 mn. comprising of 100,000 Equity Shares of Rs. 100 each
7.5.1992	Change in the name of our Company from Rahul Auto Private Limited to FIEM Industries Private Limited
27.8.1993	Increase in the authorized capital from Rs. 10 mn. comprising of 100,000 Equity Shares of Rs. 100 each to Rs. 15 mn. comprising of 150,000 Equity Shares of Rs. 100 each
30.11.1993	Change in the name of our Company from FIEM Industries Private Limited to FIEM Industries Limited pursuant to conversion of our Company from Private Limited Company to Public Limited Company
24.6.1994	Increase in the authorized capital from Rs. 15 mn. comprising of 150,000 Equity Shares of Rs. 100 each to Rs. 20 mn. comprising of 200,000 Equity Shares of Rs. 100 each
12.9.1994	Increase in the authorized capital from Rs. 20 mn. comprising of 200,000 Equity Shares of Rs. 100 each to Rs. 30 mn. comprising of 300,000 Equity Shares of Rs. 100 each
2.3.1995	Increase in the authorized capital from Rs. 30 mn. comprising of 300,000 Equity Shares of Rs. 100 each to Rs. 40 mn. comprising of 400,000 Equity Shares of Rs. 100 each
14.7.1998	Increase in the authorized capital from Rs. 40 mn. comprising of 400,000 Equity Shares of Rs. 100 each to Rs. 50 mn. comprising of 500,000 Equity Shares of Rs. 100 each
18.4.2005	Increase in the authorized capital from Rs. 50 mn. comprising of 500,000 Equity Shares of Rs. 100 each to Rs. 70 mn. comprising of 700,000 Equity Shares of Rs. 100 each
17.2.2006	Increase in the authorized capital from Rs. 70 mn. comprising of 700,000 Equity Shares of Rs. 100 each to Rs. 110 mn. comprising of 1,100,000 Equity Shares of Rs. 100 each
8.3.2006	Sub-division of 1 Equity Share of Rs. 100 each into 10 Equity Shares of Rs. 10 each pursuant to which the authorized capital was altered from Rs. 110 mn. comprising of 1,100,000 Equity Shares of Rs. 100 each to Rs. 110 mn. comprising of 11,000,000 Equity Shares of Rs. 10 each
24.5.2006	Increase in the authorized capital from Rs. 110 mn. comprising of 11,000,000 Equity Shares of Rs. 10 each to Rs. 200 mn. comprising of 20,000,000 Equity Shares of Rs. 10 each

OUR SUBSIDIARY

Our Company has one subsidiary FIEM Sung San (India) Limited. The brief details of this subsidiary are as under:

FIEM Sung San (India) Limited

FIEM Sung San (India) Limited was incorporated on August 5, 1996 under the Companies Act, 1956. The Company has its registered office at D-34 DSIDC Packaging Complex, Kirti Nagar, New Delhi – 110 015. The company is presently engaged in job work for our Company.

FIEM Sung San (India) Limited became the subsidiary of our Company on September 30, 2005 pursuant to the acquisition of 3,250,000 Equity Shares of Rs. 10 each. Prior to this acquisition, FIEM Sung San (India) Limited was a group company. For more details, please refer to the section titled 'Our Group Companies' beginning on page no. 107 of this Draft Red Herring Prospectus.

SHAREHOLDERS AND OTHER AGREEMENTS

Shareholders Agreement

Our Company has not entered into any shareholders agreement.

Other Agreements

Except the contracts / agreements entered in the ordinary course of our business carried on or intended to be carried on by our Company and those mentioned herein, our Company has not entered into any other agreement / contract, except the following:

Joint Venture agreement dated April 14, 1996 amongst our Company, Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited) and Sung San Co. Ltd., Korea

Our Company had entered into a Joint Venture agreement dated April 14, 1996 with Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited) (“DDML”) and Sung San Co. Ltd., Korea (“Sung San”) (now SL Sung San Corporation Ltd.) (collectively referred to as “parties”) for setting up a new Company in India. The salient features of this agreement are as under:

- the Company to be set up in India shall be under the name and style of FIEM Sung San (India) Limited;
- the Company shall engage into the business of manufacture, assembling, marketing, distribution, sale and after-sales service of automotive lighting equipments and such other related automobile parts & components and to undertake all other activities related thereto primarily to meet the requirements of DDML for its Ceilo brand of cars;
- the initial paid-up capital of the Company shall be Rs. 82.25 million which shall be subscribed to by the parties to the agreement in the following ratio: DDML – 34.53%, Sung San – 33.47% and the balance 32% by our Company;
- the balance of the project cost shall be financed by a mix of funds from public and debt financing;
- the Company shall have the right to use the trademark ‘FIEM SUNG SAN’ on the products manufactured and / or assembled by it.

Pursuant to this agreement, FIEM Sung San (India) Limited was incorporated on August 5, 1996 under the Companies Act, 1956. Subsequently, FIEM Sung San (India) Limited became the subsidiary of our Company on September 30, 2005 after the acquisition of 3,250,000 Equity Shares of Rs. 10 each. For more details, please refer to the section titled ‘Our Subsidiary’ beginning on page no. 89 of this Draft Red Herring Prospectus.

Memorandum of Understanding dated September 16, 2005 between our Company and Aspock Holding, GmbH, Austria

Our Company has entered into a Memorandum of Understanding (MOU) dated September 16, 2005 with M/s. Aspock Holding GmbH, Austria (“Aspock”) for entering into a joint venture agreement to manufacture, assemble and sell wiring harness and automotive lighting equipments and components. The salient features of this MOU are as under:

- to form a Joint Venture Company which shall be incorporated under the laws of India to carry on business as a hundred percent export oriented unit;
- the purpose of the Joint Venture Company shall be to engage in the business of manufacture, assembly, marketing, distribution, export, import, sale, and after sale service of the wiring harness and automotive lighting equipments and components and any other activity which is related or incidental to the attainment of the foregoing purpose;
- investment in the Joint Venture Company shall be contributed equally i.e. 50% each by our Company and Aspock.

The MOU provides that the Joint Venture agreement shall be entered into within three (3) months from the date of execution of the MOU. Subsequently, our Company has entered into an addendum to this agreement wherein the date for execution of the Joint Venture agreement has been extended upto March 31, 2007.

Joint Venture Agreement dated March 24, 2006 between our Company and Korea Airconditioners Co. Limited, Korea

Our Company has entered into a Joint Venture Agreement dated March 24, 2006 with Korea Airconditioners Co. Limited (“KAC”) to set up a Joint Venture Company to manufacture, assemble, and sell auto car components, sub assys and complete air conditioners after buying compressors from others (collectively the “Products”) and to undertake all other activities in this regard. The salient features of this agreement are as under:

- to set-up a Joint Venture Company which shall be incorporated under the laws of India to carry on the business of manufacture, assembly, marketing, distribution, sale and after-sales service of the products and any other activity which is related or incidental to the attainment of the foregoing purposes;
- the duration of the Company shall be perpetual or the maximum period allowable under the laws of India, unless it is terminated earlier by the mutual agreement of the parties;
- for the duration of this agreement, our Company or KAC or any of its affiliates either alone or through any type of joint venture or collaboration shall not manufacture, distribute or procure the same products which the Joint Venture Company manufactures or distributes in India;
- for the duration of this agreement, KAC agrees to buy-back from the Joint Venture Company, a minimum of 50,000 pieces per year of the products at a price to be mutually decided between KAC and our Company from time to time;
- the Joint Venture Company will have the right during the continuance of and subject to the provisions of this agreement to use the trademark FIEMKAC on the products manufactured and / or assembled by the Joint Venture Company. The Joint Venture Company agrees that it will use the trademarks upon or in connection with the products manufactured and / or assembled only. The right of Joint Venture Company to use the trademark FIEMKAC as aforesaid is an exclusive right for the whole world;
- KAC will provide the Joint Venture Company with full and comprehensive latest technology available with KAC, know-how, show-how, technical assistance and marketing support on continuous basis from the date of start of commercial production, as may be required. In this regard, a royalty amount of 2% of the net ex-factory turn over of the products of the Joint Venture Company exclusive of excise duties and the landed cost of imported components including freight, insurance, custom duties, etc. This payment of royalty will be subject to the Joint Venture Company making net profits in the financial year.

Memorandum of Understanding entered into with ZADI Divisione Fanaleria CEV Spa, Italy

We have entered into a Memorandum of Understanding dated June 2, 2006 with ZADI Divisione Fanaleria CEV Spa, Italy (“ZADI”) for entering into a proposed technical, commercial and / or financial collaboration. The salient features of this MOU are as under:

- ZADI is engaged in the business of designing, manufacturing and selling automotive components and possesses know-how in these fields;
- ZADI is interested in establishing a close collaboration with our Company for (i) importing products of our existing range for European automotive OEM’s, (ii) having custom products manufactured by our Company based on ZADI’s projects and designs, (iii) increasing our Company’s export volumes to Europe of automotive lamps and mirrors and accessories for two / three wheelers, trucks, trailers and heavy duty vehicles and (iv) transferring some of its proprietary know-how to our Company in view of strengthening our Company’s position in the Indian market by expanding and upgrading our existing range and quality standards;
- working towards a negotiation aimed at entering into a collaboration in the form of, but not limited to, an Equity Joint Venture;
- the MOU also provides for a non-disclosure agreement wherein the information, documents, knowledge, etc. exchanged between ZADI and our Company shall be kept confidential.

Strategic and Financial Partners

Except as stated in section titled ‘Business Overview’ beginning on page no. 63 of this Draft Red Herring Prospectus, we do not have any strategic or financial partners.

OUR MANAGEMENT

Board of Directors

Under the Articles of Association of our Company, we cannot have less than three directors and more than twelve directors. Presently, we have twelve directors on our Board.

The following table sets forth the details regarding our Board of Directors:

Name, designation, father's/husband's name, address and occupation	Age (in years)	Date of appointment and terms	Other directorships
Mr. J. K. Jain Chairman and Managing Director S/o Late Mr. Vinod Chand Jain D-4, Rajouri Garden, New Delhi – 110 027. Industrialist	54	6.2.1989 Re-appointed as Managing Director for a period of 5 years w.e.f. 7.8.2001*	1. FIEM Auto Pvt. Ltd. 2. FIEM Sung San (India) Ltd. (Managing Director) Other Interests 1. J. K. Jain (HUF) (Karta) 2. B. P. Plastic Industries (Managing Trustee) 3. FIEM Auto & Electrical Industries (Proprietor) 4. Target Auto International (Proprietor) 5. FIEM International (J. K. Jain (HUF) is the proprietor) 6. Seema Engineering Works (J. K. Jain (HUF) is the proprietor)
Mrs. Seema Jain Whole-time Director W/o Mr. J. K. Jain D-4, Rajouri Garden, New Delhi – 110 027. Business	51	6.2.1989 Liable to retire by rotation Appointed as Whole-time Director for a period of 3 years w.e.f. 1.4.2005	FIEM Auto Pvt. Ltd. (Managing Director) Other Interests Jagjeevan Automobiles (Proprietor) J. K. Jain (HUF) (Co-parcener)
Mr. Rahul Jain Non-Executive Non-Independent Director S/o Mr. J. K. Jain D-4, Rajouri Garden, New Delhi – 110 027. Business	19	14.11.2004 Liable to retire by rotation	Other Interests J. K. Jain (HUF) (Co-parcener)
Ms. Aanchal Jain Whole-time Director D/o Mr. J. K. Jain D-4, Rajouri Garden, New Delhi – 110 027. Business	24	2.12.1999 Liable to retire by rotation Appointed as Whole-time Director for a period of 3 years w.e.f. 1.4.2005	Other Interests J. K. Jain (HUF) (Co-parcener)
Mr. J. S. S. Rao Whole-time Director S/o Mr. Joga Kundal Rao Ground Flr.-9, Block-I, South City-II, Gurgaon, Haryana – 122 001. Service	49	1.12.2005 Liable to retire by rotation Appointed as Whole-time Director for a period of 3 years w.e.f. 1.12.2005	Nil

Mr. Pravin Kumar Whole-time Director S/o Late Mr. Om Prakash Kumar 307, Regency Enclave, 4, Magrath Road, Banglore – 560 025. Service	55	5.10.2005 Liable to retire by rotation Appointed as Whole- time Director for a period of 3 years w.e.f. 5.10.2005	INKO Company Pvt. Ltd. (Managing Director)
Mr. Paramjit Singh Bhatia Independent Director S/o Mr. Kuldeep Singh Bhatia F-165, Rajouri Garden, New Delhi – 110 027. Business	58	5.10.2005 Liable to retire by rotation	Other Interests Allied Safe Co. (Partner)
Mr. Chandrakant D. Shah Independent Director S/o Late Mr. Damji Shah 8A, Woodhayes Road, Wimbledon, London, SW19 4RG. Business	78	7.3.2006 Liable to retire by rotation	Nil
Mr. Kuldeep Singh Lamba Independent Director S/o Late Mr. Hara Singh N-7, Green Park Extension, New Delhi – 110 016. Business	66	26.4.2006 Liable to retire by rotation	1. Lamba Traders & Engineers Pvt. Ltd. 2. FIEM Sung San (India) Ltd.
Mr. Chatter Singh Kothari Independent Director S/o Late Mr. Tej Karan Kothari 2 nd Floor, D-2/3, Rana Pratap Bagh, Delhi – 110 009. Business	57	1.3.2005 Liable to retire by rotation	Radico Sales Promotion Pvt. Ltd. Other Interests 1. Sohan Lal Tej Karan Kothari (HUF) (Co-Parcener) 2. Tej Karan Chatter Singh Kothari (HUF) (Karta)
Mr. Iqbal Singh Independent Director S/o Late Mr. Harnam Singh 59/7, New Rohtak Road, Delhi – 110 005. Business	52	5.10.2005 Liable to retire by rotation	1. Parspex (India) Pvt. Ltd. (Managing Director) 2. Harav India Pvt. Ltd. 3. FIEM Sung San (India) Ltd. Other Interests KIS International (Partner)
Mr. Jasmit Singh Chandhok Independent Director S/o Mr. Gurcharan Singh Chandhok B-39, Greater Kailash - I, New Delhi – 110 048 Business	33	26.4.2006 Liable to retire by rotation	G. S. Tyres Pvt. Ltd. Other Interests 1. M/s. Chandhok Syndicate (Partner) 2. Gurcharan Singh & Sons (HUF)

* In the Extra-Ordinary General Meeting of our Company held on April 1, 2005, our shareholders have approved the re-appointment of Mr. J. K. Jain as the Managing Director of our Company in advance for a period of 3 years w.e.f. August 7, 2006.

Brief Profile of our Directors:

Mr. J. K. Jain, aged 54 years, is the Chairman and Managing Director of our Company. He hails from a business family and is one of the pioneers in the automotive lighting industry in India. After completing his graduation in Commerce from Delhi University, he got involved in the operations of M/s. B. P. Plastic Industries in the year 1970, a proprietary concern set-up by Bishamber Sahai Jain Trust, a family trust. M/s. B. P. Plastic Industries was then engaged into the business of manufacturing automotive lighting and signaling equipments. To fulfill the growing demand of O. E. M. customers, he set-up another proprietary concern in the year 1977 under the name and style of FIEM Auto & Electrical Industries. In the year 1986, he set-up a Company under the name and style of FIEM Auto Pvt. Ltd. as an ancillary to Ind Suzuki Motorcycle Pvt. Ltd. (now TVS Motor Co. Ltd.). Keeping in view the pace of the automotive industry and the growing customer demand, he set-up another Company in the year 1989 under the name and style of Rahul Auto Pvt. Ltd. (now FIEM Industries Ltd.) for manufacturing of rear view mirrors alongwith automotive lighting & signaling equipment. After visualizing the potential growth in the Indian Automobile Industry, he initiated action for re-structuring and re-engineering of all the units under FIEM Industries Ltd. He has been instrumental in the growth of our Company and under his guidance and leadership, our Company is now setting up two more units. The Institute of Economic Studies awarded him with the 'Udyog Rattan Award'.

Mrs. Seema Jain, aged 51 years, is the Whole-time Director of our Company. She completed her B.Sc. from Lady Erwin College of Delhi in 1974. She hails from a business family and looked after the day-to-day business activities of her family business during her college days. She is presently actively involved in overseeing the finance functions of our Company.

Mr. Rahul Jain, aged 19 years, is a Director of our Company. After qualifying from 12th class exam from Modern School, Barakhamba Road, he is presently pursuing his further studies in B.Sc Management from the Indian Institute of Learning Management (IILM), New Delhi. At the same time, he has been taking interest in the business activities of the organization especially in marketing and dealing with Japanese customers.

Ms. Aanchal Jain, aged 24 years, is the Whole-time Director of our Company. She completed her B.Sc. in Management from the Indian Institute of Learning Management (IILM), New Delhi in the year 2002 and further enrolled herself for further studies in the USA. She completed her Masters in Business Administration in Human Resource and Management from Indiana Institute of Technology, USA in the year 2004. She is presently actively involved in human resource management functions of our Company.

Mr. J. S. S. Rao, aged 49 years, is the Whole-time Director of our Company. He is a Post Graduate from Bangalore University with specialization in Cost Accounting and Factory Organization. He has an overall experience of over 25 years in automotive lighting and components industry with specialization in manufacturing, operational and business strategic planning. Prior to joining our Company, he has worked with Lumax Industries Ltd., Evershine Moulders Ltd. and Toshi Auto Pvt. Ltd. He joined our Company in May 2003. He was subsequently appointed as a Whole-time Director of our Company in December 2005. He is presently responsible for the overseas operations of our Company.

Mr. Pravin Kumar, aged 55 years, is the Whole-time Director of our Company. He holds a Bachelors Degree in Mechanical Engineering and Post Graduate Diploma in Industrial Engineering. He has an overall experience of over 34 years in the automobile sector having worked in the fields of manufacturing, marketing and planning. Prior to joining our Company, he has worked with TATA Motors, TVS Motors, FALCON Tyres, DUNLOP India. He attended a number of Management and Training programmes including 4 weeks Management Training Programme organized by Japanese Union of Scientist & Engineers, TOP Management Programme by International Management Development Institute, Lussanne, Switzerland. He joined our Company in the year October 2005 as a Whole-time Director of our Company. He is presently responsible for the south India operations of our Company.

Mr. Paramjit Singh Bhatia, aged 58 years, is an Independent Director on the Board of our Company. He is running his own business and has an experience of over 30 years in the field of manufacturing and marketing of industrial steel & wooden furniture and allied items. He has been appointed as a Non executive Director of our Company on October 5, 2005.

Mr. Chandrakant D. Shah, aged 78 years, is an Independent Director on the Board of our Company. He has a rich industrial & business experience of about 60 years in various fields. He was the Managing Director of Neometal & Electrical Industries (P) Ltd., which was engaged in the manufacturing of automobile accessories and was one of the leading exporters of headlamps and tail lamps. During his tenure as the Managing Director of this Company, the

Company had won certificates from EEPC for highest export in small-scale sector for many years. He was elected as the first Asian Chairman of the Dar Es Salaam Municipal Corporation (Capital of Tanzania). He has been appointed as Non executive Director of our company on March 7, 2006.

Mr. Kuldeep Singh Lamba, aged 66 years, is an Independent Director on the Board of our Company. He has an overall experience of over 40 years in the area of automotive parts Import and Exports. He is presently running his business operations in automotive parts in Kuwait, Dubai and USA. He has been appointed as a Non executive Director of our Company on April 26, 2006.

Mr. Chatter Singh Kothari, aged 57 years, is an Independent Director on the Board of our Company. He is a Commerce Graduate from University of Delhi. He is running his own business and has an experience of over 30 years in the field of finance and marketing. He has been appointed as a Non executive Director of our Company on March 1, 2005.

Mr. Iqbal Singh, aged 52 years, is an Independent Director on the Board of our Company. He is running his own business and has an overall experience of over 30 years in the field of exports of automotive parts and engineering goods. He has been appointed as a Non executive Director of our Company on October 5, 2005.

Mr. Jasmit Singh Chandhok, aged 33 years, is an Independent Director on the Board of our Company. He holds a degree in Masters in Business Administration from Manipal Academy of Higher Education and has an overall experience of about 8 years in the fields of finance and taxation. He has been appointed as a Non executive Director of our Company on April 26, 2006.

Details of the Borrowing Powers of our Directors

The shareholders of our Company have passed a resolution at the Extra-Ordinary General Meeting of our Company held on May 24, 2006 authorising our Board of Directors pursuant to Section 293(1)(d) of the Companies Act, 1956 to borrow, such sum or sums of money as they may deem requisite for the purpose of the business of our Company not withstanding that the monies to be borrowed together with the monies already borrowed by our Company (apart from temporary loans obtained from the bankers of our Company in the ordinary course of business) shall exceed the aggregate of the paid up capital of our Company and its free reserves, that is to say, reserves not set up for any specific purposes provided that the total amount together with the monies already borrowed by our Board of Directors shall not at time exceed the sum of Rs. 1000 mn. only.

For details regarding powers of our Board of Directors in this regard, please refer to the section titled 'Main Provisions of the Articles of Association of our Company' beginning on page no. 206 of this Draft Red Herring Prospectus.

Details of compensation payable to Managing Director and Wholetime director

The details of compensation payable to our Managing Director and the Whole-time Directors are as under:

1. Mr. J. K. Jain, Managing Director

In the Extra-Ordinary General Meeting of our Company held on July 26, 2001, our shareholders approved the re-appointment of Mr. J. K. Jain as the Managing Director of our Company for a period of five years w.e.f. August 7, 2001. In the Extra-Ordinary General Meeting held on April 1, 2005, our shareholders approved the payment of increased remuneration of Rs. 250,000 per month w.e.f. April 1, 2005 to Mr. J. K. Jain. The terms and conditions of his present appointment are as under:

Period: His re-appointment has been made for a period of 5 years w.e.f. August 7, 2001. In the Extra-Ordinary General Meeting of our Company held on April 1, 2005, our shareholders have approved the re-appointment of Mr. J. K. Jain as the Managing Director of our Company in advance for a period of 3 years w.e.f. August 7, 2006.

Remuneration: Rs. 250,000 (Rupees Two Lacs Fifty Thousand only) per month.

Mr. J. K. Jain shall not be liable to retire by rotation.

2. Mrs. Seema Jain, Whole-time Director

In the Extra-Ordinary General Meeting of our Company held on April 1, 2005, our shareholders approved the appointment of Mrs. Seema Jain as the Whole-time Director of our Company on the following terms and conditions:

Period: Her appointment has been made for a period of 3 years w.e.f. April 1, 2005.

Remuneration: Rs. 150,000 (Rupees One Lac Fifty Thousand only) per month.

Mrs. Seema Jain shall be liable to retire by rotation.

3. Ms. Aanchal Jain, Whole-time Director

In the Extra-Ordinary General Meeting of our Company held on April 1, 2005, our shareholders approved the appointment of Ms. Aanchal Jain as the Whole-time Director of our Company on the following terms and conditions:

Period: Her appointment has been made for a period of 3 years w.e.f. April 1, 2005.

Remuneration: Rs. 50,000 (Rupees Fifty Thousand only) per month.

Ms. Aanchal Jain shall be liable to retire by rotation.

4. Mr. J. S. S. Rao, Whole-time Director

In the Extra-Ordinary General Meeting of our Company held on February 17, 2006, our shareholders approved the appointment of Mr. J. S. S. Rao as the Whole-time Director of our Company on the following terms and conditions:

Period: His appointment has been made for a period of 3 years w.e.f. December 1, 2005.

Remuneration: Rs. 150,000 (Rupees One lac Fifty thousand only) per month.

Mr. J. S. S. Rao shall be liable to retire by rotation. Further, in the event of any loss or inadequacy of profits in any financial year of our Company during the tenure of Mr. J. S. S. Rao as Whole-time Director of our Company, the remuneration payable to him shall be in accordance with the limits prescribed in Section II, Part II of Schedule XIII to the Companies Act, 1956 as amended from time to time subject to the compliance of provisions thereof.

5. Mr. Pravin Kumar, Whole-time Director

In the Extra-Ordinary General Meeting of our Company held on February 17, 2006, our shareholders approved the appointment of Mr. Pravin Kumar as the Whole-time Director of our Company on the following terms and conditions:

Period: His appointment has been made for a period of 3 years w.e.f. October 5, 2005.

Remuneration: Rs. 150,000 (Rupees One Lac Fifty Thousand only) per month.

Mr. Pravin Kumar shall be liable to retire by rotation. Further, in the event of any loss or inadequacy of profits in any financial year of our Company during the tenure of Mr. Pravin Kumar as Whole-time Director of our Company, the remuneration payable to him shall be in accordance with the limits prescribed in Section II, Part II of Schedule XIII to the Companies Act, 1956 as amended from time to time subject to the compliance of provisions thereof.

Shareholding of our Directors in our Company

The shareholding of our Directors in our Company as on the date of this Draft Red Herring Prospectus is as under:

Name of the Director	Number of shares	% shareholding
Mr. Rahul Jain	3,990,277	51.43
Mr. J. K. Jain	1,871,088	24.12
Mrs. Seema Jain	1,314,358	16.94
Ms. Aanchal Jain	312,692	4.03
Mr. Kuldeep Singh Lamba	80,000	1.03
Mr. Iqbal Singh	20,012	0.26
Mr. Chandrakant D. Shah	12,000	0.15
Mr. J. S. S. Rao	12	-

Changes in our Board of Directors in last three years

The details of the changes in our Board of Directors in last three years are as under:

Name of the Director	Date of change	Reasons for change
Mr. Ramesh Kumar Shukla	August 4, 2003	Resigned as Director
Mr. Varadarajan Kasturi Rangan	August 4, 2003	Resigned as Director
Mr. V. R. H. Subramaniam	February 20, 2004	Resigned as Director
Mr. Rahul Jain	November 14, 2004	Appointed as Additional Director
Mr. Bimal Jain	March 1, 2005	Appointed as Additional Director
Mr. Chatter Singh Kothari	March 1, 2005	Appointed as Additional Director
Mr. Sudeep Dasani	March 1, 2005	Appointed as Additional Director
Mr. Raj Kumar Sharma	April 1, 2005	Resigned as Director
Mr. Rohit Prakash	April 1, 2005	Resigned as Director
Mr. Bimal Jain	September 29, 2005	Since no notice of his candidature as Director was received for the AGM held on September 29, 2005, he ceased to be a Director
Mr. Sudeep Dasani	September 29, 2005	Since no notice of his candidature as Director was received for the AGM held on September 29, 2005, he ceased to be a Director
Mr. Iqbal Singh	October 5, 2005	Appointed as Additional Director
Mr. Paramjit Singh Bhatia	October 5, 2005	Appointed as Additional Director
Mr. Pravin Kumar	October 5, 2005	Appointed as Additional Director
Mr. J. S. S. Rao	December 1, 2005	Appointed as Additional Director
Mr. Chandrakant D. Shah	March 7, 2006	Appointed as Additional Director
Mr. Kuldeep Singh Lamba	April 26, 2006	Appointed as Additional Director
Mr. Jasmit Singh Chandhok	April 26, 2006	Appointed as Additional Director

Interest of Promoters and / or Directors

All the Directors of our Company may be deemed to be interested to the extent of sitting fees and / or remuneration, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of reimbursement of expenses, if any, payable to them under our Articles of Association. The Managing Director and the Whole Time Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company.

All our Directors may also be deemed to be interested in the Equity Shares in our Company, if any, held by them, their relatives or by the companies and firms in which they are interested as directors / members / partners or that may be

subscribed for and allotted to them, out of the present Issue in terms of this Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

For further information on transactions that our Company has entered into with companies in which our Promoters and / or Directors are interested, please refer to the section titled 'Related Party Transactions' beginning on page no. 111 of this Draft Red Herring Prospectus.

Mr. J. K. Jain, a promoter / director of our Company, is the proprietor of FIEM Auto & Electrical Industries which is the registered owner of the trademark 'FIEM'. Mr. J. K. Jain, through his proprietary concern FIEM Auto & Electrical Industries, has given adequate right to our Company vide agreement dated March 1, 2005 to use the trademark 'FIEM' for our products viz., spare parts for motor land vehicles, head lamps and its parts and accessories, vehicles reflectors, all kinds of lamps and their parts and accessories. For further details, please refer to the section titled 'Intellectual Property Rights' beginning on page no. 173 of this Draft Red Herring Prospectus.

All the Directors may be deemed to be interested in the contracts, agreements / arrangements entered into or to be entered into by us with any company in which they have direct / indirect interest or any partnership firm in which they are partners.

Property acquired from our promoters and / or Directors in last two years

Our Company has not acquired any property in last two years, except as that stated herein below, from the promoters and / or Directors of our Company or from any company in which they are directly and / or indirectly related:

Our Company has acquired the premise located at D-34, DSIDC, Packaging Complex, Kirti Nagar, New Delhi – 110 015 vide sale agreement dated June 8, 2006 for a total consideration of Rs. 7,500,000 from Mrs. Seema Jain, one of our promoters and Whole-time Director of our Company. Our registered office is presently located on this premise.

Corporate Governance

Our Company stands committed to good Corporate Governance practices based on the principles such as accountability, transparency in dealings with our stakeholders, emphasis on communication and transparent reporting. These vital initiatives extend beyond mandatory corporate governance requirements and are in accordance with our aim of establishing voluntary best practices for good corporate governance.

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance and the SEBI Guidelines in respect of corporate governance will be applicable to our Company immediately upon the listing of our Company's Equity Shares on the Stock Exchanges. Our Company undertakes to adopt the Corporate Governance Code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to the listing of our Equity Shares. Our Company has complied with such provisions, including with respect to constitution of the various Board Committees viz., the Audit Committee, Shareholders / Investor Grievance, Share Transfer Committee and Remuneration Committee.

Presently, our Board has twelve Directors, of which six are independent directors in accordance with the requirements of clause 49 of the listing agreement of the Stock Exchanges. The Chairman of the Board is an Executive Director.

The details of the committees of the Board are as under:

Audit Committee

The Audit Committee was constituted on March 31, 2005 with Mr. Chatter Singh Kothari, Mr. Rahul Jain and Ms. Aanchal Jain as its members. Subsequently, the audit committee has been re-constituted on April 26, 2006 with Mr. Jasmit Singh Chandhok, Mr. Chatter Singh Kothari and Mr. Paramjit Singh Bhatia as its members. Presently, the Chairman of the audit committee is Mr. Jasmit Singh Chandhok.

The terms of the Audit Committee is to comply with the requirements of Section 292 A of the Companies Act and Clause 49 of the listing agreement to be entered into with the Stock Exchange(s). The scope of Audit Committee shall include, but shall not be restricted to the following:

1. Authority to investigate any matter pertaining to the items specified in section 292A of the Companies Act or referred to it by the Board;
2. Investigate any activity within its terms of reference;
3. Oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
4. Review, with the management, of the annual financial statements;
5. Review, with the management, and the external and internal auditors, of the adequacy of internal control systems;
6. Review of the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
7. Review of our Company's financial and risk management policies; and
8. Periodic discussion with the auditors about internal control systems, scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.

Shareholders / Investor Grievance Committee

The Shareholders / Investor Grievance Committee has been constituted on April 26, 2006 with Mr. Chatter Singh Kothari, Mr. J. S. S. Rao and Mr. Rahul Jain as its members. Presently, the Chairman of the audit committee is Mr. Chatter Singh Kothari.

The committee has been constituted to look into the redressal of shareholders and investors' complaints like non-receipt of share certificates sent for transfer, non-receipt of balance sheets, non-receipt of declared dividends, etc. The committee also approves issue of duplicate share certificates and oversees the matters connected with the transfer of securities.

Share Transfer Committee

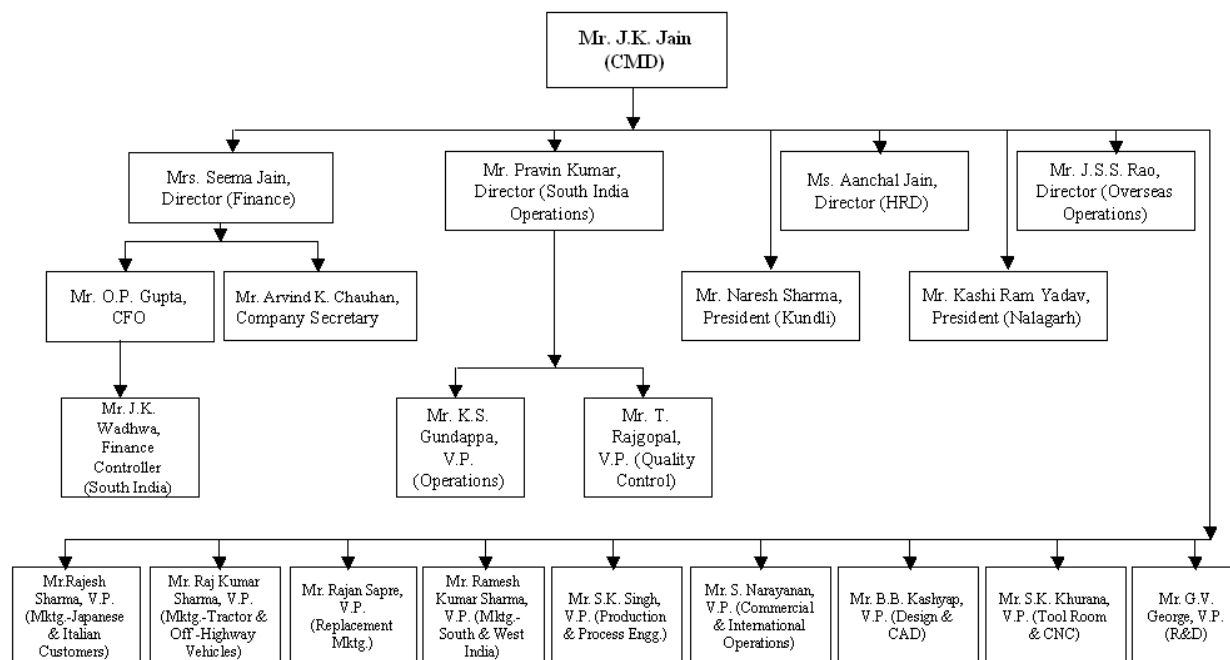
The Share Transfer Committee has been constituted on April 26, 2006 with Mr. J. S. S. Rao and Mr. Rahul Jain as its members. The committee has been formed for expediting the process of transfer of shares.

Remuneration Committee

The Remuneration Committee was constituted on March 1, 2005 with Mr. Chatter Singh Kothari, Mr. Bimal Jain and Mr. Sudeep Dasani as its members. Subsequently, the remuneration committee has been re-constituted on April 26, 2006 with Mr. Chatter Singh Kothari, Mr. Paramjit Singh Bhatia and Mr. Iqbal Singh as its members. All the members of the remuneration committee are Independent Directors. Presently, the Chairman of the remuneration committee is Mr. Chatter Singh Kothari.

The committee has been formed to decide and approve the terms and conditions for appointment of executive directors and / or wholetime directors and remuneration payable to other directors and other matters related thereto.

Organisation chart



Key managerial personnel

The details of our key managerial personnel are as under:

Mr. J. K. Jain, Chairman and Managing Director – For details, please refer to the section titled ‘Our Management’ beginning on page no. 92 of this Draft Red Herring Prospectus.

Mrs. Seema Jain, Whole-time Director – For details, please refer to the section titled ‘Our Management’ beginning on page no. 92 of this Draft Red Herring Prospectus.

Ms. Aanchal Jain, Whole-time Director – For details, please refer to the section titled ‘Our Management’ beginning on page no. 92 of this Draft Red Herring Prospectus.

Mr. J. S. S. Rao, Whole-time Director – For details, please refer to the section titled ‘Our Management’ beginning on page no. 92 of this Draft Red Herring Prospectus.

Mr. Pravin Kumar, Whole-time Director – For details, please refer to the section titled ‘Our Management’ beginning on page no. 92 of this Draft Red Herring Prospectus.

Mr. O. P. Gupta, Chief Financial Officer, aged 47 years, has an experience of over 19 years in the fields of accounts, finance and taxation. He is a member of the Institute of Chartered Accountants of India, Institute of Company Secretaries of India and Institute of Cost and Works Accountants of India. Prior to joining us, he worked with C. L. Gupta Exports Limited as Vice President (Finance and Corp. Affairs) cum Company Secretary for a period of 18 months. He joined our Company in May 2006 as Chief Financial Officer. He is presently responsible for the accounts and finance functions of our Company. His current gross remuneration is Rs. 1,800,000 p.a.

Mr. J. K. Wadhwa, Financial Controller (South India), aged 41 years, has an experience of over 15 years in the fields of accounts, finance and taxation. He is a member of the Institute of Chartered Accountants of India and Institute of Company Secretaries of India. Prior to joining us, he worked with Samtel Group as Manager (Finance) for a period of 10 years. He joined our Company in April 2005 as Chief Financial Officer. He has been re-designated as Financial

Controller (South India) from April 2006 and is presently responsible for the accounts and finance functions of our South India operations. His current gross remuneration is Rs. 1,090,000 p.a.

Mr. Naresh Sharma, President (Kundli Unit), aged 44 years, has an experience of over 20 years in the fields of production, quality control & project set up. He holds a Bachelor degree in metallurgy engineering. In his career span, he has worked with M/s. Jaipur Metals & Electricals Ltd., M/s. Autolite (India) Ltd. & M/s. Lumax Industries Ltd. He joined our Company in March 2006 as President (Kundli Unit) and is presently responsible for production & Operations functions. His current Remuneration is Rs. 1,800,000 p.a.

Mr. Kashi Ram Yadav, President (Nalagarh unit) aged 50 years, has an experience of over 30 years in production and manufacturing operations of automotive lighting and signaling equipments and rear view mirrors. He started his career with the promoters of the company in the year 1975 and since then working in different capacities. Presently, he is responsible for the successful implementation and completion of upcoming Greenfield project at Nalagarh as the President of this Unit (Unit No.VI). His current Remuneration is Rs. 1,800,000 p.a.

Mr. Rajesh Sharma, Vice President (Marketing-Japanese & Italian customers), aged 43 years, has an experience of over 24 years in the fields of new product developments and marketing. He holds a Bachelor degree in Science and diploma in Marketing Management & Personnel Management from St. Xavier, Delhi University. Prior to joining us, he worked with M/s. Toshi Auto Pvt. Ltd., M/s. Jay Industries, etc. He joined our Company in August 2003 and is presently serving as the Vice President (Marketing). He is responsible for new product development for two wheelers & four-wheeler with existing and prospective customers. His current Remuneration is Rs. 1,500,000 p.a.

Mr. R. K. Sharma, Vice President (Marketing-Tractor & Off High Vehicles), aged 54 years, has an experience of over 30 years in the field of Sales and Marketing both in OEMs and Replacement Market. He is Graduate with Diploma in Export Management. In his career span, he has worked with Bombay Paints & Allied Products Ltd., HMT Ltd. and Anushka Autolite India Ltd. He has joined our Company in June 2000. Presently he is responsible for development of new products, especially for Tractor Manufacturers with our existing & prospective customers. His current remuneration is Rs. 768,000 p.a.

Mr. S. Narayanan, Vice President (Commercial & International Operations), aged 51 years, has an experience of over 30 years in the fields of International Business Relations. He holds a Bachelor degree in Commerce from Delhi University. Prior to joining us, he worked with M/s. Vandana International Pvt. Ltd. in the capacity of Chief Executive Manager. He joined our Company in January 1993 and is presently serving as Vice President (Commercial & International Operations). He is presently responsible for Export and Import functions of our Company. His current remuneration is Rs. 450,000 p.a.

Mr. Rajan D. Sapre, Vice President (Replacement Marketing), aged 46 years, has an experience of over 21 years in the fields of sales, aftermarket, replacement market & exports. He holds a Bachelor degree in Commerce and Masters in Business Administration from SCIBER, Shivaji University, Kolhapur. Prior to joining us, he worked with Switch Masters Ltd., Delhi, M/s. Seimens VDO Automotive Ltd., M/s Teneco Automotives, M/s. Kalayani Brakes Ltd.. He joined our Company in October 2005 as Vice President (Replacement Market). He is responsible for new product development and growth in Replacement Market of our Company. His current remuneration is Rs. 1,320,000 p.a.

Mr. G. V. George, Vice President (R&D), aged 47 years, has an experience of over 25 years in the Research and Development, Testing and Homologation. He holds a Diploma in Mechanical Engineering from Don Bosco Institute, Delhi and is an Associate Member of Institute of Engineers, Delhi he has attended a no. of Training Programmes. He has been a representative in GTR Committee Meetings in Geneva for formulations/ amendments in ECE Regulations and Global Technical Regulations. Prior to joining us, he worked with Daewoo Motors India Ltd., Escorts Ltd. & Alpha Toyo Ltd. He joined our Company in November 2001. He is presently heading the Research & Development functions of our Company. His current remuneration is Rs. 1,200,000 p.a.

Mr. T. Rajagopal, Vice President (Quality Control), aged 49 years, has an experience of over 30 years in the fields of production and quality control. He holds a diploma in Mechanical Engineering. Prior to joining us, he worked with M/s. TVS Ltd., M/s. Z F Steering Gear (P) Ltd. and M/s. Anand Corporate Services. He joined our Company in August 1996 and is presently serving as Vice President of our Hosur Unit (Unit No. II). He is presently responsible for Production & Quality Control functions in relation to the Hosur Unit (Unit No. II) of our Company. His current remuneration is Rs. 1,026,000 p.a.

Mr. K. S. Gundappa, Vice President (Operations), aged 61 years, has an experience of over 35 years in the fields of production and quality control. He holds a Bachelor degree in Science, B.Tech (Mechanical) from I. I. T Madras. He has also completed his Masters in Business Administration from Mysore University. Prior to joining our Company, he worked with M/s. MICO & TVS. He joined our Company in October 2005 as Vice President of our Hosur Unit (Unit No. III) and is responsible for optimizing production and quality control and other related activities. His current remuneration is Rs. 720,000 p.a.

Mr. Ramesh Kumar Sharma, Vice President (Marketing - South & West India), aged 42 years, has an experience of over 19 years in production, operations and marketing in automobile industry with OEMs and in consumer electronics. He holds a diploma in mechanical engineering from Aryabhata Polytechnic Institute, Delhi. In his career span, he has worked with M/s. Eicher Tractors Ltd., Escorts Yamaha Ltd., Lumax Industries Ltd. Evershine Moulders Ltd. and Empire Home Appliances Ltd. He joined our Company in June 2006 as Vice President, Marketing and is presently looking after the marketing in South & West India region. His current remuneration is Rs. 1,500,000 p.a.

Mr. S. K. Singh, Vice President (Production & Process Engineering), aged 56 years, has an experience of over 36 years in the fields of engineering in automotive lighting equipments. He holds a Diploma in Electrical Engineering and a 2.5 years post diploma course in Industrial Electronics Engineering. Before joining our Company, he worked in the capacity of Assistant General Manager in M/s. Philips India (P) Ltd. and Senior General Manager in M/s. Lumax Industries Ltd. He joined our Company in November 2004 as Vice President (Process Engineering) and is presently looking after the Process Engineering and Automation at our Kundli Unit. His current remuneration is Rs. 840,000 p.a.

Mr. B. B. Kashyap, Vice President (Design & CAD), aged 61 years, has an experience of over 32 years in the fields of mechanical engineering and product designing. He holds a bachelor degree in Science, diploma in mechanical engineering and is an Associate Member of Institute of Engineers. In his career span, he has worked with Northern Railway, Scooters India Ltd. Before joining us, he served as a General Manager (Tool Design) in LML Ltd., Kanpur. He joined our Company in May 2006 as Vice President (Design & CAD). He is presently responsible for product designing, tool designing and development for production aids. His current remuneration is Rs. 1,380,000 p.a.

Mr. S. K. Khurana, Vice President (Tool Room & CNC), aged 58 years, has an experience of over 37 years in tool room, jigs, fixtures and die making. He holds a bachelor degree in mechanical engineering from BITS, Pilani. In his career span, he has worked with M/s. ITI Ltd., Texmaco Ltd. and LML Ltd. He joined our Company in May 2006 as Vice President (Tool Room & CNC) and is presently looking after the tool room and moulds making. His current remuneration is Rs. 1,380,000 p.a.

Mr. Arvind K. Chauhan, Company Secretary and Compliance Officer, aged 31 years, has an experience of over 5 years in the Secretarial & Legal matters. He is a member of the Institute of Company Secretaries of India and holds a degree in Law from Delhi University. He also holds NSE's Certifications in Capital Market, Depositories and Derivatives Modules. Prior to joining us, he was partner in a Delhi based Company Secretary Firm. He joined our Company in March 2006 as Company Secretary. He is presently responsible for the secretarial functions of our Company. His current remuneration is Rs. 450,000 p.a.

The key managerial personnel whose names appear above are the permanent employees and are on the rolls of our Company.

Shareholding of our key managerial personnel

The shareholding of our key managerial personnel, except for the Directors of our Company, as on the date of this Draft Red Herring Prospectus is as under:

Name of the key managerial personnel	Number of shares	% shareholding
Mr. Kashi Ram Yadav	23	-

Changes in key managerial personnel in last three years

The details of the changes in our key managerial personnel in last three years are as under:

Name of the key managerial personnel	Designation	Date of change	Reason for change
Mr. Vibhash Chopra	Vice President (Surface Treat)	July 24, 2003	Appointed
Mr. Rajesh Sharma	Vice President (Marketing-Japanese & Italian customers)	August 25, 2003	Appointed
Mr. Vibhash Chopra	Vice President (Surface Treat)	December 5, 2003	Resigned due to personal reasons
Ms. Geeta Pasricha	Company Secretary	December 31, 2003	Resigned due to personal reasons
Mr. A. K. Madan	Sr. Vice President (Materials)	April 28, 2004	Resigned due to personal reasons
Ms. Ruchi Sethi	Company Secretary	May 3, 2004	Appointed
Mr. S. K. Singh	Vice President (Product & Process Engineering)	November 15, 2004	Appointed
Mr. J. K. Wadhwa	Financial Controller (South India)	April 20, 2005	Appointed
Mr. Rajan D. Sapre	Vice President (Replacement Marketing)	October 4, 2005	Appointed
Mr. K. S. Gundappa	Vice President (Operations)	October 26, 2005	Appointed
Ms. Ruchi Sethi	Company Secretary	January 31, 2006	Resigned due to personal reasons
Mr. Arvind K. Chauhan	Company Secretary	March 7, 2006	Appointed
Mr. Naresh Sharma	President (Kundli Unit)	March 10, 2006	Appointed
Mr. B. B. Kashyap	Vice President (Design & CAD)	May 4, 2006	Appointed
Mr. S. K. Khurana	Vice President (Tool room & CNC)	May 8, 2006	Appointed
Mr. O. P. Gupta	Chief Financial Officer	May 24, 2006	Appointed
Mr. Ramesh Kumar Sharma	Vice President (Marketing – South & West India)	June 12, 2006	Appointed

Bonus or Profit Sharing Plan for the Key Managerial Personnel

Our Company does not have any bonus or profit-sharing plan for key managerial personnel. The key managerial personnel do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business and to the extent of benefits derived on Equity Shares held by them in our Company.

Employees Stock Option Scheme

Our Company currently does not have any employee stock option scheme.

Non-salary related payment or benefit to employees / key managerial personnel of our Company

There has been no other payment or benefit given to the employees / key managerial personnel of our Company other than salary.

OUR PROMOTERS

The promoters of our Company are Mr. J. K. Jain, Mrs. Seema Jain, Mr. Rahul Jain and Ms. Aanchal Jain.

<p>Mr. J. K. Jain</p> 	<p>Mr. J. K. Jain, aged 54 years, is the Chairman and Managing Director of our Company. He hails from a business family and is one of the pioneers in the automotive lighting industry in India. After completing his graduation in Commerce from Delhi University, he got involved in the operations of M/s. B. P. Plastic Industries in the year 1970, a proprietary concern set-up by Bishamber Sahai Jain Trust, a family trust. M/s. B. P. Plastic Industries was then engaged into the business of manufacturing automotive lighting and signaling equipments. To fulfill the growing demand of O. E. M. customers, he set-up another proprietary concern in the year 1977 under the name and style of FIEM Auto & Electrical Industries. In the year 1986, he set-up a Company under the name and style of FIEM Auto Pvt. Ltd. as an ancillary to Ind Suzuki Motorcycle Pvt. Ltd. (now TVS Motor Co. Ltd.). Keeping in view the pace of the automotive industry and the growing customer demand, he set-up another Company in the year 1989 under the name and style of Rahul Auto Pvt. Ltd. (now FIEM Industries Ltd.) for manufacturing of rear view mirrors alongwith automotive lighting & signaling equipment. After visualizing the potential growth in the Indian Automobile Industry, he initiated action for re-structuring and re-engineering of all the units under FIEM Industries Ltd. He has been instrumental in the growth of our Company and under his guidance and leadership, our Company is now setting up two more units. The Institute of Economic Studies awarded him with the 'Udyog Rattan Award'.</p> <table border="1" data-bbox="456 877 1453 947"> <tr> <td>Voter I. D. No.</td><td>DL\02\015\117248</td></tr> <tr> <td>Driving License No.</td><td>P04032000180891</td></tr> </table>	Voter I. D. No.	DL\02\015\117248	Driving License No.	P04032000180891
Voter I. D. No.	DL\02\015\117248				
Driving License No.	P04032000180891				
<p>Mrs. Seema Jain</p> 	<p>Mrs. Seema Jain, aged 51 years, is the Whole-time Director of our Company. She completed her B.Sc. from Lady Erwin College of Delhi in 1974. She hails from a business family and looked after the day-to-day business activities of her family business during her college days. She is presently actively involved in overseeing the finance functions of our Company.</p> <table border="1" data-bbox="456 1178 1453 1251"> <tr> <td>Voter I. D. No.</td><td>DL\02\015\117249</td></tr> <tr> <td>Driving License No.</td><td>-</td></tr> </table>	Voter I. D. No.	DL\02\015\117249	Driving License No.	-
Voter I. D. No.	DL\02\015\117249				
Driving License No.	-				
<p>Mr. Rahul Jain</p> 	<p>Mr. Rahul Jain, aged 19 years, is a Director of our Company. After qualifying from 12th class exam from Modern School, Barakhamba Road, he is presently pursuing his further studies in B.Sc Management from the Indian Institute of Learning Management (IILM), New Delhi. At the same time, he has been taking interest in the business activities of the organization especially in marketing and dealing with Japanese customers.</p> <table border="1" data-bbox="456 1482 1453 1556"> <tr> <td>Voter I. D. No.</td><td>-</td></tr> <tr> <td>Driving License No.</td><td>P 04122004418645</td></tr> </table>	Voter I. D. No.	-	Driving License No.	P 04122004418645
Voter I. D. No.	-				
Driving License No.	P 04122004418645				
<p>Ms. Aanchal Jain</p> 	<p>Ms. Aanchal Jain, aged 24 years, is the Whole-time Director of our Company. She completed her B.Sc. in Management from the Indian Institute of Learning Management (IILM), New Delhi in the year 2002 and further enrolled herself for further studies in the USA. She completed her Masters in Business Administration in Human Resource and Management from Indiana Institute of Technology, USA in the year 2004. She is presently actively involved in human resource management functions of our Company.</p> <table border="1" data-bbox="456 1776 1453 1845"> <tr> <td>Voter I. D. No.</td><td>-</td></tr> <tr> <td>Driving License No.</td><td>P04052000191649</td></tr> </table>	Voter I. D. No.	-	Driving License No.	P04052000191649
Voter I. D. No.	-				
Driving License No.	P04052000191649				

We confirm that the Permanent Account Number, Bank Account Number and the Passport Number of the above mentioned individuals has been submitted to BSE and NSE at the time of filing this Draft Red Herring Prospectus with them.

Relationship between our Promoters, Directors and key managerial personnel

The details of the relationship between our promoters, directors and key managerial personnel are as under:

Sr. No.	Director	Relationship with	Relationship
1.	Mr. J. K. Jain	Mrs. Seema Jain Mr. Rahul Jain Ms. Aanchal Jain	Wife Son Daughter
2.	Mrs. Seema Jain	Mr. J. K. Jain Mr. Rahul Jain Ms. Aanchal Jain	Husband Son Daughter
3.	Mr. Rahul Jain	Mr. J. K. Jain Mrs. Seema Jain Ms. Aanchal Jain	Father Mother Sister
4.	Ms. Aanchal Jain	Mr. J. K. Jain Mrs. Seema Jain Mr. Rahul Jain	Father Mother Brother

Except as stated above, there is no relationship between any promoter, director and key managerial personnel of our Company.

Common Pursuits

The list of the entities having similar line of activity is given below:

Sr. No.	Name of the Entity	Similar line of activities
1.	FIEM Auto Private Limited	Manufacture, repair and dealing of automobile electrical components and accessories and electro-plating, plastic and glass moulding, sheet metal forming, pressing and welding, etc
2.	FIEM Sung San (India) Limited	Manufacture, purchase and sales, import and export, assembling, distribution, repairs and after sales service of all kinds of automotive lighting equipments and related parts and components and all other related items for vehicles and conveyances of all kinds. It is presently carrying out job work for our Company
3.	FIEM Auto & Electrical Industries	Was set-up for carrying on the business of manufacturing and job work of automotive lighting & signalling equipments and rear view mirrors. It has ceased to carry on business activity since the year 1996-97.
4.	Target Auto International	Was set-up for carrying on the business of trading in all kinds of automotive lightings and signalling equipments. It has ceased to carry on business activity since the year 1996-97.
5.	Jagjeevan Automobiles	Was set-up for carrying on the business of manufacturing & job work of automotive lighting & signalling equipments. It has ceased to carry on business activity since the year 1996-97.
6.	B. P. Plastics Industries	Was set-up for the purpose of carrying on the business of manufacturing automotive lighting and signaling equipments. It has ceased to carry on business activity since the year 2001-02.
7.	Seema Engineering Works	Was set-up for the purpose of carrying on the business of job work of all kinds of automotive lighting and signaling equipments. It has ceased to carry on business activity since the year 1996-97

For further details, please refer to the section titled 'Our Group Companies' on page no. 107 of this Draft Red Herring Prospectus.

Interest of our Promoters

For interest of our promoters, please refer to the section titled 'Our Management' beginning on page no. 92 of this Draft Red Herring Prospectus.

Property acquired by our Company in last two years

For details of property acquired by our Company in last two years, please refer to the section titled 'Our Management' beginning on page no. 92 of this Draft Red Herring Prospectus.

Payment or benefit to the Promoters

The Promoters and Directors of our Company may be deemed to be interested to the extent of remuneration received by them in their respective capacities as well as to the extent of reimbursement of expenses, if any, payable to them under our Articles of Association. The Promoters and Directors may also be deemed to be interested in the Equity Shares in our Company, if any, held by them, their relatives or by the companies and firms in which they are interested as directors / members / partners or that may be subscribed for and allotted to them, out of the present Issue in terms of this Draft Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. There is no interest of Promoters or any payment or benefit to Promoters / Directors other than as mentioned in the section titled 'Our Management' beginning on page no. 92 of this Draft Red Herring Prospectus.

Related Party Transactions

For details of related party transactions, please refer to the section titled 'Related Party Transactions' beginning on page no. 111 of this Draft Red Herring Prospectus.

OUR GROUP COMPANIES

The companies, which can be classified as our Group Companies are as under:

1. FIEM Auto Private Limited

FIEM Auto Private Limited was incorporated on September 10, 1984 as a private limited Company under the Companies Act, 1956. The Company has its registered office at 96, 17th Cross Sector – 4, HSR LAY OUT, Bangalore, Karnataka – 560 034. The company was incorporated to manufacture, repair and dealing of automobile electrical components and accessories and electro-plating, plastic and glass moulding, sheet metal forming, pressing and welding, etc. Currently, there are no business operations in this Company.

The shareholding pattern of the Company as on March 31, 2006 was as under:

Name of the shareholder	Number of shares	% shareholding
Mr. J. K. Jain	16,804	65.21
Mrs. Seema Jain	6,866	26.64
Mr. Rahul Jain	2,100	8.15
Total	25,770	100.00

The Board of Directors of the Company as on March 31, 2006 comprised of the following:

Name of the Director	Designation
Mr. J. K. Jain	Chairman
Mrs. Seema Jain	Managing Director
Mr. Varadarajan Kasturi Rangan	Director

The audited financial performance for the last three financial years was as under:

Particulars	(Rs. in Million)		
	March 31, 2006	March 31, 2005	March 31, 2004
Total Income	16.13	31.02	257.84
Profit after tax	3.45	(17.66)	1.13
Equity Capital (Face Value of Rs. 100 per share)	2.58	2.58	2.58
Reserves and Surplus	8.66	5.12	22.78
Dividend (%)	Nil	Nil	Nil
Earnings per share (Rs.)	133.84	(685.24)	43.71
Book Value per share (Rs.)	436.14	298.61	983.85

2. FIEM Sung San (India) Limited

FIEM Sung San (India) Limited has become the subsidiary of our Company on September 30, 2005 pursuant to the acquisition of 3,250,000 Equity Shares of Rs. 10 each. Since, prior to this acquisition, FIEM Sung San (India) Limited was a group company, the relevant details are given hereunder:

FIEM Sung San (India) Limited was incorporated on August 5, 1996 under the Companies Act, 1956. The Company has its registered office at D-34 DSIDC Packaging Complex, Kirti Nagar, New Delhi – 110 015. It is presently carrying out job work for our Company.

Prior to this, FIEM Sung San (India) Limited (“FSSIL”) was incorporated as a Joint Venture amongst our Company, Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited) (“DDML”) and Sung San Co. Limited, Korea (“Sung San”) (now known as SL Sung San Corp. Ltd.). FSSIL was incorporated for the purpose of engaging into the business of manufacture, assembling, marketing, distribution, sale and after-sales service of automotive lighting equipments and such other related automobile parts & components and to undertake all other activities related thereto primarily to meet the requirements of DDML for its Ceilo brand of cars. For more details of the Joint Venture Agreement, please refer to the section titled ‘Shareholders and Other Agreements’ beginning

on page no. 90 of this Draft Red Herring Prospectus. FSSIL had also entered into a Technical Assistance Agreement with Sung San.

Pursuant to the above Joint Venture Agreement, FSSIL set up a manufacturing unit at NOIDA, Uttar Pradesh as an ancillary unit to DDML. The project was appraised by IFCI Limited and the cost was funded by way of promoter's equity of Rs. 82.25 million, a rupee term loan of Rs. 44 million from IFCI Limited and a further rupee term loan of Rs. 21.40 million from Canara Bank. The project was completed without any time or cost over-run and the production facilities were ready by October 1997. But due to sudden and steep fall in the demand for Ceilo cars by then and already huge quantities of imported lamp assemblies available with DDML, FSSIL had to delay the production of lamp assemblies for Ceilo cars. Due to this, FSSIL started facing financial problems, as a result of which, more than 50% of the peak net worth of FSSIL eroded in the year 2002-2003. As a result, FSSIL had to report to the Board for Industrial and Financial Reconstruction under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 during the year 2002-03.

In order to reflect its true net worth, FSSIL approached the Hon'ble High Court of Delhi for reduction of its paid up capital under Sections 100-104 of the Companies Act, 1956. Subsequently, the Hon'ble High Court of Delhi, vide its order dated July 28, 2003, reduced the paid up capital of FSSIL from Rs. 82.25 million to Rs. 12.34 million.

Further, on account of financial problems, FSSIL defaulted in the payment of interest and principal instalment to IFCI Limited and Canara Bank in the years 1999, 2000, 2001, 2002, 2003 and 2004. Subsequently, FSSIL entered into a One Time Settlement (OTS) scheme for its entire dues with Canara Bank and IFCI Limited.

The OTS with Canara Bank was concluded in October 2004 by way of payment of Rs. 8 million as full and final settlement. The in-principle approval letter dated June 29, 2005 of IFCI Limited for OTS provided for a full and final settlement at Rs. 42.50 million, of which Rs. 10 million was payable within ten days from the date of this in-principle approval letter and the balance amount of Rs. 32.50 million on or before the expiry of six months from the date of payment of Rs. 10 million. For the purpose of making this payment of Rs. 32.50 million, FSSIL made a preferential allotment of 3,250,000 Equity Shares of Rs. 10 each to our Company. The full and final payment was made to IFCI Limited in September 2005. FSSIL has also obtained no dues certificate from Canara Bank dated October 16, 2004 and from IFCI Limited dated February 27, 2006.

The shareholding pattern of the Company as on March 31, 2006 was as under:

Name of the shareholder	Number of shares	% shareholding
FIEM Industries Limited	3,681,752	82.11
Sung San Co., Limited, Korea	431,813	09.63
Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited)	370,125	8.25
Others	60	0.01
Total	4,483,750	100

The Board of Directors of the Company as on March 31, 2006 comprised of the following:

Name of the Director	Designation
Mr. D.W.Kim	Chairman
Mr. J.K.Jain	Managing Director
Mr. C.K.Lee	Director
Mr. Iqbal Singh	Director
Mr. Kuldeep Singh Lamba	Director
Mr. Young Hee Lee	Director
Mr. Myung Hak Jung	Director
Mr. D.G.Kim	Director
Mr. Vinay Shukla	Director
Mr. Tejinder Singh Khurana	Alternate to Mr.K.S.Lamba

Financial Performance

The audited financial performance for the last three financial years was as under:

(Rs. in Million)

Particulars	March 31, 2006	March 31, 2005	March 31, 2004
Total Income	49.38	44.87	107.51
Profit after tax	30.24	6.94	1.01
Equity Capital (Face Value of Rs. 10 per share)	44.84	12.34	12.34
Reserves and Surplus	31.30	1.06	(5.88)
Dividend (%)	Nil	Nil	Nil
Earnings per share (Rs.)	9.66	5.63	0.82
Book Value per share (Rs.) *	16.97	10.80	5.15

* Adjusted for miscellaneous expenditure.

3. FIEM Auto & Electrical Industries

FIEM Auto & Electrical Industries was set-up as a proprietary concern of Mr. J. K. Jain in the year 1977 for carrying on the business of manufacturing and job work of automotive lighting & signalling equipments and rear view mirrors. It has ceased to carry on business activity since the year 1996-97.

4. Target Auto International

Target Auto International was set-up as a proprietary concern of Mr. J. K. Jain in the year 1994 for carrying on the business of trading in all kinds of automotive lightings and signalling equipments. This proprietary concern has ceased to carry on business activity since the year 1996-97.

5. Jagjeevan Automobiles

Jagjeevan Automobiles was set-up as a proprietary concern of Mrs. Seema Jain in the year 1972 for carrying on the business of manufacturing & job work of automotive lighting & signalling equipments. This proprietary concern has ceased to carry on business activity since the year 1996-97.

6. B. P. Plastic Industries

B. P. Plastic Industries was set-up as a proprietary concern in the year 1970 by Bishamber Sahai Jain Trust for the purpose of carrying on the business of manufacturing automotive lighting and signaling equipments. Bishamber Sahai Jain Trust is a family trust which was set-up on June 1, 1967 vide trust deed dated August 26, 1967 with its managing trustee Late Mr. Pramod Chand Jain. The objects of the trust were to provide funds for the maintenance, education and marriage of the grand children of Late Mr. Bishamber Sahai Jain. Bishamber Sahai Jain Trust, through its managing trustee Late Mr. Pramod Chand Jain set-up a proprietary concern under the name and style of M/s. B. P. Plastic Industries in the year 1970 for carrying on the business of manufacturing automotive lighting and signaling equipments. Presently, Mr. J. K. Jain is the managing trustee of this trust. B. P. Plastic Industries has ceased to carry on business activity since the year 2001-02.

7. J. K. Jain (HUF)

J. K. Jain (HUF) was formed in the year 1972. Presently, Mr. J. K. Jain is the karta whereas Mrs. Seema Jain, Mr. Rahul Jain and Ms. Aanchal Jain are the other members of this HUF. Presently, the HUF is the proprietor of FIEM International and Seema Engineering Works.

8. FIEM International

FIEM International was set-up as a proprietary concern in the year 2003 wherein J. K. Jain (HUF) is the proprietor for the purpose of carrying on the business of import and export of all kinds of handicraft items, shawls, etc.

The financial performance for the last three financial years was as under:

(Rs. in Million)

Particulars	March 31, 2006	March 31, 2005	March 31, 2004
Total Income	0.00	0.00	1.25
Profit after tax	0.00	0.00	(0.002)
Capital	0.62	0.62	0.62

9. Seema Engineering Works

Seema Engineering Works was set-up as a proprietary concern in the year 1972 wherein J. K. Jain (HUF) is the proprietor. Seema Engineering Works was set-up for the purpose of carrying on the business of job work of all kinds of automotive lighting and signaling equipments. It has ceased to carry on business activity since the year 1996-97.

Companies with which the Promoter has disassociated itself in last three years

None of our promoters have dissociated themselves from any Company in last three years.

RELATED PARTY TRANSACTIONS

For related party transactions, please refer to the paragraph titled 'Related Party Transactions' under the section titled 'Financial Information of our Company' beginning on page no. 114 of this Draft Red Herring Prospectus.

CURRENCY OF PRESENTATION

Our currency of presentation in this Draft Red Herring Prospectus is Indian Rupees (Rs.) only else otherwise mentioned.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders. However, the declaration of dividend may require prior approval of some of our lenders as per the terms of the loan agreements executed with them. Declaration of dividend will also depend on a number of factors, including but not limited to our Company's earnings, capital requirements and overall financial condition. Our Company has no stated dividend policy. In order to conserve funds, we have neither declared nor paid any equity dividend in the last five years.

SECTION V - FINANCIAL STATEMENTS

FINANCIAL INFORMATION OF OUR COMPANY

AUDITORS' REPORT

The Board of Directors,
FIEM INDUSTRIES LTD.
D-34, DSIDC, Packaging Complex
Kirti Nagar,
New Delhi – 110015.

Dear Sirs,

A.

a) We have examined the annexed financial information of FIEM INDUSTRIES LTD. ("the Company"), for the year ended March 31, 2002, 2003, 2004, 2005 and 2006, being the last date to which the accounts of the Company have been made up and audited by us.

b) In accordance with the requirements of

I. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

II. The securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and

III. Our terms of reference with the Company dated 5th May 2006 requesting us to carry out work in connection with the Offer Document as aforesaid,

We report that the restated assets and liabilities of the Company as at, March 31, 2002, 2003, 2004, 2005, and 2006 are as set out in Annexure I to this report after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in Annexure III.

We report that the restated profits of the Company for the financial years ended March 31, 2002, 2003, 2004, 2005 and 2006 are as set out in Annexure II to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and Notes to Accounts appearing in Annexure III to this report. The Company has not paid any dividend on equity shares in any of the years mentioned above.

B. We have examined the following financial information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report.

- a. Statement of Cash Flow as appearing in Annexure IV to this report;
- b. Statement of Debtors enclosed as Annexure V to this report;
- c. Details of loans and advances as appearing in Annexure VI to this report;
- d. Statement of Secured Loans as appearing in Annexure VII to this report.
- e. Statement of Unsecured Loans as appearing in Annexure VIII to this report;
- f. Statement of Operational Income as appearing in Annexure IX to this report;
- g. Statement of Other Income as appearing in Annexure X to this report;
- h. Details of Contingent Liabilities as appearing in Annexure XI to this report;
- i. Accounting Ratios as appearing in Annexure XII to this Report;
- j. Capitalization Statement as appearing in Annexure XIII to this report,
- k. Statement of Tax Shelters as appearing in Annexure XIV to this report;

- l. Statement of Related Party transactions as appearing in Annexure XV to this report.
 - m. Statement of Reserves and Surplus as appearing in Annexure XVI to this report.
- C.
- a) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies enclosed in Annexure III to this report, after making adjustments / restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Accounts, has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.
 - b) This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Public Issue of the Company and for submission to the ROC and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Anil S. Gupta & Associates
Chartered Accountants

Sd/-
Anil Kumar Gupta
Proprietor

Place: New Delhi
Date: 02.06.2006

Annexure - I

SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS RESTATED

(Rs. in Million)

As at	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
A) Fixed Assets					
Gross Block	770.990	627.804	412.335	306.872	225.424
Less: Depreciation	130.046	97.329	72.772	55.705	42.183
Net Block	640.944	530.475	339.563	251.167	183.241
Capital Work-in-progress	8.865	19.271	8.120	0.000	0.000
Total	649.809	549.746	347.683	251.167	183.241
Less: Revaluation Reserve	146.187	147.179	44.732	44.732	44.732
Less: - Capital Subsidy	0.132	0.132	0.132	0.132	0.132
Net Block after adjustments	503.490	402.435	302.819	206.303	138.377
B) Investments	36.974	2.356	2.356	15.706	15.706
C) Current Assets, Loans and Advances					
Inventories	111.480	63.719	54.523	67.878	37.782
Sundry Debtors	152.100	128.869	83.595	57.368	55.410
Cash and Bank Balances	15.625	9.091	8.101	13.286	3.429
Loans and Advances	66.842	39.440	37.431	31.172	22.971
Total	346.047	241.119	183.650	169.704	119.592
D) Liabilities and Provisions					
Secured Loans	222.219	184.147	130.635	80.773	55.952
Unsecured Loans	50.445	47.326	35.682	26.203	21.334
Current liabilities	268.285	194.931	157.758	134.347	77.729
Provisions	17.021	0.050	0.000	0.000	0.00
Total	557.970	426.454	324.075	241.323	1,55.015
E) Deferred Tax Liability	50.797	49.985	36.070	28.582	0.000
F) Net worth (A+B+C-D-E)	277.744	169.471	128.680	121.808	118.660
Net worth Represented by					
G) Share Capital	77.582	49.626	40.126	40.126	38.126
H) Share Application Money	0.00	8.480	9.180	9.180	9.180
I) Reserves & Surplus	206.177	111.365	79.374	72.506	71.370
J) Miscellaneous Expenditure not yet written off	6.015	0.000	0.000	0.004	0.016
K) Net worth (G+H+I-J)	277.744	169.471	128.680	121.808	118.660

Note: The above statement should be read with the Notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure III to the report.

Annexure - II

SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT AS RESTATED

(Rs. in Million)

Year Ended Period	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Income					
Gross Sales: -					
Of Products Manufactured by the Company	1,415.836	1,160.935	749.030	680.197	433.792
Of the Goods Traded by the company	16.011	3.293	1.216	.129	.903
Less: Excise Duty	195.841	165.711	102.964	94.555	58.323
Net Sales	1,236.006	998.517	647.282	585.771	376.372
Other Income	13.704	5.360	2.612	2.192	2.374
Increase/(Decrease) in Inventories	32.077	(6.707)	(5.297)	6.779	0.979
Total Income (A)	1,281.787	997.170	644.597	594.742	379.725
Expenditure					
Raw Material Consumed	759.341	627.364	407.245	372.587	231.024
Purchase of Goods Traded in	14.787	2.665	0.989	0.117	0.879
Other Manufacturing Expenses	237.661	183.267	111.900	104.709	76.242
Salaries, Wages and Benefits	31.893	28.758	19.931	16.363	11.762
Administration and other Expenses	68.424	56.835	37.784	40.911	24.238
Depreciation & Amortization	36.165	25.493	17.067	13.521	10.425
Interest and Financial Charges	18.724	19.801	17.769	12.610	11.381
Total Expenditure (B)	1,166.995	944.183	612.685	560.818	365.951
Net Profit before Tax and Extraordinary Items (A-B)	114.792	52.987	31.912	33.924	13.774
Provision for taxation					
Current Tax	33.000	6.400	4.200	3.800	1.428
Deferred Tax	.813	13.914	7.489	8.791	0.00
Fringe Benefit Tax	2.500	0.000	0.000	0.000	0.00
Income Tax for Earlier Years	0.057	0.024	0.002	0.136	0.00
Net Profit before Extraordinary & Prior Period Items	78.422	32.649	20.221	21.197	12.346
Extraordinary Items	0.00	0.00	13.350	0.000	0.00
Prior Period Items	3.297	.658	0.004	0.270	0.233
Net Profit as per Audited Statement of Accounts	75.125	31.991	6.867	20.927	12.113
Adjustments on Account of Changes In Accounting Policies					
Provision for Gratuity	Nil	0.499	0.408	0.244	0.264
Provision for Earned Leave	Nil	0.176	0.141	0.037	0.020
Adjusted Profit for the year	75.125	31.316	6.318	20.646	11.829

Note: The above statement should be read with the Notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure III to the report.

1. Notes on adjustments

There are no adjustments as there is no changes in the Significant Accounting Policies during the financial years 2002 to 2006 except accounting for employee benefit for gratuity and leave encashment, which has been accounted, on accrual basis in financial year 2005-06. The same had been accounted on cash basis prior to year 2005-06. The material effect of Rs. 2.751 Millions on change in accounting policies for gratuity and leave encashment has been shown separately under the head prior period expenses in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation of Financial Statements

The Financial statements are prepared in accordance with the requirement of the Companies Act, 1956 and in accordance with the Generally Accepted Accounting Principles & under the historical cost convention except for certain fixed assets, which have been revalued.

- I. The accounts have been prepared to comply in all material aspects with Mandatory Accounting Standards issued by ICAI on accrual basis.

B. Use of Estimates

- I. The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of the revenue and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

C. Fixed Assets

- I. Fixed assets are valued at the historical cost of acquisition including installation and commissioning expenses (Net of CENVAT and VAT wherever applicable) and other identified attributable direct expenses. The cost includes finance charges related to borrowed fund attributable to construction or installation of fixed assets and adjustment arising from foreign exchange rate variation up to the date the assets are put to use.
- II. Intangible assets are shown at their cost of acquisition less amortization cost.

D. Inventories

- I. Raw Material, Component, Stores and Packing Material are valued at cost. Work in Progress is valued at Estimated cost. Finished goods are valued at lower of cost or net realizable value.
- II. Cost for the purpose of valuing inventory is net of CENVAT Credit or Value Added Tax if any.

E. Investments

- I. Investment in Subsidiary Company is shown at cost of acquisition. The interest cost on borrowing for investment is not capitalized and is charged to Profit & Loss Account. Provision for diminution in the value of Investment is made only if such a decline is other than temporary in the opinion of management.

F. Depreciation & Amortization

- I. Depreciation is charged on Straight Line Method (SLM) on Pro- rata basis at the rates specified Schedule "XIV" of the Companies Act, 1956. No depreciation has been charged on assets not put to use during the Previous Year.
- II. Computer software is amortized @ 16.21% per annum under SLM.

Patents & Trademarks are amortized over a period of 5 years.

G. Foreign Currency Transactions

- I. Transaction in foreign currencies are translated at the exchange rates prevailing on date of transaction in case of purchase of material, sale of goods and other expenses. The exchange gains/losses on settlement during the year are recognized in the Profit and Loss account. In case where the amount is not paid up to the Balance Sheet date, the conversion of foreign currencies has been accounted for at the rates prevailing as at the year-end and material variance has been recognized in the Profit and Loss Account.
- II. Transactions in foreign currencies are translated at the exchange rates prevailing on date of transaction in case of Capital assets imported during the year. The exchange gains/losses on settlement during the year are recognized in the respective Capital assets account. In case where the amount is not paid up to the Balance Sheet date, the conversion of foreign currencies has been accounted for at the rates prevailing as at the year end and material variance has been recognized in the respective capital assets account.
- III. Foreign currency bank account as on the date of the balance sheet has been reported at the rates prevailing as at year-end. The corresponding exchange gains/losses on EEFC Current Accounts during the year are recognized in the Profit and Loss account.

H. Miscellaneous Expenditure

- I. Expenses incurred for increase in Authorized Capital are being amortized over a period of 5 years with effect from the year 2005-06.

I. Revenue Recognition

- I. The sale of goods is on Ex-factory basis as per contracts exclusive of value added tax.
- II. Sale is shown net of excise duty. The Excise duty on sale is separately disclosed.
- III. Inter-unit transfer has not been considered as part of “Turnover”.
- IV. Insurance claims are accounted for based on certainty of realization.

J. Research and Development

- I. Research and development expenses are charged to Profit & Loss Account in the year under respective head. The fixed assets related to research and development are debited to fixed assets and depreciated at applicable rates.

K. Employee Benefits

- I. The company’s contributions to ESI & Provident Fund are charged to Profit & Loss Account as & when accrued.
- II. Gratuity & Leave Encasement benefits have been accounted based on the actuarial valuation as at 31st March 2006.

L. Expenditure During Construction/Start up of New Unit

- I. Expenditure during the construction period of new units has been capitalized and will be amortized from the year of commencement of commercial production.

M. Provision, Contingent Liabilities and Contingent Assets

- I. Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is possible that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes on accounts. Contingent Assets

are neither recognized nor disclosed in the financial statements.

N. Provision for Current and Deferred Tax

- I. Provision for current tax and Fringe Benefit Tax is made in accordance with the provisions of Income Tax Act, 1961.
- II. Deferred Tax Assets & Liabilities are recognized on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred Tax assets are recognized subject to the consideration of prudence. Deferred Tax Assets and Liabilities are measured using the tax rates as per tax Laws that have been enacted or substantially enacted as on the Balance Sheet date.

O. Borrowing Cost

- I. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit & Loss accounts.

3. NOTES TO ACCOUNTS

1. The previous year's figure have been reworked, regrouped, rearranged and reclassified wherever necessary. Accordingly, amount and other disclosures for the preceding year are included as an integral part of the current financial statement and are to be read in relation to the amounts and other disclosures relating to the current year.

2. Recognition of Current Assets & Liabilities

In the opinion of the management, the value of current assets, loans, and advances have a value on realization in the ordinary course of business, which is not less than the value at which they are stated in the Balance Sheet. However the balance due from/payable to sundry debtors, loans & advances & sundry creditors are subject to confirmation and consequential adjustment, if any.

3. Revaluation of Fixed Assets

In order to present the assets of the company at a fair value, the Land & Building, at various units of the company, have been revalued from time to time based on the valuation made by Govt. approved values resulting in an increase in their book values. The surplus of Rs 147.179 Millions on the revaluation has been credited to Revaluation Reserve Account. Depreciation charged on revalued portion amounting to Rs. .992 Millions has been reduced in the Revaluation account.

(Rs. in Millions)

S.No	Nature of Assets	Year of Revaluation	Historical cost	Additional Amt Due to Revaluation	Carrying cost (after revaluation)
1.	Land-32 Mile Stone Kundli, Sonapat, Haryana	2001-02	5.062	44.732	49.794
2.	Land-32 Mile Stone Kundli, Sonapat, Haryana	2004-05	49.794 (See Note-1)	58.094	107.888
3.	Land-Kelamangalam, Achittapalli, Hosur, Tamilnadu	2004-05	1.143	10.520	11.663
4.	Land-219/2B, Thally Road, Kallukondapalli, Hosur, Tamilnadu.	2004-05	1.430	4.132	5.562
5.	Building-32, Mile Stone, Kundli, Sonapat, Haryana	2004-05	38.916	29.701	68.617

Note-1: The value shown is the carrying cost after the first Revaluation in the year 2001-2002

4. Accounting for Employee Benefits & Change in Accounting Policies

The provision for gratuity payable and leave encashment has been made on the basis of actuarial valuation as on 31st March 2006. The same were being accounted for on payment basis in the previous years. The change in accounting policy has resulted in a provision of Rs. 2.751 Millions for previous year which has been reflected under the head "Prior Period Expenses".

In accordance with AS-15 of the ICAI regarding Accounting for "Employee Benefit (Revised-2005)" Accumulated provision for liability as on 31.03.2006 as per Actuarial Valuation has been provided as follows.

(Rs In Million)

Particulars	For the year ended 31.03.2006	Up to 31.03.2005	Total
For Gratuity	.453	2.203	2.656
For Leave Encashment	.204	.548	.752
Total	.657	2.751	3.408

5. Earning Per Share (EPS)

As required by (AS-20) "Earning Per Share" issued by ICAI, the numerators and denominators used to calculate Basic and Diluted Earning Per Share are follows. For the purpose of weighted average number of equity shares, the share issued within the month has been taken full month. During the financial year 2005-06, the company has issued bonus share to existing shareholders for no additional consideration, therefore, the issue is treated as if it had occurred prior to the beginning of the year 2001, the earliest period reported for the purpose of weighted average number of equity shares.

	Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
A	Profit attributed to Equity Shareholders before extraordinary item (Rs. in Million)	75.125	31.316	19.668	20.646	11.829
B	Profit attributed to Equity Shareholders after extraordinary item (Rs. In Million)	75.125	31.316	6.318	20.646	11.829
C	Basic/Weighted Average number of equity shares outstanding during the year (Nos. In Million)	7.393	5.092	5.013	4.829	4.813
	Nominal Value of Equity share (Rs. per share)	10.00	10.00	10.00	10.00	10.00
	Basic Earning per share before extraordinary items (A/C) (Rs. per share)	10.16	6.15	3.92	4.27	2.46
	Basic Earning per share after extraordinary items (B/C) (Rs. per share)	10.16	6.15	1.26	4.27	2.46

6. Segment Reporting

The company is primarily engaged in the business of Automotive Parts, which is governed by the same set of risk & return. In the opinion of the management the company's business falls within one business and one geographic segment. The disclosure requirement as per AS-17 regarding "Segment Reporting" does not apply. The said treatment is in accordance with the guiding principles of the Standard.

7. Consolidated Financial Statements

In the opinion of the management, the provisions of AS-21 issued by ICAI for preparation of "Consolidated Financial Statements" is not mandatory in this year. Accordingly no consolidation of the financial statements with the subsidiary company has been done.

8. Accounting for Taxes on Income

The company has accounted net deferred tax liability amounting to Rs. .813 Million for the current year in the Profit & Loss Account as under:

(Rs. in Million)

S.No.	Particulars	As at 2005-06	Up to 31.03.05
A.	Deferred Tax Liability:		
	On Depreciation	5.966	13.193

B.	Deferred Tax Assets:		
	On Employee Benefits:		
	On Earned Leave	.253	
	On Gratuity	.894	
	Total	1.147	
	Total Deferred Tax Liability (Net)	4.819	13.193
	Less/Add: Adjustment due to variation in Income Tax rates substantially enacted as on the Balance Sheet date.	4.006	0.721
	Net Deferred Tax liability (For the year)	0.813	13.914
	Add: Balance b/f	49.985	36.071
	Deferred Tax Liability (C/f)	50.798	49.985

9. Accounting for Intangible Assets

The technical know-how fee amounting to Rs.1.094 Million has been capitalized as the recognition criteria's has been fulfilled during the year. The same would be amortized with effect from the year of commencement of commercial production of the products for which it has been paid.

10. Impairment of Assets

The carrying amounts of the assets are revalued at each Balance Sheet date for indicators of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an assets exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In the opinion of the management there has been no impairment loss during the year.

11. Statement of Contingent Liabilities

(Rs. In Million)						
S.No	Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
1.	Guarantee/security given to Custom authorities (for EOU unit)	0.900	Nil	Nil	Nil	Nil
2.	Excise demand made by authorities	0.451	Nil	Nil	Nil	Nil
3.	Guarantee/security given to Custom authorities (against advance license for duty-free import of goods)	2.376	8.454	1.812	2.804	Nil
4.	Import LC (against import of mould & dies)	2.970	Nil	Nil	Nil	Nil
5.	Guarantee/security given to Sales Tax Authorities	Nil	Nil	Nil	.200	.200

12. Expenditure in Respect of New Units before commencement of Commercial production

The Expenditures on the project under construction at Nalagarh in Himachal Pradesh and EOU unit in Hosur Tamilnadu have been capitalized pending commencement of commercial production.

13. Change in the status and Name

The status of the company has been changed from private limited to public limited w.e.f. November 30, 1993 by duly complying the provisions of the section 31 of the Companies Act, 1956. Consequent upon the conversion and change of name, the Registrar of Companies has issued fresh certificate of incorporation.

14. Sub - Division in face value per share

During the Current year, par value of the shares has been sub divided from Rs 100 to Rs 10 per shares. Accordingly figures of number of shares in the previous year 2004-05 in Balance Sheet have also been correspondingly increased.

For Anil S. Gupta & Associates
Chartered Accountant

Sd/-
Anil Kumar Gupta
Proprietor

Place: New Delhi
Date: 2nd June 2006

ANNEXURE-IV

CASH FLOW STATEMENT

(Rs. In Million)

	Particulars	Year Ended 31.03.2006	Year Ended 31.03.2005	Year Ended 31.03.2004	Year Ended 31.03.2003	Year Ended 31.03.2002
A.	CASH FLOW FROM OPERATING ACTIVITIES					
	Net Profit, as restated before Tax & extraordinary items	114.792	52.987	31.912	33.924	13.774
	Adjusted for:					
	Depreciation on tangible assets	36.003	25.493	17.067	13.521	10.425
	Amortization on Intangible assets	.161	-	-	-	-
	Loss/(Profit) on sale of tangible assets	(4.629)	-	-	-	0.118
	Profit on effect of exchange rate change	(.150)	-	-	-	-
	Miscellaneous Exp. written-off	.063	-	0.004	0.012	0.012
	Wealth tax paid	.056	.034	0.028	0.024	0.019
	Interest Received	(.345)	(1.285)	(.912)	(0.560)	(0.191)
	Interest & Financial charges paid	18.724	19.801	17.769	12.610	11.381
	Operating Profit before Working Capital Changes	164.675	97.029	65.869	59.532	35.537
	Adjusted for:					
	(Increase) in Sundry Debtors	(23.039)	(44.154)	(25.851)	(1.617)	7.185
	(Increase) in Inventories	(47.760)	(9.196)	13.355	(30.096)	5.518
	(Increase) / Decrease in Loans & Adv.	(27.299)	(2.099)	(6.563)	(10.290)	(5.491)
	Change in Current Liabilities	77.581	37.174	23.411	56.618	(1.678)
	Cash Generated from Operations	144.158	78.754	70.221	74.147	41.071
	Income Taxes Paid	(20.196)	(6.283)	(3.898)	(1.847)	(3.594)
	Wealth Taxes Paid	(.056)	(0.034)	(0.028)	(0.024)	(0.019)
	Fringe Benefit Tax	(1.800)	-	-	-	-
	Prior year adjustment	(3.297)	(0.657)	(0.004)	(0.270)	(0.233)
	Interest on Income Tax Refund	-	-	-	0.151	-
	Net Cash from Operating activities	118.809	71.780	66.291	72.157	37.225
B.	CASH FLOW FROM INVESTING ACTIVITIES					
	Purchase of tangible assets	(161.083)	(143.873)	(155.266)	(94.998)	(29.571)
	Purchase of Intangible assets	(1.170)	-	-	-	-
	Proceeds from sale of tangible assets	30.129	18.093	41.683	13.550	0.381
	Insurance claim received for Building	-	0.671	-	-	-
	Pre-operative expenses capitalized	(5.740)	-	-	-	-
	Authorized capital increase expenses	(.315)	-	-	-	-
	Interest Received	0.232	0.164	0.537	0.068	0.072
	Purchase of share in subsidiary Co.	(34.619)	-	-	-	-

	<i>Net Cash used in Investing Activities</i>	(172.566)	(124.945)	(113.046)	(81.380)	(29.118)
C.	CASH FLOW FROM FINANCING ACTIVITIES					
	Proceeds from issue of share capital	9.476	9.500	-	2.000	-
	Refund of share application money	-	(0.700)	-	-	(0.475)
	Share Securities Account	29.688	-	-	-	-
	Interest & financial charges paid	(20.099)	(19.801)	(17.769)	(12.610)	(11.381)
	Movement in long term borrowing	(.932)	46.309	27.265	31.754	6.545
	Movement in short term borrowing	42.123	18.847	32.074	(2.063)	(8.269)
	Net Cash from / (used in) Financing Activities	60.256	54.155	41.57	19.081	(13.580)
	Net Increase / (Decrease) in Cash & Cash Equivalents	6.500	.990	(5.185)	9.857	(5.471)
	Opening Balance of Cash and Cash Equivalents	9.091	8.101	13.286	3.429	8.900
	Fluctuation gain on EURO & USD A/c	.034	-	-	-	-
	Closing Balance of Cash and Cash Equivalents	15.625	9.091	8.101	13.286	3.429

Annexure V

Sundry Debtors

(Rs. In Million)

As at	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
A. Debts outstanding for a period exceeding six months:					
Unsecured - Considered Good	13.190	5.659	1.312	3.983	2.140
Considered Doubtful	0.00	0.00	0.00	0.00	0.00
Less: Provision for Doubtful Debts	0.00	0.00	0.00	0.00	0.00
	13.190	5.659	1.312	3.983	2.140
B. Other Debts:					
Unsecured - Considered Good	138.910	123.210	82.283	53.385	53.270
Related Parties	0.00	0.00	0.00	0.00	0.00
Considered Doubtful	0.00	0.00	0.00	0.00	0.00
Less: Provision for Doubtful Debts	0.00	0.00	0.00	0.00	0.00
	138.911	123.210	82.283	53.385	53.270
Total [A + B]	152.100	128.869	83.595	57.368	55.410

Annexure VI

Loans and Advances

(Rs in Million)

As at	31.03.06	31.03.05	31.03.04	31.03.03	31.03.02
A. Advance recoverable in cash or kind or for value to be received					
Unsecured - Considered Good	40.006	22.901	11.4841	12.331	11.7975
Considered Doubtful	0.000	0.000	0.00	0.00	0.00
Less: Provision for Doubtful Advances	0.000	0.000	0.00	0.00	0.00
	40.006	22.901	11.4841	12.331	11.7975
B. Income Tax Payments					
Provision for Income Tax and FBT	35.500	6.400	4.2000	3.800	1.4280
Less: - Advance Tax paid for above	21.888	6.350	4.2169	3.876	3.5935
	Nil	Nil	0.0169	0.076	2.1655
C. Balances with Customs and Excise	26.836	16.539	25.930	18.765	9.008
Total A+B	66.842	39.440	37.431	31.172	22.971

Note: None of the above mentioned Loans & Advances are related to directors/ promoters of the company except as stated in the Auditors Report under the related party transactions.

Annexure VII

Details of Secured Loans

(Rs in Million)

As at	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Working Capital					
Citi Bank	74.023	84.656	65.825	33.752	35.815
Standard Chartered Bank	52.773	.016	0.000	0.000	0.000
Total (A)	126.796	84.672	65.825	33.752	35.815
Term Loan					
Citi Bank	21.750	62.500	61.000	44.954	17.918
Standard Chartered Bank	63.915	30.000	0.000	0.000	0.000
Total (B)	85.665	92.500	61.000	44.954	17.918
Hire Purchase Agreements for Vehicles (C)	9.758	6.975	3.810	2.067	2.219
Total (A+B+C)	222.219	184.147	130.635	80.773	55.952

ANNEXURE -VIII

Statement of Secured Term Loans

Bank	Nature of Loan	Sanctioned Amount Rs. Millions	Rate of Interest p.a.	Repayment Terms	Securities Offered
Citi Bank	Term Loan	12.30	8%	Payable in ten equal installment of Rs. 1.23 Millions starting from March, 2005 to June, 2007	First pari passu charge on Plant & Machinery, Vehicles & mortgage of Land and Building situated at Kundli, Hosur and personal guarantee of Directors
Citi Bank	Term Loan	18.40	8%	Payable in ten equal installment of Rs. 1.84 Millions starting from September, 2004 to December, 2006	First pari passu charge on Plant & Machinery, Vehicles & mortgage of Land and Building situated at Kundli, Hosur and personal guarantee of Directors
Citi Bank	Term Loan	16.60	8%	Payable in ten equal installment of Rs. 1.66 Millions starting from September, 2004 to December, 2006	First pari passu charge on Plant & Machinery, Vehicles & mortgage of Land and Building situated at Kundli, Hosur and personal guarantee of Directors
Citi Bank	Term Loan	10.20	8%	Payable in ten equal installment of Rs. 1.02 Millions starting from March, 2005 to June, 2007	First pari passu charge on Plant & Machinery, Vehicles & mortgage of Land and Building situated at Kundli, Hosur and personal guarantee of Directors
Standard Chartered Bank	Term Loan	80.000	8%	Payable in 14 th quarterly installments. Out of 14 th quarterly installments, 1 st Installment of Rs. 4.464 Millions starting from 13.09.2005 and balance 13 th installment of Rs. 5.810 Millions from 24.12.2005 to December 2008.	First pari passu charge on Plant & Machinery, Vehicles & mortgage of Land and Building situated at Kelamangalam Hosur and personal guarantee of Directors.

Statement of Secured Working Capital Loans

Bank	Nature of Loan	Sanctioned Amount Rs. Mn	Rate of Interest p.a.	Securities Offered
Citi Bank	Cash Credit	103.000	8.50%	(a) Pari Passu Hypothecation of Stocks, Book Debts & equitable mortgage of Land and Building situated at Kundli & Hosur and personal guarantee of Directors.
Standard Chartered Bank	Cash Credit	40.000	8.00%	(a) Pari- Passu Hypothecation of Stocks, Book Debts & equitable mortgage of Land and Building situated at Kundli & Hosur and personal guarantee of Directors.

Statement of Secured Hire Purchase Arrangements

Bank	Nature of Loan	Sanctioned Amount Rs. Million	Balance as at March 31, 2006	Rate of Interest p.a.	Securities Offered
HDFC Bank Ltd.	Vehicle Loans	2.385	1.029	7 % to 10 %	Secured by hypothecation of specified vehicles against which finance is obtained
ICICI Bank Ltd.	Vehicle Loans	11.627	7.868	7 % to 10 %	Secured by hypothecation of specified vehicles against which finance is obtained
Sheeba Properties Ltd.	Vehicle Loans	0.435	0.340	6.75 %	Secured by hypothecation of specified vehicles against which finance is obtained
Kotak Mahindra Bank Ltd	Vehicle Loan	.921	.332	7% to 10%	Secured by hypothecation of specified vehicle against which finance is obtained
Cholamandlam Investment & Finance Ltd.	Vehicle Loan	.400	.189	7% to 10%	Secured by hypothecation of specified vehicle against which finance is obtained

Statement of Unsecured Loans

Annexure VIII

(In Rs. million)

As at	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
Promoters/Directors	4.370	3.648	4.743	5.909	8.188
Others	46.075	43.678	30.939	20.294	13.146
Total	50.445	47.326	35.682	26.203	21.334

Statement of Unsecured Loans

Bank	Nature Of Loan	Rate of Interest p.a.	Repayment Terms
Promoters/Directors/Others	Working Capital Support	9%	On Demand

Statement of Operational Income

Annexure IX

(In Rs. Million)

For the Year	2005- 06	2004-05	2003-04	2002-03	2001-02
Sales (Gross)	1,431.843	1,164.198	750.246	680.326	434.695
Job Charges Received	0.004	0.030	0.00	0.00	0.00
Total	1,431.847	1,164.228	750.246	680.326	434.695

Statement of Other Income

Annexure X

(In Rs.Million)

For the Year/Period	2005-06	2004-05	2003-04	2002-03	2001-02
Testing Charges Received	6.079	3.009	0.566	0.950	0.075
Segregation Charges Received	.942	.651	0.735	0.641	0.210
Design and Development Charges Received	.000	.037	0.275	0.000	0.334
Interest Received	.345	1.285	0.912	0.560	0.191
Profit on sale of fixed Assets	4.629	0.000	0.000	0.000	0.000
Tool Development Charges Received	0.000	0.000	0.000	0.000	1.060
Others	1.709	.378	0.124	0.041	0.504
Total	13.704	5.360	2.612	2.192	2.374

Annexure XI**Statement of Contingent Liabilities**

(Rs in Million)

S.No	Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
1.	Guarantee/security given to Custom authorities (for EOU unit)	0.900	Nil	Nil	Nil	Nil
2.	Excise demand made by authorities	0.451	Nil	Nil	Nil	Nil
3.	Guarantee/security given to Custom authorities (against advance license for duty-free import of goods)	2.376	8.454	1.812	2.804	Nil
4.	Import LC (against import of mould & dies)	2.970	Nil	Nil	Nil	Nil
5.	Guarantee/security given to Sales Tax Authorities	Nil	Nil	Nil	0.200	0.200

Annexure XII**Statement of Accounting Ratios**

(Rs. in million)

		2005-06	2004-05	2003-04	2002-03	2001-02
Net Profit after tax available for equity shareholders - as per Annexure –II	(A)	75.125	31.316	6.318	20.646	11.829
Weighted average number of equity shares outstanding during the year / period	(B)	7.393	5.092	5.013	4.829	4.813
Number of equity shares outstanding at the end of the year / period	(C)	7.758	4.963	4.013	4.013	3.813
Net Worth – as per Annexure – I	(D)	277.744	169.471	128.680	121.808	118.660
Basic and Diluted Earning Per Share (EPS) Rs. (annualized)	(A)/(B)	10.16	6.15	1.26	4.27	2.46
Return on Net Worth (%)	(A)/(D)	27.05%	18.48%	4.91%	16.95%	9.97%
Net Asset Value Per Share (Rs.)	(D)/ (C)	35.80	34.15	32.07	30.35	31.12

Formula used for above Ratio:

Earnings Per Share (Basic) = $\frac{\text{Net Profit after tax available for equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$

Return on Net Worth = $\frac{\text{Net Profit after tax available for equity shareholders}}{\text{Net Worth}}$

Net Asset Value per Share = $\frac{\text{Net Worth}}{\text{Number of equity shares outstanding at the end of the year}}$

Annexure XIII

Capitalization Statement

(Rs. In Million)

	As on 31.03.06	Post-Issue *
Debt		
Short-term Debt	126.796	
Long -term Debt (A)	145.868	
Total	272.664	
Shareholders' Funds		
Share Capital	77.582	
Reserves and Surplus after deducting Miscellaneous Expenditure (to the extent not written off)	2,00.162	
Total Shareholders' Funds (B)	277.744	
Long Term Debt / Total Shareholders' Funds (A/B)	0.53	

Notes:

* Information pertaining to share capital and reserves post issue can be ascertained only after completion of book building process

Annexure XIV

Statement of Tax Shelters

(Rs in Million)

		* Financial Year Ended March 31, 2006	Financial Year Ended March 31, 2005	Financial Year Ended March 31, 2004	Financial Year Ended March 31, 2003	Financial Year Ended March 31, 2002
Profit before Tax as per Audited accounts	A	111.495	52.329	18.558	33.653	13.540
Tax rate		33.66%	36.59%	35.88%	36.75%	35.70%
Tax on actual rate on profits		37.529	19.147	6.659	12.367	4.833
Permanent Differences:						
Donation		1.144	.336	0.340	0.516	0.349
Diminution on Revaluation of Investment				13.350		
Others		5.712	.882	0.294	0.572	0.372
Profit on sale of fixed assets		(4.629)				
Total Adjustments	B	2.227	1.218	13.984	1.088	0.721
Timing Differences:						
Depreciation		17.724	36.054	20.874	24.505	9.880
Provision for Leave encashment						
Provision for Gratuity						
Total Timing Differences	C	17.724	36.054	20.874	24.505	9.880
Net Adjustments	C-B	15.497	34.836	6.890	23.417	9.159
Tax Saving thereon	D=(A+B-C)					
Profit/(Loss) as per Income Tax Brought Forward Losses adjusted	E	95.998	17.492	11.668	10.236	4.381
Taxable Income	D+E	0.00	0.000	0.00	0.000	
Taxable Income (Book Profit) as		95.998	17.492	11.668	10.236	4.381
		111.753	52.394	18.612	33.806	13.613

per MAT						
Tax as per Income Tax returned		32.313	6.400	4.186	3.762	1.564
Interest u/s 234		1.369	0.057	.038	.040	0.00
Tax as per Income Tax returned		33.682	6.457	4.224	3.802	1.564
Carry forward losses & unabsorbed Depreciation		0.00	0.00	0.00	0.00	0.00

* Statement of Tax Shelters for the F.Y. 2005-06, has been prepared on estimated basis as the income tax return of the Company for the said F.Y. 2005-06 has not yet been filed.

Annexure XV

Information on related party transaction as required by Accounting Standard - 18 as on 31.03.2006

(Rs. in Million)

Particulars	Related Parties	Directors	Subsidiary Company	Entities by Directors / Relatives controlled
Sale of Goods and service	Fiem Sung San India Limited		0.209	
Purchase goods & services	Fiem Sung San India Limited		5.095	
	Fiem Auto Private Limited			9.083
Remuneration	Jagjeevan Kumar Jain	3.000		
	Seema Jain	1.800		
	Aanchal Jain	.600		
	Praveen Kumar	.881		
	Jss Rao	.215		
		6.496		
Interest on loans	Jagjeevan Kumar Jain	.551		
	Seema Jain	.166		
	Aanchal Jain	.116		
	Rahul Jain	.027		
	M/S B.P. Plastic Industries			0.255
		.860		0.255
Brand Royalty	Jagjeevan Kumar Jain	3.090		
Loans taken outstanding as on 31.03.06	Jagjeevan Kumar Jain	.884		
	Seema Jain	.170		
	Aanchal Jain	3.218		
	Rahul Jain	.098		
		4.370		

Information on related party transaction as required by Accounting Standard - 18 for the year ended 31.03.2005
(Rs. in Million)

Particulars	Related Parties	Directors	Subsidiary Company	Entities controlled by Directors / Relatives
			N.A.	
Sale of Goods and service	Fiem Sung San India Limited			0.018
Purchase goods & services	Fiem Sung San India Limited			6.453
	Fiem Auto Private Limited			1.166
				7.619
Remuneration	Jagjeevan Kumar Jain	2.400		
	Rohit Prakash	.258		
	R. K. Sharma	.429		
		3.087		
Interest on loans	Jagjeevan Kumar Jain	.551		
	Seema Jain	.166		
	Aanchal Jain	.116		
	Rahul Jain	.028		
	M/S B.P. Plastic Industries			.255
		.861		.255
Loans taken outstanding as on 31.03.05	Jagjeevan Kumar Jain	.637		
	Seema Jain	.231		
	Aanchal Jain	2.756		
	Rahul Jain	.025		
		3.649		

Information on related party transaction as required by Accounting Standard - 18 for the year ended 31.03.2004

(Rs. in Million)

Particulars	Related Parties	Directors	Subsidiary Company	Entities controlled by Directors / Relatives
			N.A.	
Sale of Goods and service	Fiem Sung San India Limited			3.403
Purchase goods & services	Fiem Sung San India Limited			7.168
Remuneration	Jagjeevan Kumar Jain	2.400		
Interest on loans	Jagjeevan Kumar Jain	.662		
	Seema Jain	.010		
	Aanchal Jain	.001		
	Rahul Jain	.062		
	Jagjeevan Kumar Jain, HUF			0.066

	M/S B.P. Plastic Industries				0.253
			.735		0.319
Loans taken outstanding as on 31.03.04	Jagjevan Kumar Jain		3.910		
	Seema Jain		.082		
	Aanchal Jain		.751		
			4.743		

Information on related party transaction as required by Accounting Standard - 18 for the year ended 31.03.2003

				Rs.in Million
Particulars	Related Parties	Directors	Subsidiary Company	Entities controlled
			N.A.	by Directors / Relatives
Sale of Goods and service	Fiem Sung San India Limited			1.693
Purchase goods & services	Fiem Sung San India Limited			7.300
Remuneration	Jagjevan Kumar Jain	1.800		
Interest on loans	Jagjevan Kumar Jain	0.637		
	Seema Jain	.021		
	Rahul Jain	.045		
	Fiem Auto & Electrical Ind.			.483
	Jagjevan Kumar Jain, HUF			.060
	M/S B.P. Plastic Industries			.154
		.703		.697
Loans taken outstanding as on 31.03.03	Jagjevan Kumar Jain	3.094		
	Seema Jain	0.086		
	Jagjevan Kumar Jain, HUF			0.554
	Rahul Jain	0.515		
		3.695		0.554

Information on related party transaction as required by Accounting Standard - 18 for the year ended 31.03.2002

				Rs.in Million
Particulars	Related Parties	Directors	Subsidiary Company	Entities controlled
			N.A.	by Directors / Relatives
Sale of Goods and service	Fiem Sung San India Limited			0.695
Purchase goods & services	Fiem Sung San India Limited			2.518
	Fiem Auto Private Limited			.010
				2.528
Remuneration	Jagjevan Kumar Jain	1.200		

Interest on loans	Jagjevan Kumar Jain		0.757		
	Seema Jain		0.102		
	Jagjevan Kumar Jain, HUF				.066
			0.925		.066
Loans taken outstanding as on 31.03.02	Jagjevan Kumar Jain		5.225		
	Seema Jain		.563		
	Jagjevan Kumar Jain – HUF				0.500
			5.788		0.500

Annexure XVI

Reserves and Surplus

(Rs.in Million)

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
Securities Premium Account	29.687	00.00	0.000	0.000	0.000
Surplus as per Profit & Loss Account	176.490	111.365	79.374	72.506	71.370
Total	206.177	111.365	79.374	72.506	71.370

Anil S. Gupta & Associates
Chartered Accountants

Sd/-
Anil Kumar Gupta
(Proprietor)

Place: New Delhi
Date: 02.06.2006

FINANCIAL INFORMATION OF OUR SUBSIDIARY

AUDITORS' REPORT

The Board of Directors,
FIEM SUNG SAN (INDIA) LIMITED.
D-34, DSIDC, Packaging Complex
Kirti Nagar,
New Delhi – 110015.

Dear Sirs,

A.

c) We have examined the annexed financial information of **FIEM SUNG SAN (INDIA) LIMITED** ("the Company"), for the year ended March 31st, 2006, being the last date to which the accounts of the Company have been made up and audited by us.

d) In accordance with the requirements of

I. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

II. The securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange of Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and

III. Our terms of reference with the Company dated 5th May 2006 requesting us to carry out work in connection with the Offer Document as aforesaid,

We report that the restated assets and liabilities of the Company as at, March 31st, 2006 are as set out in Annexure I to this report after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in Annexure III.

We report that the restated profits of the Company for the financial years ended March 31st, 2006 are as set out in Annexure II to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and Notes to Accounts appearing in Annexure III to this report. The Company has not paid any dividend on equity shares in any of the years mentioned above.

B. We have examined the following financial information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report.

- a. Statement of Cash Flow as appearing in Annexure IV to this report;
- b. Statement of Debtors enclosed as Annexure V to this report;
- c. Details of loans and advances as appearing in Annexure VI to this report;
- d. Statement of Secured Loans as appearing in Annexure VII to this report.
- e. Statement of Unsecured Loans as appearing in Annexure VIII to this report;
- f. Statement of Operational Income as appearing in Annexure IX to this report;
- g. Statement of Other Income as appearing in Annexure X to this report;
- h. Details of Contingent Liabilities as appearing in Annexure XI to this report;
- i. Accounting Ratios as appearing in Annexure XII to this Report;
- j. Capitalization Statement as appearing in Annexure XIII to this report,
- k. Statement of Tax Shelters as appearing in Annexure XIV to this report;
- l. Statement of Related Party transactions as appearing in Annexure XV to this report.
- m. Statement of Reserves and Surplus as appearing in Annexure XVI to this report.

C.

- b) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies enclosed in Annexure III to this report, after making adjustments / restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Accounts, has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.
- b) This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Public Issue of the Company and for submission to the ROC and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For V. Sachdeva & Associates
Chartered Accountants

Sd/-
V. Sachdev
Proprietor

Place: New Delhi
Date: 02.06.2006

Annexure - I

SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS RESTATED

Amount (Rs. In Million)	
As at	31.03.2006
A) Fixed Assets	
Gross Block	150.579
Less: Depreciation	36.756
Net Block	113.823
B) Investments	0.00
C) Current Assets, Loans and Advances	
Inventories	1.032
Sundry Debtors	1.141
Cash and Bank Balances	0.491
Loans and Advances	2.487
Total	5.151
D) Liabilities and Provisions	
Secured Loans	0.00
Unsecured Loans	40.235
Current liabilities	1.132
Provisions	1.508
Total	42.875
E) Deferred Tax Liability	0.00
F) Net worth (A+B+C-D-E)	76.099
Net worth Represented by	
G) Share Capital	44.838
H) Share Application Money	0.00
I) Reserves & Surplus	31.296
J) Miscellaneous Expenditure not yet written off	0.035
K) Net worth (G+H+I-J)	76.099

Note: The above statement should be read with the Notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure III to the report.

SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT AS RESTATED

Year Ended Period	Amount (Rs. In Million) 31.03.2006
<u>Income</u>	
Gross Sales: -	
Of Products Manufactured by the Company	6.320
Of the Goods Traded by the company	0.000
Less: Excise Duty	0.001
Net Sales	6.319
Other Income	0.170
Increase/(Decrease) in Inventories	0.000
Total Income (A)	6.489
<u>Expenditure</u>	
Raw Material Consumed	0.629
Purchase of Goods Traded in	
Other Manufacturing Expenses	7.008
Salaries, Wages and Benefits	1.232
Administration and other Expenses	4.234
Depreciation & Amortization	4.533
Interest and Financial Charges	.002
Total Expenditure (B)	17.638
Net Profit/(Loss) before Tax and Extraordinary Items (A-B)	(11.149)
Provision for taxation	
Current Tax	1.459
Deferred Tax	0.000
Fringe Benefit Tax	0.049
Income Tax for Earlier Years	0.000
Net Profit before Extraordinary & Prior Period Items	(12.657)
Extraordinary Items	42.893
Prior Period Items	
Net Profit as per Audited Statement of Accounts	30.236

Note: The above statement should be read with the Notes on adjustments and significant accounting policies & notes to the accounts for restated financial statements as appearing in Annexure III to the report.

Annexure-III

1. Significant Accounting Policies :

(i) Basis of preparation of financial statements :

- (a) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted Accounting Principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company & the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.
- (b) The Company follows Mercantile System of Accounting & recognizes significant items of Income & Expenditure on Accrual Basis.

(ii) Fixed Assets :

- (a) Fixed Assets are stated at acquisition cost (net of Cenvat credit availed) including directly attributable cost of bringing the assets to its working condition for the intended use. Interest on borrowings if any are capitalised up to the date the fixed assets are put to use.

(iii) Depreciation :

- (a) Depreciation has been charged on straight-line method as per the rates prescribed in Schedule – XIV of the Companies Act 1956 on pro-rata basis on the Assets used during the year.
- (b) No Depreciation has been provided on the imported Dies & Moulds during the year as the same had been imported on behalf of DAEWOO MOTORS (INDIA) LIMITED for manufacturing of their products. However the same are not being put to use due to closure of aforesaid company.

(iv) Valuation of Inventories :

- (a) Raw materials & Stores are valued at cost. Stock in process is Valued at estimated cost. Finished goods are valued at cost or net realizable value whichever is lower.
- (b) Cost for the purpose of valuing inventory is net of CENVAT credit of Excise/VAT/ Sales tax if any.

(v) Foreign Currency Transactions :

- (a) Transactions in foreign currencies are translated at the exchange rates prevailing on date of transaction in case of purchase of material, sale of goods and other expenses. The exchange gains/losses on settlement during the year are recognized in the Profit and Loss Account. In case where the amount is not paid up to the Balance Sheet date, the conversion of foreign currencies has been accounted for at the rates prevailing as at the Year End and material variance has been recognized in the Profit and Loss Account.
- (b) Transactions in foreign currencies wherever applicable are translated at the exchange rates prevailing on the date of transaction in case of Capital assets imported during the year. The exchange gains/losses if any on settlement during the year are recognized in the respective Capital assets. In case where the amount is not paid up to the Balance Sheet date, the conversion of foreign currencies are accounted for at the rates prevailing as at the Year End and material variance is recognized in the Respective capital assets account.

(vi) Revenue Recognition :

- (a) Sale of goods is on Ex-factory basis as per contract. Sales are exclusive of Excise Duty & Sales Tax.
- (b) Insurance Claims if any are accounted on the basis of certainty of realization.

(vii) **Taxes on Income :**

- (a) Provision for Current Tax / MAT & Fringe Benefit Tax are made in accordance to the prevailing & substantially enacted provisions of the Income Tax Act 1961 as on the date of Balance Sheet.

Provision for Deferred Tax liability has been made to the extent of difference of depreciation as provided under SLM Method of Companies Act 1956 & WDV Method as per Income Tax Act 1961. Provision of deferred tax assets has been made on the consideration of prudence to the extent & limited to the difference in provision for depreciation as explained above for making provision of deferred tax liability. The deferred tax asset has been recognized on the basis of the evidence available with the company showing the brought forward losses / depreciation as assessed by the Income Tax Authorities. Deferred tax is recognized subject to the consideration of prudence, on timing difference, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred Tax Assets & Liabilities are measured using the Tax Rate as per the Tax Laws that have been substantially enclosed on the Balance Sheet date.

2. NOTES TO ACCOUNTS

- (c) Previous year figures have been re-grouped/rearranged wherever necessary so as to make them comparable with that current year.
(b) In the opinion of the management there is no commitment on Capital account as on 31.03.2006

3. Contingent Liabilities not provided for in the Accounts:

	<u>31/03/2006</u>	<u>31/03/2005</u>
	(Rs. in Millions)	(Rs. in Millions)
(a) Guarantee/ Security Given to Sales Tax Authorities (In Lieu of misplaced "C" Forms)	7.20	Nil
(b) There are no other claims against the company as on the date of Balance Sheet, which can be, acknowledged as Debts.		

4. In the opinion of the Board, the Current assets, Loans & Advances have been shown at the value on which they can be realised in the ordinary course of business.

5. Extra Ordinary Items

A proposal for one time Settlement of dues with IFCI was accepted by IFCI during the year. A sum of Rs. 42.893 Million waived by IFCI has been Written Back in Accounts & reflected under the head OTHER INCOME (Interest Written Back).

6. Electricity & Generator Expenses have been bifurcated between utilisation for factory and office block in the ratio of 80% for factory use and 20% for office use, on the basis suggested by the electrical engineers. The proportionate amount has been shown under the head of Manufacturing expenses and other administrative expenses on aforesaid basis.
7. In the opinion of the Management bases on the information available with the company, there is no sum exceeding Rupee 0.1 Million outstanding for more than 30 days which is due to any small scale industry.

8. Accounting for Employees Retirement Benefits .

- a). The provision for gratuity payable and Leave encashment has been made on the basis of actuarial valuation as on 31st March 2006. The same were being accounted for on payment basis in the previous years. The change

in the accounting policy has resulted in a provision of Rs 0.052 Million for previous year, which has been included under the head “Prior Period Expenses”.

b).In accordance with AS-15 of the ICAI regarding Accounting for “Employee Benefit (Revised-2005)”, accumulated provision for liability as on 31.03.2006 as per actuarial Valuation have been provided as follows.

(Amount Rs in Millions)

Particulars	For the year ended 31.03.2006	Up to 31.03.2005	Total
For Gratuity	0.031	0.042	0.073
For Earned Leave	0.018	0.010	0.028
Total	0.049	0.052	0.101

9. Segment Reporting

The company is primarily engaged in the business of Automotive Parts which is governed by the same set of risk & return. Consequently as the companies business falls with in one business and one geographic segment, the disclosure requirement as per AS-17 regarding “Segment Reporting” does not apply. The said treatment is in accordance with the guiding principal of the Accounting Standard.

10. Related Party Disclosures:

As per Accounting Standard 18 issued by the Institute of Chartered Accountants of India, the disclosures of transactions with related parties as defined in the Accounting Standard are given below:-

Name of Related Parties with whom Transaction were Carried out during the Year

Key Management Personnel	Holding Company	Related Parties Controlled by Key Management Personnel
Mr. Jagjeevan Kumar Jain (Managing Director)	FIEM Industries Limited	N.A.
Mr. Iqbal Singh (Director)		
Mr. Kuldeep Singh Lamba (Director)		
Mr. D.W. Kim (Director)		
Mr. C.K. Lee (Director)		
Mr. D.G. Kim (Director)		
Mr. Y. H. Lee(Director)		
Mr. M.H. Jung (Director)		
Mr. Vinay Shukla (Director)		
Mr. Tejinder Singh Khurana (Alternate to Mr. Kuldeep Singh Lamba)		

Detail of Related Parties Transaction:

S.NO	Name of the Related Party	Relation	Nature of Payment	Current Year (Rs.in Million)	Previous Year (Rs.in Million)
1	M/s. Sung San Co. Ltd., Korea	Associate Company in Joint Venture	Raw Material (Purchase)	Nil	0.658
2	M/s. Fiem Industries Ltd.	Holding Company	Raw Material (Purchases)	00.209	00.018
			Reimbursement of Expenses	00.013	00.014

			Job Work (Income) Sales	05.112 00.000	04.078 02.875
			Security Deposit Against Machinery	00.000	10.500
			Sundry Debtors	00.083	06.034

10. Earning Per Share:

As required by Accounting Standard (AS-20) "Earning Per Share" issued by ICAI, the numerators and denominator used to calculate Basic and Diluted Earning per Share are follows. The weighted average number of equity shares used as the denominator in calculating basic/diluted earning per share is 31,29,583. (Previous year 12,33,750). For the purpose of weighted average number of equity share, Shares issued between month has been taken full month.

(Amount Rs. In Million)

	Particulars	2005-2006	2004-2005
A	Profit/(Loss) attributed to Equity Shareholder before extraordinary item.	(11.15)	(1.99)
B	Profit/(Loss) attributed to Equity Shareholder after extraordinary item.	30.24	6.94
C	Basic/Weighted average number of equity share outstanding during the year (No. of Share)	31,29,583	12,33,750
D	Nominal Value of Equity share (In Rs.)	10.00	10.00
E	Basic/Diluted earning per share before extraordinary item (A/B) (In Rs.) (A/C)	(3.56)	(1.62)
F	Basic/Diluted earning per share after extraordinary item (A/B) (In Rs.) (B/C)	9.66	5.63

11. Impairment of Assets:-

The carrying amounts of the assets are revalued at each Balance Sheet date for indicators of Impairment based on internal/external factors. An impairment loss is recognized wherever is carrying amount of an assets exceeding recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In the opinion of the management there has been no impairment loss during the year.

- 12.** Daewoo Motors India Limited has given a non-refundable Deposit / Advance of Rs.40.235 Millions to the company for import of tooling. The cost of tooling amounting to Rs.44.959 Millions have been shown under the head Dies & Moulds in the Fixed Assets and the Deposit/Advance for Tooling has been shown under the head Unsecured loans.
- 13.** Detail of employee employed during the year either throughout the year or for part of the year on a remuneration exceeding the limits specified U/s 217 (2A) of the Companies Act, 1956 - Nil (Previous year - Nil)

FOR V. SACHDEVA & ASSOCIATES
Chartered Accountants

Sd/-

(V. SACHDEV)

Prop.

Place : New Delhi
Date : 02.06.2006

ANNEXURE-IV

CASH FLOW STATEMENT

(Amount Rs. In Million)

	Particulars	Year Ended 31.03.2006
A.	CASH FLOW FROM OPERATING ACTIVITIES	
	Net Loss, as restated before Tax & extraordinary items	11.149
	Adjusted for:	
	Depreciation on tangible assets	4.533
	Lease Rent Paid	0.135
	Prior Period Adjustments	0.184
	Preliminary Exp. written-off	0.035
	Interest Received	(0.004)
	Interest & Financial charges paid	0.002
	Interest On Lease Rent	0.004
	Operating Profit before Working Capital Changes	(6.26)
	Adjusted for:	
	Decrease in Sundry Debtors	7.254
	Decrease in Inventories	0.200
	Decrease in Loans & Adv.	10.743
	Decrease in Current Liabilities	(0.934)
	Cash Generated from Operations	11.003
	Income Taxes Paid(Net Of Refund)	(0.725)
	Prior year adjustment	(0.184)
	Extraordinary Items(Interst Written Back)	42.893
	Net Cash flow from Operating activities	52.987
B.	CASH FLOW FROM INVESTING ACTIVITIES	
	Purchase of tangible assets	0.000
	Interest Received	0.002
	Net Cash used in Investing Activities	0.002
C.	CASH FLOW FROM FINANCING ACTIVITIES	
	Proceeds from issue of share capital	32.500
	Lease Rent Paid	(0.135)
	Interest & financial charges paid	(.002)
	Movement in long term borrowing	(85.393)
	Interest On Lease Rent	(0.004)

Net Cash from / (used in) Financing Activities	(53.034)
Net Increase / (Decrease) in Cash & Cash Equivalents	(0.045)
Opening Balance of Cash and Cash Equivalents	0.536
Closing Balance of Cash and Cash Equivalents	0.491

Annexure V

Sundry Debtors

(Amount Rs. In Million)

As at	31.03.2006
A. Debts outstanding for a period exceeding six months:	
Unsecured - Considered Good	0.083
Considered Doubtful	
Less: Provision for Doubtful Debts	
	0.083
B. Other Debts:	
Unsecured - Considered Good	1.058
Related Parties	
Considered Doubtful	
Less: Provision for Doubtful Debts	
	1.058
Total [A + B]	1.141

Annexure VI

Loans and Advances

(Amount Rs. in Million)

As at	31.03.06
A. Advance recoverable in cash or kind or for value to be received	
Unsecured - Considered Good	2.323
Considered Doubtful	
Less: Provision for Doubtful Advances	
	2.323
B. <u>Income Tax Payments</u>	
Provision for Income Tax and FBT	1.508
Less: - Advance Tax paid for above	0.971
	Nil

C. Balances with Customs and Excise	0.164
Total A+B+C	2.487

Note: None of the above mentioned Loans & Advances are related to directors/ promoters of the company except as stated in the Auditors Report under the related party transactions.

Details of Secured Loans

Annexure VII

(Amount Rs. in Million)

	as at 31.03.2006
For Working Capital	0.000
For Term Loan	0.000
Total	0.000

Statement of Unsecured Loans

Annexure VIII

(Amount Rs. in Million)

	as at 31.03.2006
Promoters/Directors	0.000
Others	40.235
Total	40.235

Statement of Operational Income

Annexure IX

(Amount Rs. in Million)

For the Year	2005- 06
Sales (Gross)	1.208
Job Charges Received	5.112
Total	6.320

Annexure X
Statement of Other Income
(Amount Rs. in Million)

For the Year/Period	2005-06
Rebate and Discount	0.000
Interest Received	0.005
Sundry Creditors Written Back	0.165
Others	0.000
Total	0.170

Annexure XI
Statement of Contingent Liabilities
(Amount Rs in Million)

S.No	Particulars	2005-06
1.	Guarantee/security given to Custom authorities (against advance license for duty-free import of goods)	Nil
2.	Guarantee/security given to Sales Tax Authorities	7.200

Annexure XII
Statement of Accounting Ratios
(Amount Rs. in million)

		2005-06
Net Profit after tax available for equity shareholders - as per Annexure –II	(A)	30.236
Weighted average number of equity shares outstanding during the year / period	(B)	3.130
Number of equity shares outstanding at the end of the year / period	(C)	4.484
Net Worth – as per Annexure – I	(D)	76.099
Basic and Diluted Earning Per Share (EPS) Rs. (annualized)	(A)/(B)	9.66
Return on Net Worth (%)	(A)/(D)	39.73%
Net Asset Value Per Share (Rs.)	(D)/ (C)	16.97

Formula used for above Ratio:

Earnings Per Share (Basic) = $\frac{\text{Net Profit after tax available for equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$

Return on Net Worth = $\frac{\text{Net Profit after tax available for equity shareholders}}{\text{Net Worth}}$

Net Asset Value per Share = $\frac{\text{Net Worth}}{\text{Number of equity shares outstanding at the end of the year}}$

Annexure XIII

Capitalization Statement
(Amount in Rs. Million)

	As on 31.03.06
Debt	
Short-term Debt	0.000
Long -term Debt (A)	40.235
Total	40.235
Shareholders' Funds	
Share Capital	44.838
Reserves and Surplus after deducting Miscellaneous Expenditure (to the extent not written off)	31.261
Total Shareholders' Funds (B)	76.099
Long Term Debt / Total Shareholders' Funds (A/B)	0.53

Annexure XIV

Statement of Tax Shelters
(Amount Rs. in Million)

		* Financial Year Ended March 31, 2006
Profit before Tax as per Audited accounts	A	31.744
Tax rate		33.66%
Tax on actual rate on profits		10.685
Permanent Differences:		
Other		0.219
Total Adjustments	B	0.219
Timing Differences:		
Depreciation		(2.053)
Provision for Leave encashment		
Provision for Gratuity		
Total Timing Differences	C	(2.053)
Net Adjustments	C-B	2.272
Tax Saving thereon		
Profit/(Loss) as per Income Tax	D=(A+B-C)	34.016
Brought Forward Losses adjusted	E	(34.016)
Taxable Income	D+E	Nil
Taxable Income (Book Profit) as per MAT		16.397
Tax as per Income Tax returned		1.379
Interest u/s 234		0.079
Tax as per Income Tax returned		1.458
Carry forward losses & unabsorbed Depreciation		67.67

* Statement of Tax Shelters for the F.Y. 2005-06, has been prepared on estimated basis as the income tax return of the Company for the said F.Y. 2005-06 has not yet been filed.

Annexure XV

Information on related party transaction as required by Accounting Standard - 18 as on 31.03.2006

(Amount Rs. in Million)

Particulars	Related Parties	Directors	Holding Company	Entities by Directors / Relatives controlled
Sale of Goods and service	Fiem Industries Limited	Nil	5.112	Nil
Purchase goods & services	Fiem Industries Limited	Nil	0.209	Nil
Loans taken outstanding as on 31.03.06		Nil	Nil	Nil

Information on related party transaction as required by Accounting Standard - 18 for the year ended 31.03.2005

(Amount Rs. in Million)

Particulars	Related Parties	Directors	Entities controlled by Directors / Relatives
Sale of Goods and service	Fiem Industries Limited	Nil	6.953
Purchase goods & services	Fiem Industries Limited M/S Sung San Co. Ltd., Korea	Nil	0.018 0.658
Loans taken outstanding as on 31.03.05		Nil	Nil

Annexure XVI

Reserves and Surplus

(Amount Rs. in Million)

Particulars	2005-06	2004-05
Surplus as per Profit & Loss Account	31.296	1.060
Total	31.296	1.060

V. Sachdeva & Associates
Chartered Accountants

Sd/-
V. Sachdev
(Proprietor)
Place: New Delhi
Date: 02.06.2006

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussions of our financial condition and results of operations in conjunction with the section titled 'Financial Information of our Company' beginning on page no. 114 of this Draft Red Herring Prospectus. You are also advised to read the section titled 'Risk Factors' beginning on page no. x of this Draft Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows.

The financial statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditors' Report appearing in the section titled 'Financial Information of our Company' beginning on page no. 114 of this Draft Red Herring Prospectus.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended on March 31 of that year. Our historical financial performance may not be considered as indicative of future financial performance.

BUSINESS OVERVIEW:

Our Company is promoted by Mr. J. K. Jain, our Chairman and Managing Director, who is a first generation promoter. He has a rich experience of about 35 years in automotive components industry and is one of the pioneers of the automotive components industry in India.

Our Company is one of the leading manufacturers of automotive lighting & signaling equipments and rear view mirrors. Our major business comes from the two-wheeler segment of the vehicle industry. We have a wide range of two-wheeler lighting systems and rear view mirrors. Our diversified products portfolio ranging from rear view mirrors, head lamps, tail lamps, roof lamps, wheel covers, warning triangle, complete rear fender assembly, frame assembly, mudguards and various sheet metal & plastic parts etc. is capable of catering to the needs of almost all segments of automobile industry viz., two-wheelers, three wheelers, LCVs, HTVs and tractors.

Our existing plants are located at Kundli (Sonapat, Haryana) (Unit I), Hosur (Tamil Nadu) (Unit II & III) and Mysore (Karnataka) (Unit IV). Our upcoming units will be located at Hosur (Tamil Nadu) (Unit V) and Nalagarh (Himachal Pradesh) (Unit VI). The proximity of our plants to our OEM customers offers logistic savings to our valued customers and further enables us to cut our inventory carrying costs and shorten the delivery time. Moreover, our commitment to customers' satisfaction in terms of quality, cost, in-time delivery and services is amply reflected in the repeat orders and awards from our customers. We have had the opportunity of been associated with some of our prestigious OEM customers since the start of their operations in India.

We supply our products to some of the prestigious OEMs in the domestic as well as global automotive industry viz., TVS Motor Co. Ltd., Honda Motorcycle & Scooter India P. Ltd., Suzuki Motorcycle P. Ltd., General Motors India Ltd., Aspock Systems (Austria), Piaggio (Italy), etc. For a detailed list of our OEM customers, please refer to the section titled 'Business Overview' beginning on page no. 63 of this Draft Red Herring Prospectus.

Significant Accounting Policies

TOTAL INCOME

Our sales comprise of four items Automotive Components i.e. Automotive Lighting & Signaling Equipment & Parts, Rearview Mirrors & Parts, Sheet Metal Parts and Other Automotive Components. The item-wise break-up of sales for the earlier years is as under:

(Rs. in Million)					
Particulars	FY06	FY05	FY04	FY03	FY02
Automotive Lighting & Signaling Equipment & Parts	890.43	701.72	534.06	496.78	327.29
Rearview Mirrors & Parts	172.22	123.73	89.79	68.13	45.48
Sheet Metal Parts	152.17	166.45	0.00	0.00	0.00

Other Automotive Components (including Traded Goods).	21.18	6.62	23.43	20.86	3.60
Total Sales *	1236.00	998.52	647.28	585.77	376.37

*The above sales are net of excise duty.

We sell primarily automotive lighting and signaling equipment that has been 72.04%, 70.28%, 82.51%, 84.81% and 86.96% for FY06, FY05, FY04, FY03 and FY02 respectively. Over the same period, rear view mirrors accessories sales as a percentage of total sales has increased from 12.08% in FY02 to 13.93% in FY06.

Exports

The composition of our sales domestic and overseas market-wise is as under:

(Rs. in Million)					
Particulars	FY06	FY05	FY04	FY03	FY02
Domestic Sales	1171.79	951.55	637.26	578.94	362.37
Export - Direct	60.08	45.17	6.40	1.27	2.13
Export - Indirect	4.13	1.80	3.62	5.56	11.87

Direct exports have increased from Rs. 2.13 million in FY02 to Rs. 60.08 million in FY06 indicating an increase of nearly 27 times.

Indirect exports which are primarily through third party exporters have declined as compared to FY02. We decided to start targeting direct exports during FY03 so as to establish direct relationship with our customer. Accordingly, over the past four years, the direct exports have increased substantially where as indirect exports have come down.

Other Income

The other income comprised of the following for the respective years:

(Rs. in Million)					
Particulars	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Testing Charges Received	6.079	3.009	0.566	0.950	0.075
Segregation Charges Received	.942	.651	0.735	0.641	0.210
Design and Development Charges Received	.000	.037	0.275	0.000	0.334
Interest Received	.345	1.285	0.912	0.560	0.191
Profit on sale of Assets	4.629	0.000	0.000	0.000	0.000
Tool Development Charges Received	0.000	0.000	0.000	0.000	1.060
Others	1.709	.378	0.124	0.041	0.504
Total	13.704	5.360	2.612	2.192	2.374

Other income primarily consists of testing charges which has increased from Rs. 3.009 million in FY05 to Rs. 6.079 million in FY06. In FY06, other income is higher due to profit on sale of fixed assets to the tune of Rs. 4.62 million.

Raw Material Cost

The various components of our raw material cost for the respective years are as under:

(Rs. in Million)					
Particulars	FY 06	FY 05	FY 04	FY 03	FY 02
Sales of products Manufactured by the Co.	1415.84	1160.94	749.03	680.20	433.79
Excise Duty	195.84	165.71	102.96	94.55	58.32
Net Sales of the products Manufactured by the Company (A)	1220.00	995.23	646.07	585.64	375.47
Cost of Goods Sold					
Raw Material Consumed (B)	759.34	627.36	407.25	372.59	231.02

Manufacturing Expenses	237.66	183.27	111.90	104.71	76.24
(Increase)/Decrease in Semi Finished Goods & Finished Goods	(32.08)	6.71	5.30	(6.78)	(0.98)
Total (C)	964.92	817.34	524.45	470.52	306.28
Cost of Goods Sold/Net Sales (C/A)	79.09%	82.13%	81.18%	80.34%	81.57%
Raw material Consumed/Net Sales (B/A)	62.24%	63.04%	63.03%	63.62%	61.53%

Raw material includes material that we purchase from the market and typically includes reflectors, raw material for plastic parts that we manufacture in house. We also purchase bulbs and electrical wires that go in the lighting assembly.

The Raw material consumed as a % net sales has marginally improved to 62.24% in FY06 as compared to 63.04%, 63.03%, 63.62% for FY05, FY04, and FY03 respectively.

Operating (other than raw material) and other expenses

Operating expenses include other manufacturing expenses, salaries and wages and administration expenses. These expenses have seen marginal improvement over earlier years due to operating efficiencies. Operating expenses as a percentage of Net Sales is 27.70% in FY06 as compared to 29.89% in FY02.

Depreciation

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

Taxation/deferred Tax

Tax appearing the financial statement is current and is arrived as per provisions of the Income Tax Act 1961. We have applied AS 22 of ICAI for providing for deferred tax.

Earnings Before Interest, Depreciation, Tax and Amortization

(Rs. in Million)					
Particulars	FY06	FY05	FY04	FY03	FY02
Net Profit before Extraordinary & Prior Period Items	78.42	32.65	20.22	21.20	12.35
Current Tax	33.00	6.40	4.20	3.80	1.43
Deferred Tax	0.81	13.91	7.49	8.79	-
Fringe Benefit Tax	2.50	-	-	-	-
Income Tax for Earlier Years	0.06	0.02	0.00	0.14	-
Depreciation	36.17	25.49	17.07	13.52	10.43
Interest and Financial Charges	18.72	19.80	17.77	12.61	11.38
EBITDA (A)	169.68	98.28	66.75	60.06	35.58
Net Sales (B)	1236.01	998.52	647.28	585.77	376.37
EBITDA/Net Sales (A/B)	13.73%	9.84%	10.31%	10.25%	9.45%

Profit After Tax

Particulars	FY06	FY05	FY04	FY03	FY02
Net Sales	1236.01	998.52	647.28	585.77	376.37
Net Profit before extraordinary & prior period items (PAT)	78.42	32.65	20.22	21.20	12.35
PAT/Sales (Net of excise)	6.34%	3.27%	3.12%	3.62%	3.28%

During FY06, our net profits are on higher due to better realization for our products. During this year we also increased our portfolio of products for which our fixed costs have remained at a similar level which has resulted in higher profit margins.

Sundry Debtors

The details of debtors are as under for the respective years:

(Rs. in Million unless stated otherwise)

Particulars	FY06	FY05	FY04	FY03	FY02
Net Sales	1,236.01	998.52	647.28	585.77	376.37
Outstanding debtors	152.100	128.869	83.595	57.368	55.410
Debtors less than 180 days	138.911	123.210	82.283	53.385	53.270
Debtors over 180 days	13.190	5.659	1.312	3.983	2.140
Debtors less than 180 days as a % sales	11.24%	12.34%	12.71%	9.11%	14.15%
Debtors more than 180 days as a % sales	1.07%	0.57%	0.20%	0.68%	0.57%
Bad debts written off / provision	0.00	0.00	0.00	0.00	0.00
No of days outstanding debtors (days)	45	47	47	36	54
% of bad debts to sales (%)	0%	0%	0%	0%	0%

Our sales are higher in second half of the financial year. However, as per the payment mechanism agreed upon with the customers, they are ensured a reasonable credit period.

Comparison of Fiscal 2006 with 2005

Turnover

Our Turnover comprising of Goods manufactured by us and goods traded by us after adjustments for Excise duty registered a growth of 23.78% from Rs. 998.517 Million in fiscal 2005 to Rs. 1236.006 Million in Fiscal 2006. This was mainly due to the impact of increase in production resulting from the increase in demand and supplies to existing and new OE Manufacturers.

Other income

Other Income increased by 155.67% from Rs. 5.36 Million in Fiscal 2005 to Rs. 13.704 Million in Fiscal 2006. This substantial increase was primarily due Testing and inspection charges received and Profit on sale of fixed assets.

Expenditure

Total Expenditure increased by 23.72% to Rs. 1112.10 Million in Fiscal 2006 from Rs. 898.89 Million in Fiscal 2005. This increase was mainly due to increase in Raw Materials consumed by 21.04% to Rs. 759.34 Million in Fiscal 2006 from Rs. 627.36 Million in Fiscal 2005.

Other Manufacturing Expenses also increased to Rs. 237.66 Million in Fiscal 2006, registering an increase of 29.68% and increase in volumes.

EBITDA

Our EBITDA increased by 72.65% from Rs. 98.281 Million in fiscal 2005 to Rs. 169.68 Million in fiscal 2006. This increase is primarily due to substantial increase in volumes and optimization of production costs leading to better Margins.

Finance Charges

Finance Charges decreased marginally by 5.44% from Rs. 19.80 Million in Fiscal 2005 to Rs. 18.72 Million in Fiscal 2006. This was mainly due to reduction of cost of debt and payment of installments towards secured loans from Banks.

Depreciation

Depreciation charges increased by 41.90% from Rs. 25.49 Million in Fiscal 2005 to Rs. 36.17 Million in Fiscal 2006, corresponding to the increase in gross block of fixed assets by 22.81% from Rs. 627.81 Million in Fiscal 2005 to Rs.

770.99 Million in Fiscal 2006. The increase in gross block of fixed assets was due to the modernization and expansion undertraken by the Company.

Income Tax & Deferred Tax

Income Tax increased substantially by 78.83% from Rs. 20.338 Million in Fiscal 2005 to Rs. 36.37 Million in Fiscal 2006. This was mainly due to higher profits earned during the year.

Profit After Tax

The Profit After Tax was Rs. 78.42 Million in fiscal 2006 as compared to profit after tax of Rs. 32.65 Million in fiscal 2005. This is an increase of 140.18%. This is mainly due to increased volumes and optimization of expenses

Comparison of Fiscal 2005 with 2004

Turnover

Our Turnover comprising of Goods manufactured by us and goods traded by us after adjustments for Excise duty registered a growth of 54.26% from Rs. 647.282 Million in fiscal 2004 to Rs. 998.517 Million in Fiscal 2005. This was mainly due to the impact of increase in production resulting from the increase in demand and supplies to existing and new OE Manufacturers.

Other income

Other Income increased by 105.36% from Rs. 2.61 Million in Fiscal 2004 to Rs. 5.36 Million in Fiscal 2005. This substantial increase was primarily due to increase in Testing Charges Received and increase in Interest income

Expenditure

Total Expenditure increased by 55.56% to Rs. 898.89 Million in Fiscal 2005 from Rs. 577.85 Million in Fiscal 2004. This increase was mainly due to increase in Raw Materials consumed by 54.05% to Rs. 627.36 Million in Fiscal 2005 from Rs. 407.25 Million in Fiscal 2004.

Other Manufacturing Expenses also increased to Rs. 183.27 Million in Fiscal 2005 from Rs. 111.90 Million in Fiscal 2004, registering an increase of 63.78% due to increase in volumes.

EBITDA

Our EBITDA increased by 47.24% from Rs. 66.75 Million in fiscal 2004 to Rs. 98.281 Million in fiscal 2005. This increase is primarily due to substantial increase in volumes and optimization of expenses leading to better Margins.

Finance Charges

Finance Charges increased by 11.44% from Rs. 17.769 Million in Fiscal 2004 to Rs. 19.80 Million in Fiscal 2005. This was mainly due to a increase in Outstanding loans raised from Banks for modernization and expansion and hence more Interest paid to them

Depreciation

Depreciation charges increased by 49.37% from Rs. 17.067 Million in Fiscal 2004 to Rs. 25.49 Million in Fiscal 2005, corresponding to the increase in gross block of fixed assets by 52.26% from Rs. 412.34 Million in Fiscal 2004 to Rs. 627.81 Million in Fiscal 2005. The increase in gross block of fixed assets was due to the modernization and expansion undertraken by the co.

Income Tax & Deferred Tax

Income Tax increased substantially by 73.98% from Rs. 11.69 Million in Fiscal 2004 to Rs. 20.338 Million in Fiscal 2005. This was mainly due to higher profits earned during the year

Profit After Tax

The Profit after Tax was Rs. 32.65 Million in fiscal 2005 as compared to profit after tax of Rs. 20.22 Million in fiscal 2004. This is an increase of 61.47%. This is mainly due to increased volumes and optimization of expenses.

Comparison of Fiscal 2004 with 2003**Turnover**

Our Turnover comprising of Goods manufactured by us and goods traded by us after adjustments for Excise duty registered a growth of 10.50% from Rs. 585.771 Million in fiscal 2003 to Rs. 647.282 Million in Fiscal 2004. This was mainly due to the impact of increase in production resulting from the increase in demand and supplies to existing and new OE Manufacturers.

Other income

Other Income increased by 19.18% from Rs. 2.19 Million in Fiscal 2003 to Rs. 2.61 Million in Fiscal 2004. This increase was primarily due to increase in Interest income and also on account of increase in receipt of design and development charges.

Expenditure

Total Expenditure increased by 8.07% to Rs. 577.85 Million in Fiscal 2004 from Rs. 534.69 Million in Fiscal 2003. This increase was mainly due to increase in Raw Materials consumed by 9.30% to Rs. 407.25 Million in Fiscal 2004 from Rs. 372.59 Million in Fiscal 2003.

Other Manufacturing Expenses also increased to Rs. 111.90 Million in Fiscal 2004 from Rs. 104.71 Million in Fiscal 2003, registering an increase of 6.9% due to increase in volumes.

EBITDA

Our EBITDA increased by 11.16% from Rs. 60.05 Million in fiscal 2003 to Rs. 66.75 Million in fiscal 2004. This increase is primarily due to substantial increase in volumes and optimization of expenses leading to better Margins

Finance Charges

Finance Charges increased by 40.91% from Rs. 12.61 Million in Fiscal 2003 to Rs. 17.769 Million in Fiscal 2004. This was mainly due to increase in Outstanding loans raised from Banks for expansions and hence increase in the Interest paid to them.

Depreciation

Depreciation charges increased by 26.23% from Rs. 13.52 Million in Fiscal 2003 to Rs. 17.067 Million in Fiscal 2004, corresponding to the increase in gross block of fixed assets by 34.37% from Rs. 306.87 Million in Fiscal 2003 to Rs. 412.34 Million in Fiscal 2004. The increase in gross block of fixed assets was due to the modernization and expansion undertraken by the co.

Income Tax & Deferred Tax

Income Tax decreased marginally by 8.17% from Rs. 12.73 Million in Fiscal 2003 to Rs. 11.69 Million in Fiscal 2004. This was mainly due to a marginal decrease in net profit before tax and lowering of tax rates. There was a reduction in the provision of deferred tax liability also, on account of non-availability of claim of additional depreciation on Plant and Machinery as per the prevailing tax laws.

Profit After Tax

The Profit after Tax was Rs. 20.22 Million in fiscal 2004 as compared to profit after tax of Rs. 21.20 Million in fiscal 2003. This is a decrease of 4.62%. The marginal decrease was mainly due to the increase in depreciation and also the increase in finance cost due to major investments made for expanding plant capacities during the year.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We need liquidity to meet our working capital requirements and capital expenditure. We have relied on sources like cash flows from operations and also borrowings from banks and financial institutions.

Cashflow

The following table sets forth the cashflows for the respective years:

(Rs. in Million)			
Particulars	FY06	FY05	FY04
Net Cashflow from operating activities	118.809	71.780	66.291
Net Cash used in investing activities	(172.566)	(124.945)	(113.046)
Net Cashflow from financing activities	60.256	54.155	41.570
Increase/(decrease) in Cash and Cash equivalent	6.500	0.990	(5.185)
Effect of Exchange rate changes	.034	-	-
Net Increase/(decrease) in Cash and Cash equivalents	6.534	0.990	(5.185)
Opening Cash Balance	9.091	8.101	13.286
Closing Cash Balance	15.625	9.091	8.101

Working Capital

(Rs. in Million)				
Particulars	FY06	FY05	FY04	FY03
Current Assets (A)				
Inventories	111.480	63.719	54.523	67.878
Sundry Debtors	152.100	128.869	83.595	57.368
Cash and bank balance	15.625	9.091	8.101	13.286
Loans and advances (other than advance for capital goods)	39.188	30.761	32.381	27.392
(A)	318.393	232.44	178.60	165.924
Current Liabilities (B)				
Statutory dues	10.149	7.422	4.438	3.73
Current liabilities	275.157	187.559	153.32	130.617
(B)	285.306	194.981	157.758	134.347
Net Current Assets(A-B)	33.087	37.459	20.842	35.357
Bank borrowings	126.796	84.672	65.825	33.752
Net Working Capital	(93.709)	(47.213)	(44.983)	1.605
Current Ratio (A/B)	1.12	1.19	1.13	1.24

Indebtedness

Our total indebtedness as of March 31, 2006 was Rs. 222.22 Million as compared to Rs.184.15 as on March 31, 2005. The total borrowings for FY06 can be divided into the following:

- Borrowings for working capital finance amounting to Rs. 126.80 Million consisting of fund based and non fund based facilities from banks
- Long Term borrowing from Banks amounting to Rs. 85.66 Million.
- Hire Purchase Loans for vehicles for Rs. 9.76 Million.

Historical and planned capital expenditure

In FY03, we added fixed assets amounting to Rs. 81.448 Million primarily for setting up new unit at Hosur, Tamilnadu and Expansion of existing capacity at Kundli Unit.

In FY04, we added fixed assets amounting to Rs. 113.583 Million primarily for purchase of Capital Assets at Hosur Unit and Expansion of existing capacity at Kundli Unit.

In FY05, we added fixed assets amounting to Rs. 125.109 Million primarily for setting up new unit at Kelamangalam, Tamilnadu and expansion of existing capacity at Kundli and Hosur Unit.

In FY06, we added fixed assets amounting to Rs. 132.124 Million primarily for Purchase of Capital Assets at Kelamangalam Unit and expansion of existing capacity at Kundli and Hosur Unit and setting up of Proposed unit VI at Nalagarh.

Related Party Transactions

For details of related party transactions, please refer to section titled 'Related Party Transactions' beginning on page no. 111 of this Draft Red Herring Prospectus.

FINANCIAL MARKET RISKS

Interest Rate Risk

Changes in interest rates may affect our financial expenses. We are, therefore, exposed to risks arising out fluctuations in the interest rates. Our short term or working capital interest rates are linked to Prime Lending Rate (PLR) of our bankers who in-turn advise these rates from time to time. Long-term lending rates are fixed for the tenure. Thus, interest rate risk is primarily due to changes in PLR by our lending banks.

Exchange rate risk

We are exposed to exchange rate fluctuations for both our imports as well as exports. Our exports are predominantly in US Dollar denomination and our imports are also under same currency.

Effect of inflation

Our final price is based on various factors viz., raw material prices and other direct and indirect costs. Our pricing is not directly linked to inflation or WPI and therefore inflation does not have a significant impact on our product prices.

Information required as per Clause 6.10.5.5 of SEBI Guidelines

1. Unusual or Infrequent Events or transactions

There have been no events or material transactions to our knowledge which may be described as "unusual" or "infrequent" other than those mentioned below:

- a. Our Company had invested a sum of Rs. 15.70 million towards purchase of 1.57 million Equity Shares at Rs. 10 each of FIEM Sung San (India) Limited ("FSSIL") as per the terms of Joint Venture Agreement with Daewoo Motors (India) Ltd. (formerly name DCM Daewoo Motors Ltd.) ("DDML") and Sung San Co. Ltd. ("Sung San") (now known as SL Sung San Corp. Ltd.) in the year 1996 for the purpose of manufacturing of automotive lighting equipments. For details, please refer to the section titled 'Our Subsidiary' beginning on page no. 89 of this Draft Red Herring Prospectus. Due to sudden and steep fall in the demand for Ceilo cars by then and already huge quantities of imported lamp assemblies available with DDML, FSSIL had to delay the

production of lamp assemblies for Ceilo cars. Due to this, FSSIL started facing financial problems, as a result of which, more than 50% of the peak net worth of FSSIL eroded in the year 2002-2003. As a result, FSSIL had to report to the Board for Industrial and Financial Reconstruction under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 during the year 2002-03. In order to reflect its true net worth, FSSIL approached the Hon'ble High Court of Delhi for reduction of its paid up capital under Sections 100-104 of the Companies Act, 1956. Subsequently, the Hon'ble High Court of Delhi, vide its order dated July 28, 2003, reduced the paid up capital of FSSIL from Rs. 82.25 million to Rs. 12.34 million. On account of this capital reduction, there was a loss of Rs. 13.35 million in the value of our investments in FSSIL. This loss on the diminution in value of the investment has been reflected in the books of accounts for financial year 2003-04.

- b. During the financial year 2005-06, our Company has changed the method of accounting for employee benefit for gratuity and leave encashment, which has been accounted for on accrual basis. The same had been accounted for on cash basis prior to the financial year 2005-06. The change in the accounting policy has resulted in a provision of Rs. 2.751 million for the previous year which has been reflected under the head 'Prior period expenses'.

2. Significant economic/regulatory changes

Except as described in section titled 'Regulations and Policies' beginning on page no. 84 of this Draft Red Herring Prospectus, there have been no significant economic/regulatory changes.

3. Known trends or uncertainties

Except as described in the section titled 'Risk Factors' beginning on page no. x of this Draft Red Herring Prospectus and the section titled 'Management Discussion and Analysis of Financial Condition and Results of Operations' beginning on page no. 150 of this Draft Red Herring Prospectus, to our knowledge, there are no known trends or uncertainties that have or had or expected to have any material adverse impact on revenues or income of our Company from continuing operations.

4. Future changes in relationship between cost and revenues

Except as described in the section titled 'Risk Factors' beginning on page no. x of this Draft Red Herring Prospectus, to our knowledge, there are no known factors which will have a material adverse impact on our operations and finances.

5. New products and business segment

Except the manufacture of LED, radiators and wiring assembly, there are no new products or any new business segment. For details, please refer to the section titled 'Business Overview' beginning on page no. 63 of this Draft Red Herring Prospectus.

6. Total turnover of each major industry segment

Our company is primarily engaged in the business of automotive parts, which is governed by the same set of risk & return. In the opinion of the management, our Company's business falls within one business and one geographic segment. The disclosure requirement as per AS-17 regarding "Segment Reporting" does not apply. The said treatment is in accordance with the guiding principles of the Standard.

7. The extent to which business is seasonal

Our Company's business is not seasonal.

8. Significant dependence on a single or few suppliers or customers

Our sales for the past three years are fairly diversified as can be seen in the following table:

	(% sales to total sales)		
	FY06	FY05	FY04
Top 3 Customers	85.14	85.17	82.33
Top 5 Customers	88.84	88.43	89.29
Top 10 Customers	92.28	91.85	93.67

9. Competitive conditions

The nature of our business is such that most of the customers are dependent on suppliers for their requirements which they procure from suppliers like us regularly. The relationship between OEMs and suppliers typically is longer, given that the automobile models that are launched at a small interval, many a times within six months of the previous launch, require OEMs to have a dependable supplier who can design and supply parts to meet the deadlines of the launch. Similarly, variants of these models also undergo minor modifications that again are designed and manufactured by the same suppliers. This has resulted in an international trend that the downstream units co-locate with the manufacturing facilities of OEMs. Thus, new supplier needs to offer significantly different and attractive solution that might necessitates a change of supplier of the parts by the OEMs, however this scenario is not often seen. For further details, please refer to the section titled 'Business Overview' beginning on page no. 63 of this Draft Red Herring Prospectus.

10. Quality

We have been accredited with ISO-9002 in the year 1997 by BVQI, London. In the year 1999, our Unit I at Sonapat, Haryana was accredited with ISO 9001:2000 & ISO 9002:1994 and the quality system requirements certification QS-9000:1998 by Underwriters Laboratories Inc. (UL), USA for the manufacture of automotive lighting & signaling equipments and rear view mirrors. Subsequently, in the year 2004, our Unit I at Sonapat, Haryana was accredited with ISO/TS 16949:2002 by UL, USA. In the year 2005, our Unit II at Hosur, Tamil Nadu was accredited with ISO/TS 16949:2002 by UL, USA. In the same year, our Unit I at Sonapat, Haryana was accredited with ISO 14001:2004 by UL, USA. Prior to this, in the year 2002, our Unit I at Sonapat, Haryana also received the 'Conformity of Production' compliance certification from RDW, Netherlands for e-marked products.

11. Commercial partnership with select OEMs and customers

When the large automotive players start their new operations in new geographical areas, downstream parts suppliers also co-locate with them. We believe, partnership with these significant suppliers will allow us to scale up our operations. We will continue to work on this strategy to have strategic partnership with significant suppliers of the large automobile manufacturers of the world.

SECTION VI - LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

1. Save as detailed herein:

- a. neither our Company, nor any Director (s) or Promoter(s) of our Company nor any of our Group Companies is party to any ongoing proceedings before any statutory or regulatory authority, nor are any show cause notices pending against any of them;
- b. there have been no defaults to financial institutions/ banks for non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the Promoters of our Company and the companies/ firms promoted by the Promoters of our Company;
- c. our Company has not failed to pay any statutory dues;
- d. no disciplinary or any other action has been taken against the Promoters of our Company, our Company or any Group Company by the Securities and Exchange Board of India or any Stock Exchange in India; and
- e. none of the names of the directors of our Company have appeared on the RBI's defaulters list.

2. Details of past cases in which penalty was imposed against the Company, are as follows:

Sr No.	Act/Rules	Amount (Rs.)	Year	Nature of Offence
1.	Service Tax Act	37,000/-	2005-06	Service Tax on various services imposed by the Excise Department during Audit
2.	The Factories Act, 1948	55,000/-	2005-06	Accident inside factory on January 20, 2003 resulting in death of a generator operator. Amount deposited as ordered
3.	Standard Weights & Measurement Act, 1976	7000/-	2003-04	Weight not mentioned on the outer pack.
4.	Central Excise Act, 1944	1,74,592/-	2003-04	Discrepancies found by the Excise Department during Inspection
5.	Sales Tax Act, 1956	62,000/-	2002-03	A penalty imposed due to incomplete address on the Invoice (Name of the District not mentioned on the invoice in otherwise complete address)
6.	Central Excise Act, 1944	32,856/-	2002-03	Discrepancies found by Excise Department during inspection
7.	Air (Prevention and Control of Pollution) Act, 1981	50,000/-	2002-03	The Company submitted security of Rs. 25,000/- each in two cases for complying with certain environmental

				regulations. In one case the Company could not comply with requirements within stipulated time frame and the security of Rs 25,000/- was forfeited. In the other case the Company had duly complied with the condition and the security is refundable.
8.	Employees' State Insurance Act, 1948	20,550/-	2000-01	Amount raised by the Department as short deposit.
9.	Sales Tax Act, 1956	1876/-	1999-00	Additional demand made by the Department.

3. The Company has issued an Indemnity for Rs.72,00,000/- (Rupees Seventy Two Lacs), in favor of the Sales Tax Authorities, which Indemnity is in connection with misplacement of "Form C's". If there is any misuse of these Form C's, the Company would be liable to indemnify the Sales Tax Authorities to the extent of the said indemnity.
4. The List of the Small Scale Creditors to whom the Company owes a sum exceeding Rupees one Lakh which is outstanding for more than thirty days, is as follows:

Sr. No.	Name of Small Scale Creditor
1.	Asian Springs
2.	Bajrang Paints
3.	Balaji Press Products Pvt, Ltd.
4.	Bhagat Auto Inds.
5.	Dinesh Metal Works
6.	Dinesh Metal Works, Sonapat
7.	Ennkay Industrial Automation
8.	GI Auto Pvt. Ltd.
9.	Hemlatha Enterprises
10.	Insta Pack Pvt. Ltd.
11.	J.M.C Auto Industries
12.	Kayvee's Lab
13.	Manson Enterprises India Pvt. Ltd
14.	Mitter Fasteners
15.	Mohindera Products
16.	Nu-Tech Engineering Company
17.	Nu-Tech Rubber Products
18.	Paragon Fasteners
19.	Perfect Industries
20.	Pradeep Mahindra Rubber Udyog
21.	Sagar Enterprises
22.	Sambros Rubber Industries
23.	Singhal Industrial Screws Pvt. Ltd
24.	Special Washers India Pvt. Ltd
25.	Shree Laxmi Precision Tools
26.	Shree Guru Engineering Works
27.	Sunrise Electroplaters
28.	Super Screws Pvt. Ltd
29.	V.M Enterprises
30.	Wadsons (India) Pvt. Ltd
31.	Yathartha Yantra Udyog.
32.	Presscom Products Pvt. Ltd

5. Proceedings have been classified as follows:
- A. Show Cause Notices against the Company.
 - B. Proceeding filed by the Company
 - C. Proceedings filed against the Fiem Auto (Private) Limited (Group Company).
 - D. Proceedings filed by Fiem Auto (Private) Limited (Group Company).
 - E. Proceedings filed against Fiem Sung San (India) Limited (Subsidiary Company).

A. Show Cause Notices against the Company

Notices					
Sr. No	Notice No./ Date	Served By	Particulars	Quantum (Rs. In Lacs)	Current Status
1	C No.IV(16)Hqrs.AE/D-V/RTK/96/2004/5299 Dated : 03/06/2004	Assistant Commissioner of Central Excise, Rohtak. (Anti-Evasion Branch)	<p>The, Company was issued a show cause to clarify within 30 days as to why:</p> <p>1. Central Excise Duty amounting to Rs. 1,74,592/- (already paid by the party) involved on the shortages of raw materials should not be demanded, recovered and appropriated under Section 11A of the Central Excise Act 1944</p> <p>2. Credit amounting to Rs. 2,76,207/- wrongly availed on Broken Head Light Glass should not be demanded and recovered from them by invoking the extended period of five years under the proviso to Section 11A of Central Excise Act, 1944, and, as to why, the said amount as paid should not be appropriated;</p>	4.5 plus penalty	<p>The Company has filed a response for the waiver of pre-deposit of penalty before the Customs, Excise & Service Tax Appellate Tribunal, New Delhi. Part of the demand was confirmed in respect of inputs which were found short during verification, on which credit has been taken. The Company was directed to deposit an amount of Rs. 50,000/- within a period of four weeks, on the deposit of which the remaining amount of penalty was waived.</p> <p>The matter is pending hearing and final disposal</p>

			<p>3. Interest at the appropriate rate should not be recovered ;</p> <p>4. Penalty should not be imposed upon the Company, and further as to why a penalty should not be imposed upon A.K Madan, Senior Vice President of the Company.</p>		
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B. Proceeding filed by the Company.

CIVIL PROCEEDINGS						
Sr. No	Case No/Appeal No.	Forum	Filed Against	Brief Particulars	Quantum (Rs. In Lakhs)	Current Status
1.	C.S No. 61 of 2006	District Judge, Delhi	M/s Arora Auto Agencies (“ Defendant ”).	<p>The Company filed this civil suit against the Defendant in connection with the alleged violation of intellectual property rights, and has sought therein:</p> <p>(i) the perpetual injunction to restrain the defendants:</p> <p>(a) from carrying on business as manufacturers or vendors of “Head Lamps or any allied goods for Motor Land Vehicles” and from selling, offering, exposing, advertising, for sale or procuring to be sold any such products under the offending label bearing artistic features, etc. similar to the registered trademark / label and copyright as used by the Company.</p> <p>(b) from passing off its inferior and sub-standard goods as that of the Company’s under the offending label.</p>	Rs 5.01, plus court fees and profits.	<p>Notice issued to the Defendants.</p> <p>Pending final hearing and disposal.</p>

				<p>(ii) that the Defendant deliver upon Affidavit all the offending, counter-feting labels, wrappers, & other incriminating material under the offending label as is under the possession & / or control of the defendant for destruction & / or erasure;</p> <p>(iii) the rendition of accounts of profits earned by the Defendants on the sales of “Head Lamps or any other allied goods for Motor Land Vehicles” under the offending & that a decree be passed in favor of the Company for the amount of sales made by the Defendant; and</p> <p>(iv) for costs of the proceedings.</p>		
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C. Proceedings filed Against Fiem Auto (Private) Limited (a Group Company)

CIVIL PROCEEDINGS						
Sr. No	Case No/Appeal No.	Forum	Filed By	Brief Particulars	Quantum (in Rs. Lakhs)	Current Status
1	OS CCH-322/2005	Civil Court, Junior Division at Anekal	Engineering & General Workers Union, representing the Workers of FIEM Auto Pvt. Ltd, Rep. by General Secretary Mr. Y. Venkata Swamy.	<p>The Workers of the Company’s Bommasandra unit had alleged the closure of the Bommasandra unit as illegal and prayed that the Court grant:</p> <p>(i) an order of permanent injunction restraining the Company and their agents from selling, leasing, etc. certain property or creating any charge thereon;</p> <p>(ii) costs.</p>	NA	Hearing concluded. A certified copy of the final order is pending.

2	I.D No. 99/2005	Presiding Officer, Industrial Tribunal, Bangalore	Engineering & General Workers Union, representing the Workers of FIEM Auto Pvt. Ltd, represented by its general secretary Mr. Y. Venkata Swamy	<p>The Workers of the Company's Bommasandra unit had alleged the closure of the Bommasandra unit as illegal and prayed that:</p> <p>(i) The Company be directed to reinstate certain workers in the Company's other Plants situated at Hosur or at Mysore since only about 30 workers were to be reinstated.</p> <p>(ii) the Company be directed to pay consequential benefits like back wages, continuity of service, etc. from the date of alleged closure of operations.</p> <p>(iii) In the event of the Company is not willing to reinstate the workmen, the Company be directed to pay lump-sum compensation of Rs. 5,00,000/- per workmen and Rs 2,50,000/- to the workmen who may have met with industrial accidents during the course of employment.</p> <p>(iv) costs be awarded.</p>	Indeterminate	Pending hearing and final disposal

D. Proceedings filed by Fiem Auto (Private) Limited (Group Company).

CIVIL PROCEEDINGS						
Sr. No	Case No/Appeal No.	Forum	Filed Against	Brief Particulars	Quantum (Rs. In Lakhs)	Current Status
1	O.S.No 30./2005	Civil Judge, Junior Division, Anekal	Engineering & General Workers Union, Representing the workmen of Fiem Auto Pvt. Ltd (“ Defendant ”).	The Company filed a Civil suit seeking permanent injunction restraining the Defendant from preventing ingress and egress of men, materials and vehicles of the Company.	N.A.	The court has granted temporary Injunction restraining the workers until the next hearing. The matter is pending final hearing and disposal.

E. Proceedings filed against Fiem Sung San (India) Limited (Subsidiary Company)

CIVIL PROCEEDINGS					
Case No/Appeal No.	Forum	Filed By	Brief Particulars	Quantum (in Rs. Lakhs)	Current Status
1002/93	Presiding Officer, Labour Court (II), Ghaziabad	Ram Charan Singh (“ Plaintiff ”)	The Plaintiff was not directly employed by the Company. The Company availed of his services through a contractor, therefore the case against the Company is not maintainable.	N.A.	Pending hearing and final disposal
1019/93	Presiding Officer, Labour Court (II), Ghaziabad	Sanjay Kumar (“ Plaintiff ”)	The Plaintiff has filed the present suit for unlawful termination of his services.	N.A.	Pending hearing and final disposal

Material Developments

In the opinion of the Board of Directors, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstance that materially or adversely affect or are likely to affect the profitability of the Company and its subsidiaries taken as a whole or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months.

GOVERNMENT / STATUTORY AND OTHER APPROVALS

“Subject to the renewals of approvals and licenses as listed below, we can undertake this Issue as well as our current business activities and no further major approvals are required from any Government authority for us to continue our activities.

1. Existing Licenses and Approvals

A. Kundli Unit – Sonapat (Unit I)

Sr. No.	Type of License / Approval	License / Approval No.	Date	Issuing Authority	Valid upto
1	Acknowledgement of Industrial Entrepreneur Memorandum	9919/SIA/IMO/2003	November 17, 2003	Secretariat of Industrial Assistance, Ministry of Commerce	NA
2	Factory License: Renewal	SPT/F-8/1944	NA	Labour Department, Haryana	December 31, 2006
3	Consent under Water (Prevention and Control of Pollution) Act / Air (Prevention and Control of Pollution) Act/ Hazardous Waste (Management and handling) Rules	No./HSPCB/Consent/2005/	April 21, 2005	Haryana State Pollution Control Board	March 31, 2006 *
4	Certificate of Registration under Contract Labour (Regulation and Abolition) Act 1970	RG-1075/919/500/SPT-80/I-27/NI-14/HR/537/SPT/13/04	December 16, 2004	Labour Department, Haryana and Chandigarh	December 31, 2007
5	Environmental Clearance for Automotive Lighting equipments	Consent Letter No. J-11011/101/ 2004-IA II	February 17, 2005	Ministry of Environment and Forests, I.A.Division	NA
6	Certificate of Registration under Standard of Weights and Measures (Packaged Commodities) Rules.	No. CLM/17/HAR/2055	October 4, 2004	Controller of Legal Metrology, Haryana	NA
7	License to Import and store Petroleum in Installation	P/NC/HN/15/1063(P57207)	NA	Joint Controller of Explosives, North Circle, Faridabad	December 31, 2008
8	Allotment of Code under E.S.I Act	Code No. 13/19796/66	NA	ESI Corporation, Faridabad	NA
9	Allotment of Code No. under Employees Provident Fund & Misc. Provisions Act.	Code No. D/15479	NA	Regional Provident Fund Commissioner	NA
10	Certificate of	TIN 06533005645	NA	Assessing	NA

	Registration under Haryana VAT Act, 2003			Authority under Haryana VAT Act	
11	Certificate of Registration under Central Sales Tax Act, 1956	No.SON/CST/5645 dated December 27, 1999	NA	Assessing Authority	Valid from February 21, 1990 until cancelled
12	Certificate Of Registration under Central Excise Rules, 2002	Registration No. AAACFI034EXM 001	NA	Assistant Commissioner, Central Excise	NA

* Our Company has made an application dated March 28, 2006 for renewal of this consent.

B. Hosur – Thally Road (Unit II)

Sr. No.	Type of License / Approval	License / Approval No.	Date	Issuing Authority	Valid upto
1	Acknowledgment of Industrial Entrepreneur Memorandum	3698/SIA/IMO/2003	December 18, 2003	Secretariat of Industrial Assistance, Ministry of Commerce	NA
2	Factory License	No.29424	NA	Inspectorate of Factories, Tamil Nadu	December 31, 2010
3	License for Employing Contract Labour	NA	November 9, 2004	Inspectorate of Factories, Tamil Nadu	NA
4	Allotment Code No. under Employees Provident Fund & Misc. Provisions Act	Code No. TN/SL/47709	NA	Assistant Provident Fund Commissioner	NA
5	Certificate of Registration under Central Sales Tax (Registration and Turnover) Rules, 1957	GST No. 782516	June 19, 2003	Commercial Sales Tax Officer	NA
6	Certificate of Registration under Tamil Nadu General Sales Tax Act, 1959	TNGST No.3362793	NA	Commercial Tax Officer	NA
7	Certificate of Registration under Central Excise Rules, 2002	Registration No.AAACFI034EXM003	NA	Assistant Commissioner of Central Excise, Hosur Division	NA
8	Application for Consent Order from Tamil Nadu Pollution Board	NA	NA	NA	Application is under process

C. Hosur -Tamil Nadu : (Unit III)

Sr. No.	Type of License / Approval	License / Approval No.	Date	Issuing Authority	Valid upto
1	Acknowledgment of Industrial Entrepreneur Memorandum	435/SIA/IMO/2005	February 2, 2005	Secretariat of Industrial Assistance, Ministry of Commerce	NA
2	Factory License	No.48926	October 25, 2005	Inspectorate of Factories, Tamil Nadu	December 31, 2006
3	Application for License for Employing Contract Labour	2005 filed on January 5, 2006 & presently in process.	December 31, 2005	Inspectorate of Factories, Tamil Nadu	NA
4	Consent under Air (Prevention and control of Pollution) Act, 1981	Consent Order No.2932	April 24, 2005	Tamil Nadu Pollution Control Board	Two years or till the Industry obtains consent to operate under Section 21 of Air (Prevention and Control of Pollution Act,1981 whichever is earlier.
5	Consent for Establishment under Water (Prevention and Control of Pollution) Act, 1974	Consent Order No. 2985	April 22, 2005	Tamil Nadu Pollution Control Board	Two years or till the Industry obtains consent to operate under Section 21 of Water (Prevention and Control of Pollution Act, 1974 whichever is earlier.
6	Certificate of Registration under Central Excise Rules, 2002	Registration Number: AAACF1034EXM004	NA	Assistant Commissioner of Central Excise	NA
7	Certificate of Registration under Tamil Nadu General Sales Tax Act, 1959	TNGST No. 3362795	NA	Commercial Tax Officer	NA

D. Mysore Unit (Unit IV)

Sr. No.	Type of License / Approval	License / Approval No.	Date	Issuing Authority	Valid upto
1	Acknowledgment of Industrial Entrepreneur Memorandum	435/SIA/IMO/2005	February 2, 2005	Secretariat of Industrial Assistance, Ministry of Commerce	NA
2	Certificate of Registration under Central Excise Rules, 2002	Registration Number: AAACF1034EXM005	September 19, 2005	Assistant Commissioner of Central Excise, Mysore	Shall remain valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
3	Certificate of Registration under Karnataka VAT Act	No. 29170405039	February 13, 2006	Assistant Commissioner of Commercial Taxes, Mysore	Until Cancelled
4	Consent for establishment of new general engineering industry under provisions of Water (Prevention and Control of Pollution) Act 1974 and Air (Prevention and Control of Pollution) Act, 1981	NA	December 21, 2005	Karnataka State Pollution Control Board	December 21, 2006

2. Licenses and approvals required for the proposed expansion/ acquisition as applied for**A. Expansion of the Existing Tool Manufacturing Facilities at Unit I (Kundli – Sonepat)**

For this expansion, the Company does not need any additional statutory consent / approval / licence from any statutory authority. Further the existing infrastructure is sufficient enough to accommodate the proposed expansion in tool manufacturing facilities.

B. Expansion of the Existing Manufacturing Facilities at Unit II (Hosur – Thally Road)

For the creation of additional installed capacity at Unit II will not require any additional statutory consent / approval / license from any statutory authority. The Company's existing infrastructure is sufficient enough to accommodate the proposed expansion in tool manufacturing facilities.

C. New 100% E.O.U. at Achettipalli, Hosur (Unit V)

Sr. No.	Type of License / Approval	License / Approval No.	Date	Issuing Authority	Valid upto
1	Acknowledgement of Industrial Entrepreneur Memorandum	4975/SIA/IMO/2005	NA	Secretariat for Industrial Assistance, Ministry of Commerce and Industry	NA
2	Registration Certificate under Central Excise Rules, 2002	Registration No. AAACF1034EXM006	March 16, 2006	Assistant Commissioner of Central Excise	Shall remain valid till the Registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.
3	Form of Legal Agreement for EOU – Acceptance of Legal Undertaking	NA	February 6, 2006	Between M/S Fiem Industries Limited and Factory Unit at Unit V.	NA
4	Certificate of Importer-Exporter Code (IEC)	IEC No. 0591038331 Date of Issue: August 6, 1992	April 18, 2006	Director General of Foreign Trade, New Delhi	NA

D. New Unit at Nalagarh (Unit VI)

Sr. No.	Type of License / Approval	License / Approval No.	Date	Issuing Authority	Valid upto
1	Acknowledgment of Industrial Entrepreneur Memorandum.	4974/SIA/IMO/2005	NA	Secretariat of Industrial Assistance, Ministry of Commerce	NA
2	Provisional Registration for setting up Industry	Registration No. 02/09/748/Regn (L&M)	October 28, 2005	Director of Industries, Himachal Pradesh	October 28, 2006
3	In principle approval for setting up of manufacturing unit.	No. PCB (757)Fiem Industries Ltd./2005-14456-59	October 31, 2005	H.P State Environment Protection and Pollution Control Board	NA
4	Essentiality Certificate for purchase of Land	No. Ind/Dev/F(14)-EC-582/2004	December 6, 2005	Directorate of Industries, Himachal Pradesh	December 6, 2006
5.	Permission to purchase land for Industrial Purpose.	NA	January 4, 2005	Commisioner & Secretary Revenue), Government of	January 4, 2006

				Himachal Pradesh	
6.	Power Availabilty Certificate	No. HPSEB/CE (Comm) PC-NLG/2006	April 17, 2006	Himachal Pradesh State Electricity Board	NA
7.	Certificate of Registration under Himachal Pradesh General Sales Tax rules, 1969	No. SOL III-9776	January 16, 2006	Sales Tax Officer, Nalagarh	Valid from January 12, 2006 to March 31, 2006 until cancelled
8.	Certificate of Registration under Central Sales Tax	No. SOL-CST-9815	NA	Sates Tax Officer, Nalagarh	Until Cancelled
9.	Building Permission	1008NG/PA/05-2920	March 7, 2006	Town and Country Planning Department, Himachal Pradesh	NA
10.	N.O.C. for Tranfer of Government Land	NA	April 24, 2006	District Industries Centre	NA
11	NOC	May 5, 2006		Himachal Pradesh Environment & Pollution Protection Board	Till May 5, 2007 or till the commissioning of the project

3. Licenses and approvals required for the proposed expansion/ acquisition which need to be applied for

A. Design Center at NCR

The Company has not yet identified the building which will accommodate this proposed Design Center. Registration will be required under Shops & Commercial Establishment Act which will be applied in due course.

4. Certain irregularities with regard to certain sections of the Companies Act, 1956

There have been irregularities with regards to complying with the provisions of Section 383 A which provides for appointment of Company Secretary, Section 297 for transactions with entities where directors are interested and Section 211 for accounting treatment of gratuity and leave encashment.

INTELLECTUAL PROPERTY RIGHTS

'FIEM' trademark is owned by Mr. J. K. Jain, proprietor of FIEM Auto & Electrical Industries. Mr. J. K. Jain is one of the promoters of our Company. The details registration of this trademark in the name of Mr. J. K. Jain are as under:

Sr. No.	Trademark	Trademark No.	Class	Valid Till
1.	'FIEM' in respect of head lamps and its parts and accessories, vehicle reflectors, all kinds of lamps and their parts & accessories	699667	11	February 26, 2016
2.	'FIEM' in respect of spare parts for motor land vehicles	525587	12	April 18, 2015

Our Company has entered into an agreement dated March 1, 2005 with Mr. J. K. Jain in relation to this trademark, by virtue of which, our Company has been given the right to use 'FIEM' trademark in respect of our products. The salient features of this agreement are as under:

- Mr. J. K. Jain has granted and assigned our Company the right to use the trademark in respect of head lamps and its parts and accessories, vehicle reflectors, all kinds of lamps and their parts & accessories and spare parts for motor land vehicles;
- our Company is entitled to use this trademark in respect of the existing and future subsidiaries and its products;
- Mr. J. K. Jain reserves the right to use the trademark in any Company / Body Corporate in which Mr. J. K. Jain with or without his relatives has a controlling interest, unless the Company / Body Corporate has a similar business as that carried on by our Company;
- our Company shall pay as consideration for usage of the trademark, annual royalty to Mr. J. K. Jain on and from April 1, 2005 computed at 0.25 % of the turnover (net of excise & taxes) subject to a maximum amount of Rs. 5,000,000 (Rupees Fifty Lacs only). The amount of turnover disclosed in the audited Profit & Loss account of our Company for the relevant financial year shall form the basis on which the said royalty shall be calculated.

OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide a resolution passed by the Board of Directors at its meeting held on April 26, 2006 and a Special Resolution passed at the Extra-Ordinary General Meeting of our Company held on May 24, 2006.

PROHIBITION BY SEBI

Our Company, its directors or any of our Company's associates or group companies and companies, wherein the directors of Company are associated as directors or promoters have not been prohibited from accessing the capital markets under any direction or order passed by SEBI. None of the bodies corporate / natural persons in control of the corporate bodies forming part of the promoter group have been restrained from accessing capital markets under any direction or order passed by SEBI or any other authorities.

ELIGIBILITY FOR THE ISSUE

In terms of clause 2.2.1 of the SEBI (DIP) Guidelines, 2000, an unlisted company may make an Initial Public Offering (IPO) of Equity Shares or any other securities, which may be converted into or exchanged, with Equity Shares at a later date, only if it meets all the following conditions.

(a) The company has net tangible assets of at least Rs. 30 million in each of the preceding 3 full financial years (of 12 months each), of which not more than 50% is held in monetary assets and is compliant with clause 2.2.1(a) of the SEBI Guidelines.

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;

(b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines.

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of the Companies Act, 1956;

(c) The company has net worth of at least Rs.10 million in each of the preceding 3 full years (of 12 months each) and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;

(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 the new name. There has been no change in the name of our Company in the last one year. Therefore, Clause 2.2.1(d) of the SEBI Guidelines is not applicable;

(e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year and is compliant with Clause 2.2.1(e) of the SEBI Guidelines.

Our Company has received certificate dated June 2, 2006 from our statutory auditors viz., M/s. Anil S. Gupta & Associates, Chartered Accountants certifying that our Company has fulfilled the above mentioned eligibility criterion in the following manner:

(Rs. in Million)					
As at	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Net Tangible Assets	601.205	450.929	331.067	257.366	195.946
Monetary Assets	15.625	9.091	8.101	13.286	3.429
Net Profit, as restated	75.125	31.316	6.318	20.646	11.829

Networth	277.744	169.471	128.680	121.808	118.660
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- (1) Net tangible assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities), net of provision for diminution in value.
- (2) Monetary assets include cash on hand and bank balance.

In addition to these, our Company shall ensure that the number of allottees getting Equity Shares of our Company is not less than one thousand in number.

DISCLAIMER CLAUSE

“AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, IL&FS INVESTSMART LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE DIP GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, IL&FS INVESTSMART LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JUNE 26, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE OFFER.**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**
 - THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;**
 - ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE OFFER AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER.**
- 3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**

4. WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
5. WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THIS DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER WERE COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF COMPANIES ACT, ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER HAVE BEEN COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE BOOK RUNNING LEAD MANAGER AND US ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE DRAFT RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL OFFERED BY OR AT OUR INSTANCE AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS OWN RISK.

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

GENERAL DISCLAIMER

Investors may note that the Company and BRLM accepts no responsibility for statements made otherwise in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at the instance of the Company or the Book Running Lead Manager and that anyone placing reliance on any other source of information would be doing so at his / her own risk.

The BRLM and us accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisement or any other material issued by or at our instance and anyone placing reliance on any other source of information would be doing so at his own risk.

All information shall be made available by us, the BRLM to the Public and investors at large and no selective or additional information would be available for a section of members in any manner whatsoever.

DISCLAIMER IN RESPECT OF JURISDICTION

This issue is 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 the SEBI, Indian financial institutions, commercial banks and regional rural banks, co-operative banks (subject to RBI permission), Trusts (registered under Societies Registration Act, 1860, or any other Trust law and are authorized under their constitution to hold and invest in shares) and to NRIs and FIIs as defined under the Indian Laws. This Draft Red Herring 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 Red Herring Prospectus comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of courts in New Delhi, 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 Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

A copy of this Draft Red Herring Prospectus had been filed with the Corporate Finance Department of SEBI at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, Delhi & Haryana and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies.

DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED (BSE) (Designated Stock Exchange)

“Bombay Stock Exchange Limited (“the Exchange”) has given vide its letter dated [●], permission to this Company to use the Exchange’s name in this offer document as one of the Stock Exchange on which this Company’s securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE)

“As required, a copy of this Offer Document has been submitted to the National Stock Exchange of India Limited (‘hereinafter referred to as NSE’). NSE has given vide its letter ref.: [●] dated [●] permission to the issuer to use the Exchange’s name in this Offer Document as one of the stock exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinised this Draft Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does it warrant, certify or endorse the correctness or completeness of any of the contents of the this Offer Document; nor does it warrant that this Issuer’s securities will be listed or will continue to be listed on the Stock Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer”.

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

UNDERTAKING FROM PROMOTERS AND DIRECTORS

The issuer accepts full responsibility for the accuracy for the information given in this Draft Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which makes any statement in this Draft Red Herring Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The issuer further declares that the Stock Exchanges to which an application for official

quotation is proposed to be made do not take any responsibility for the financial soundness of this issue or for the price at which the equity shares are offered or for the correctness of the statement made or opinions expressed in this Draft Red Herring Prospectus. The promoters/directors declare and confirm that no information / material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Draft Red Herring Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/ mis-representation, the promoters/directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

FILING

A copy of this Draft Red Herring Prospectus, has been filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021.

A copy of the Red Herring Prospectus, along with documents to be filed under Section 60 of the Act, would be delivered for registration to the Registrar of Companies, Delhi & Haryana.

LISTING

Initial listing applications have been made to the Bombay Stock Exchange Limited (Designated Stock Exchange) and National Stock Exchange of India Limited for permission to list the Equity Shares and for an official quotation of the equity shares of the Company. BSE will be the Designated Stock Exchange for the purposes of this Issue.

In case, the permission for listing of the equity shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

Our Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of basis of allotment for the Issue.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

“Any person who-

- (a) makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or**
- (b) otherwise induces a Company to allot or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”**

CONSENTS

The written consents of Directors, Company Secretary, Auditor, Legal Advisor, Book Running Lead Manager to the Issue, Registrar to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Delhi & Haryana as required under Section 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration.

M/s. Anil S. Gupta & Associates, Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such

consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration to the Registrar of Companies, Delhi and Haryana.

M/s. Anil S. Gupta & Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Draft Red Herring Prospectus for registration with the Registrar of Companies, Delhi and Haryana.

EXPERT OPINION

Our Company has not obtained any expert opinion apart from whatever is already mentioned in this Draft Red Herring Prospectus

EXPENSES OF THE ISSUE

The expenses of the Issue payable by our Company inclusive of brokerage, fees payable to the Book Running Lead Manager to the Issue, Registrar to the Issue, Legal Advisor, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses are estimated as follows:

DETAILS OF FEES PAYABLE

(Rs. in mn.)			
Particulars	Expenses	As a % of the Issue size	As a % of the total issue expenses
Management fees, underwriting commission and brokerage	[●]	[●]	[●]
Marketing and advertisement expenses	[●]	[●]	[●]
Stationery, printing and registrar expenses	[●]	[●]	[●]
Others	[●]	[●]	[●]
Total	[●]	[●]	[●]

FEES PAYABLE TO BRLM

The total fees payable to the BRLM will be as per the Memorandum of Understanding signed amongst the Company and the BRLM, a copy of which is available for inspection at the Registered Office of our Company.

FEES PAYABLE TO REGISTRAR TO THE ISSUE

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with the Registrar, copy of which is available for inspection at our Registered Office.

The Registrar will also be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc. Adequate funds will be provided to the Registrar to the Issue to enable them to make refunds to unsuccessful applicants.

OTHERS

The total fees payable to the Legal Advisor, Auditor and Tax Auditor will be as per the terms of their respective engagement letters.

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst our Company, the BRLM and Syndicate Members. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and amount underwritten in the manner mentioned in the Red Herring Prospectus.

PREVIOUS PUBLIC OR RIGHTS ISSUES

Our Company has not made any public or rights issue since its inception.

PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH

Please refer to the section titled 'Capital Structure' beginning on page no. 15 of this Draft Red Herring Prospectus for details of shares issued otherwise than for cash.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

No sum has been paid or payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

OUTSTANDING DEBENTURES OR BOND ISSUES

As on the date of filing this Draft Red Herring Prospectus, our Company does not have any outstanding debentures or bond issues.

OUTSTANDING PREFERENCE SHARES

As on the date of filing this Draft Red Herring Prospectus, our Company does not have any outstanding preference shares.

PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956 that made any capital issue during the last three years.

PROMISES VS PERFORMANCE

Our Company has not made any public issue since its inception. None of our group companies have made any public issue since their respective dates of inception.

OPTION TO SUBSCRIBE

Equity Shares being offered through this Draft Red Herring Prospectus can be applied for in dematerialized form only.

STOCK MARKET DATA

This being the first public issue by our Company, no stock market data is available.

DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The agreement between the Registrar to this Issue and us will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and making refunds as per the modes disclosed to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to this Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. Arvind K. Chauhan, Company Secretary as the Compliance Officer and he may be contacted at FIEM Industries Limited, 32 Mile Stone, G. T. Road, Kundli, Distt. Sonapat, Haryana (India); Tel.: +91 130 2219 172/73/74/75/76; Fax: +91 130 2219 179; Website: www.fiemauto.com; E-mail: arvind.chauhan@fiemindustries.com. Investors can contact him for redressal of any complaints.

CHANGES IN THE AUDITORS DURING LAST THREE YEARS AND REASONS THEREOF

There have been no changes in the auditors of the Company during the last three years.

CAPITALISATION OF RESERVES OR PROFITS DURING THE LAST FIVE YEARS

At the Extra-ordinary General Meeting of our Company held on March 8, 2006, our shareholders approved the issue of bonus Equity Shares in the ratio of 1 Equity Share for every 6.5 Equity Shares of our Company. Accordingly, 1,000,000 Equity Shares of Rs. 10 each were issued by our Company as bonus by way of capitalisation of our profits.

REVALUATION OF ASSETS DURING THE LAST FIVE YEARS

In order to present the assets of the company at a fair value, the Land & Building, at various units of our Company, have been revalued from time to time based on the valuation made by Govt. approved valuers resulting in an increase in their book values. The surplus of Rs 147.179 million on the revaluation has been credited to Revaluation Reserve Account. Depreciation charged on revalued portion amounting to Rs. 0.992 million has been reduced in the Revaluation account.

(Rs. in Million)					
Sr. No	Nature of Assets	Year of revaluation	Historical cost	Additional amt. due to revaluation	Carrying cost (after revaluation)
1.	Land at 32 Mile Stone Kundli, Sonapat, Haryana.	2001-02	5.062	44.732	49.794
2.	Land at 32 Mile Stone Kundli, Sonapat, Haryana.	2004-05	49.794 (See note)	58.094	107.888
3.	Land at Kelamangalam, Achittapalli, Hosur, Tamil Nadu.	2004-05	1.143	10.520	11.663
4.	Land at 219/2B, Thally Road, Kallukondapalli, Hosur, Tamil Nadu.	2004-05	1.430	4.132	5.562
5.	Building at 32, Mile Stone, Kundli, Sonapat, Haryana.	2004-05	38.916	29.701	68.617

Note: The value shown is the carrying cost after the first revaluation in the year 2001-02.

SECTION VII - ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company, conditions of RBI approval, the terms of this Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue of equity shares has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956 at the Extra-Ordinary General meeting of the shareholders held on May 24, 2006.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles of Association and shall rank *pari passu* in all respects with the other existing shares of the Company including in respect of the rights to receive dividends.

Mode of payment of dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Draft Red Herring Prospectus at a price of Rs. [●] per share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws. The issue price is [●] times the face value of the equity shares.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time. In this regards we have appointed Mr. Arvind K. Chauhan, Company Secretary as the Compliance Officer.

Rights of the Equity Shareholder

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

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

For a detailed description of the main provisions of the Company’s Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and / or consolidation / splitting, please refer to the section titled ‘Main provision of the Articles of Association of our Company’ beginning on page no. 206 of this Draft Red Herring Prospectus.

Market Lot

The Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors. Since trading of our Equity Shares is in dematerialized mode, the tradable lot is one equity share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form, in multiple of one equity share, subject to a minimum allotment of [●] Equity Shares. For details of allocation and allotment, please refer to the section titled 'Issue Procedure' beginning on page no. 185 of this Draft Red Herring Prospectus.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts / authorities in New Delhi, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered / Corporate Office or to our Registrar and Transfer Agents.

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

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

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

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the net issue to public including devolvment of Underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as prescribed under Section 73 of the Companies Act.

Arrangement for disposal of odd lot

Our shares will be traded in dematerialized form only and therefore the marketable lot is one (1) Equity Share. Hence, there is no possibility of any odd lots.

Subscription by NRIs/ FIIs/Foreign Venture Capital Funds registered with SEBI

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exists a general permission for the NRIs, FIIs and foreign venture capital investors registered with SEBI to invest in shares of an Indian companies by way of subscription in an IPO. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/ RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and foreign venture capital funds registered with SEBI and all NRI, FII and foreign venture capital funds registered with SEBI applicants will be treated on the same basis with other categories for the purpose of allocation.

The allotment of the Equity Shares to Non-Residents shall be subject to the conditions as may be prescribed by the Government of India/RBI while granting such approvals.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S of the U.S. Securities Act, 1933), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

ISSUE PROCEDURE

BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Net Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. We, in consultation with the BRLM reserve the right to reject any Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the bidder at the time of rejection of bid. In case of Non Institutional Bidders, Retail Bidders and Employee we would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the Bid-cum-Application Form bearing the stamp of a member of the Syndicate for making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, despatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized us to make the necessary changes in this Draft Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund applying on repatriation basis	Blue
Permanent Employees	Pink

Who Can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity Shares;
4. Indian mutual funds registered with SEBI;
5. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI regulations, as applicable);
6. Venture capital funds registered with SEBI;
7. Foreign venture capital investors registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
8. FIIs registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;

9. State Industrial Development Corporations;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
13. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their constitution to hold and invest in Equity Shares;
14. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable local laws;
15. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares;
16. Permanent Employees of the Company as on May 31, 2006; and
17. Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;

Note: The BRLM, Syndicate Member and any associate of the BRLM and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. Further, bidders may bid as per the limits prescribed above. The applications made by the asset management companies or custodians of a Mutual Fund should clearly indicate the name of the concerned scheme for which the application is being made..

As per current regulations, the following restrictions are applicable for investment by FIIs:

The Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of the Company. In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24 % of the total paid-up capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of our Company's paid-up capital.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, subject to maximum Bid amount of Rs. 100,000. In case the maximum Bid amount is more than Rs. 100,000 then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

- (c) **For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at "Cut-off".

Bidding Process

- (a) Our Company will file the Red Herring Prospectus with the RoC.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and / or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLM / Syndicate Members.
- (d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bid.
- (e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Bidding

- (a) Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC, and also publish the same in one English national daily, one Hindi national daily and one regional daily newspaper. This advertisement shall contain the disclosures as prescribed under SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period.
- (b) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and a regional newspaper also by indicating on the websites of the BRLM and at the

terminals of the members of the Syndicate the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.

- (c) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (d) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled ‘Build up of the Book and Revision of Bids’ on page no. 191 of this Draft Red Herring Prospectus.
- (e) During the Bidding Period, Bidders may approach the Syndicate Member to submit their Bid. Every Syndicate Member shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- (f) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph titled ‘Terms of Payment’ on page no. 189 of this Draft Red Herring Prospectus.
- (g) The BRLM and Syndicate Member will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the members of the Syndicate.

Bids at Different Price Levels

- (a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10 each, Rs. [●] being the Floor Price and Rs. [●] being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, the Company in consultation with the BRLM can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. We, in consultation with BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (b) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Employees may bid at “Cut-off”. However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**
- (c) Retail Individual Bidders/Employees, who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders/ Employees bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders/ Employees (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders and Employees shall receive the refund of the excess amounts from the Escrow Account.
- (d) The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially.

- (e) Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing Press Release and making available this information on the Bidding terminals.
- (f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees, who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.100,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Escrow Mechanism

Escrow Account

We and the BRLM shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Draft Red Herring Prospectus and an Escrow Agreement to be entered into amongst the Company, the BRLM, Escrow Bankers and Registrar to the Issue. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, Registrar to the Issue and BRLM to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph titled 'Payment Instructions' on page no. 197 of this Draft Red Herring Prospectus) and submit the same to the member of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account. The balance amounts after the transfer to the Public Issue Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to a refund. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Each category of Bidders (i.e., QIBs, Non Institutional Bidders and Retail Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable is mentioned under the section titled 'Issue Structure' beginning on page no. 40 of this Draft Red Herring Prospectus and will be available with the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 days from the date of communication of the allocation list to the Syndicate Members by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Rate for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid Form. The excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity to each city where the Bids are accepted.
- (b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Member and their authorized agents during the Bidding Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) BSE and NSE will aggregate demand and price for bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be accessed on BSE's website at www.bseindia.com or on NSE's website at www.nseindia.com.
- (d) At the time of registering each Bid, the Syndicate Member shall enter the following details of the investor in the on-line system:
 - Name of the investor
 - Investor Category such as Individual, Corporate, NRI, FII or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to request and obtain the TRS from the members of the Syndicate.** The registration of the Bid by the Syndicate Member does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) We, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the bidder at the time of rejection of bid. In case of Non Institutional Bidders, Retail Bidders and Employees we would have a right to reject the Bids only on technical grounds listed on page no. 199 of this Draft Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the

statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

- (i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) In case of discrepancy of data between BSE or NSE and the Syndicate Member, the decision of the BRLM based on physical records of Bid cum Application Forms shall be final and binding to all concerned.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our Company, in consultation with BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful Bidders.
- (c) The allocation for QIBs for an up to of 50% of the Net Issue (including 5% specifically reserved for Mutual Funds) would be on a proportionate basis in consultation with Designated Stock Exchange subject to valid bids being received at or above the Issue Price. The allocation to Non-Institutional Bidders and Retail Individual Bidders of

not less than 15% and 35% of the Net Issue, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

- (d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 92,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.
- (e) Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis will be subject to the terms and conditions stipulated by RBI.
- (f) The BRLM, in consultation with us, shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.
- (i) The allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

- (a) The Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Advertisement Regarding Issue Price And Prospectus

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between this Draft Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

After the determination of Issue Price, the following steps would be taken

- (a) The BRLM or Registrar to the Issue shall send to the Syndicate Member a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

- (a) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization and adoption of the basis of allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees.** Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid/Issue Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment.

GENERAL INSTRUCTIONS

Do's:

- a) Check if you are eligible to apply;
- b) Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- g) Ensure that the bid is within price band;
- h) Investors must ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum- Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum- Application Form;
- i) If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached a copy of your PAN card with the Bid cum application Form. In case the PAN has not been allotted, mention "Not Allotted" in the appropriate place.

Don'ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the member of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not provide your GIR number instead of your PAN.
- f) Do not send Bid-cum-Application Forms by post; instead submit the same to members of the Syndicate only;
- g) Do not Bid at cut off price (for QIBs and non-institutional bidders);
- h) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
- i) Do not submit Bid accompanied with Stock invest.

Bids by Permanent Employees of the Company

- (a) For the purpose of this reservation, Permanent Employee means permanent employees of our Company as on May 31, 2006.

- (b) Bids under Employee Reservation Portion by Permanent Employees shall be made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour Form).
- (c) Permanent Employees, as defined above, should mention the following at the relevant place in the Bid cum Application Form:

Department name
- (d) The sole/ first bidder should be Permanent Employees as defined above.
- (e) Only Permanent Employees, as defined above, would be eligible to apply in this Issue under this Reservation Portion.
- (f) Bids by Permanent Employees, as defined above, will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- (g) Permanent Employees, as defined above, who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Permanent Employees whose minimum Bid amount exceeds Rs. 100,000.
- (h) If the aggregate demand in this category is less than or equal to 400,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Permanent Employees, as defined above, to the extent of their demand.
- (i) If the aggregate demand in this category is less than or equal to 400,000 Equity Shares at or above the Issue Price, full Allocation shall be made to the Employees to the extent of their demand. Under subscription, if any, in the Employees Reservation Portion will be added back to the Net Issue to the public, and the undersubscription can be met with spill over from any other category at the discretion of the Company, in consultation with the BRLM.
- (j) If the aggregate demand in this category is greater than 400,000 equity shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to paragraph titled 'Basis of Allotment' on page no. 201 of this Draft Red Herring Prospectus.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Member.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund applying on repatriation basis).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum- Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs. 100,000.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs. [●] and in multiples of [●] Equity Shares thereafter. All Individual Bidders whose maximum bid amount exceeds Rs. 100,000 would be considered under this category. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (e) In single name or in joint names (not more than three).

- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These bank account details would be used for making refunds, if any, as per the modes disclosed. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN, WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for making refunds and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and making refunds as per the modes disclosed and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Allocation Advice/CANs would be mailed at the address of the Bidders as per the Demographic Details received from the Depositories. Bidders may note that delivery of allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

Bids by NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from our Corporate Office at 32 Mile Stone, G. T. Road, Kundli, Distt. Sonapat, Haryana or the Registrars to the Issue or Syndicate Member.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by Eligible NRIs and FIIs on a repatriation basis

Bids and revision to Bids must be made:

On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in **BLOCK LETTERS in ENGLISH** in accordance with the instructions contained therein.

In a single name or joint names (not more than three).

By FIIs for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter.

For further details, please refer to the paragraph titled 'Issue Procedure - Maximum and Minimum Bid Size' on page no. 187 of this Draft Red Herring Prospectus.

Bids by NRIs for a Bid Amount of up to or less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI for a minimum of such number of Equity Shares and in multiples of [●] Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000. For further details, please refer to the paragraph titled 'Issue Procedure - Maximum and Minimum Bid Size' on page no. 187 of this Draft Red Herring Prospectus.

In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum- Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at

the time of remittance and will be dispatched by registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for eligible NRIs and FIIs. All eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We, and the BRLM shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account:

- (a) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLM.
- (c) The payment instruments for payment into the Escrow Account should be drawn in favor of:
 - (i) In case of QIBs: **"Escrow Account - FIEM Industries Public Issue - QIB - R"**;
 - (ii) In case of non-resident QIB Bidders: **"Escrow Account - FIEM Industries Public Issue - QIB - NR"**;
 - (iii) In case of Resident Retail and Non Institutional Bidders: **"Escrow Account - FIEM Industries - Public Issue"**;
 - (iv) In case of Non Resident Retail and Non Institutional Bidders: **"Escrow Account - FIEM Industries - Public Issue - NR"**;
 - (v) In case of Permanent Employees of the Company **"Escrow Account - FIEM Industries - Public Issue - Employees"**.
- (d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- (e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- (f) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.
- (g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.

- (i) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

Payment by Stock invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.001/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the Syndicate Member at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ('First Bidder'). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

Bidders in the Employees Reservation category can also bid in the 'Net Issue to the Public' and such Bids shall not be treated as multiple Bids.

Permanent Account Number (PAN)

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid Cum Application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not

Applicable” and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention “Applied for” in the Bid cum Application Form. Further, where the Bidder(s) has mentioned “Applied for” or “Not Applicable”, the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

Unique Identification Number - MAPIN

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/Cir- 13/2005.

Our Right to Reject Bids

We and the BRLM reserve the right to reject any QIB Bid provided the rejection is at the time of receipt of Bid and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of Bid. In case of Non-Institutional Bidders and Retail Individual Bidders, we and the BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made as per the modes disclosed.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

- 1) Amount paid doesn't tally with the highest number of Equity Shares bid for;
- 2) Age of First Bidder not given;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
- 4) PAN not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN;
- 5) Bids for lower number of Equity Shares than specified for that category of investors;
- 6) Bids at a price less than lower end of the Price Band;
- 7) Bids at a price more than the higher end of the Price Band;
- 8) Bids at cut-off price by Non-Institutional and QIB Bidders;
- 9) Bids for number of Equity Shares which are not in multiples of [●];
- 10) Category not ticked;
- 11) Multiple bids as defined in this Draft Red Herring Prospectus;
- 12) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 13) Bids accompanied by Stock invest/ money order/postal order/cash;
- 14) Signature of sole and / or joint bidders missing;
- 15) Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Member;
- 16) Bids by QIBs not submitted through IL&FS Investsmart Limited;
- 17) Bid-cum-Application Form does not have Bidder's depository account details;
- 18) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
- 19) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid-cum-Application Form;

- 20) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. For further details, please refer to the paragraph titled 'Issue Procedure - Maximum and Minimum Bid Size' on page no. 187 of this Draft Red Herring Prospectus;
- 21) Bids by Employees of the Company not eligible to apply in the Employee Reservation Portion;
- 22) Bids by OCBs; and
- 23) Bid by U.S. residents or U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- (a) a tripartite agreement dated [●] with NSDL, us and Registrar to the Issue;
- (b) a tripartite agreement dated [●] with CDSL, us and Registrar to the Issue.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- (c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- (d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- (e) Non-transferable allotment advice will be directly sent to the Bidder by the Registrar to this Issue. Refunds will be made directly by the Registrar to the Issue as per the modes disclosed.
- (f) If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- (g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- (h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (i) The trading of the Equity Shares of the Company would be in dematerialized form only for all investors.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof.

Pre-issue and post issue related problems

We have appointed Mr. Arvind K. Chauhan, as the Compliance Officer and he may be contacted in case of any pre-issue or post-issue related problems. He can be contacted at the following address:

Mr. Arvind K. Chauhan
 FIEM Industries Limited
 32 Mile Stone,
 G. T. Road, Kundli,
 Distt. Sonapat, Haryana (India).
 Tel.: +91 130 2219 172/73/74/75/76

Fax: +91 130 2219 179

Website: www.fiemauto.com

E-mail: arvind.chauhan@fiemindustries.com

Impersonation

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

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein; or
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”.

Basis of Allotment or Allocation

For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue Size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,295,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 1,295,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to 1,295,000 Equity Shares. For the method of proportionate basis of allotment, refer below.

For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue Size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 555,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 555,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a 555,000 Equity Shares. For the method of proportionate basis of allotment refer below.

For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

- (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;
- (b) In the second instance allotment to all QIBs shall be determined as follows:
 - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate allotment to QIB Bidders shall not be more than 1,850,000 Equity Shares.

For Employees:

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 400,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Employees to the extent of their demand.
- In case the aggregate demand in this category is greater than 400,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of allocation refer below.
- Only Employees may apply under the Employee Reservation Portion.
- The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Employees of our Company will be added back to the net issue to any other category, at the discretion of our Company and the BRLM.

Method of proportionate basis of allotment in the QIB, Retail and Non-Institutional portions

In the event of the Issue being over-subscribed, we shall finalise the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- Bidders will be categorised according to the number of Equity Shares applied for.
- The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which

is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

- In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:
 - Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
 - If the proportionate allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of one. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Mode of Making Refunds

The permissible modes of making refunds are as follows:

- (a) In case of applicants residing in any of the centers specified by the Board – by crediting of refunds to the bank accounts of applicants through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer), as is for the time being permitted by the Reserve Bank of India;
- (b) In case of other applicants – by dispatch of refund orders by registered post, where the value is Rs. 1,500 or more, or under certificate of posting in other cases, (subject however to postal rules); and
- (c) In case of any category of applicants specified by the Board – crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by the board from time to time.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, the Company further undertakes that allotment/ transfer of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/ Issue Closing Date.

Interest in case of delay in dispatch of allotment letters/making refunds

We agree that allotment of securities issued to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refunds orders have not been dispatched to the applicants or if in a case where refund or portion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid/Issue Closing Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be

widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

Undertaking by the Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;
- that the funds required for making refunds as per the modes disclosed or dispatch of allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that no further Issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- refunds shall be made as per the modes disclosed and allotment advice shall be dispatched to NRIs or FIIs or foreign venture capital investors registered with SEBI within the specified time.

Utilization of Issue proceeds

The Board of Directors of our Company certifies that:

- (a) all monies received out of the Issue shall be transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- (b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such unutilized monies have been invested; and
- (c) Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

The Company shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in the balance sheet of the Company indicating then form in which such unutilized monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. No person shall make a Bid in pursuance of this Issue unless such person is eligible to acquire Equity Shares of our Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors making a bid in response to the Issue will be required to confirm and will be deemed to have represented to our Company, the BRLM, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to subscribed to the Equity Shares of our Company and will not issue, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our

Company. Our Company, the BRLM, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor whether such investor is eligible to subscribe to Equity Shares of our Company.

Investment by FIIs

Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

Note: The SEBI Guidelines have been recently amended on January 20, 2006. Pursuant to these amendments, certain significant changes have been made to the guidelines with regard to the modes of making refunds. Certain change may be made to the description of the Issue Procedure based on discussions the BRLM may have with SEBI, RBI and the Stock Exchanges.

SECTION VIII - DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF OUR COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association are detailed below. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

PRELIMINARY

1. Unless the context otherwise requires words or expressions contained in these Articles shall bear the same meaning as in the Act or any statutory modifications thereof. The marginal notes hereto shall not effect the construction hereto and in these presents, unless there be some thing in the subject or context inconsistent therewith.
 - (a) 'The Act' means the Companies Act, 1956 and statutory modifications thereof.
 - (b) 'These Articles' means these Articles of Association as originally framed or as time-to-time altered by special resolution.
 - (c) 'The Board of Directors' or 'The Board' means the Board of Directors of the company for the time being.
 - (d) 'Beneficial Owner' means a person as defined by section 2(1)(a) of the Depositories Act, 1996.
 - (e) 'The Company' means FIEM INDUSTRIES LIMITED.
 - (f) 'Depositories Act, 1996' means The Depositories Act, 1996 and includes any statutory modification or re-enactment thereof the time being in force.
 - (g) 'Depository' means and includes a company as defined in section 2(1)(e) of The Depositories Act, 1996.
 - (h) 'Member' means the duly registered holder, from time, of the shares of the Company and includes the subscribers to the memorandum of the Company and includes every person whose name is entered as beneficial owner in the records of the Depository.
 - (i) 'Participant' means individual/institutions as defined under section 2(1)(g) of the Depositories Act, 1996.
 - (j) 'The Directors' means the Directors of the Company for the time being.
 - (k) 'Dividend' includes interim dividend.
 - (l) 'Employee Stock option Scheme means the option given to the Whole time Director s, officers or Employees of a Company, which gives such Directors, officers or employees the benefit or rights to purchase or subscribe at a future date, the securities offered by the Company at a predetermined price.
 - (m) 'The Office' means the Registered office for the time being of the Company.
 - (n) 'Proxy' includes Attorney duly constituted under a Power- of –Attorney.
 - (o) 'Register of Members' means the Register of Members to be kept pursuant to the Act, and includes index of beneficial owners mention by a Depository.
 - (p) 'Seal' means Common seal of the Company.
 - (q) "Share with Differential Rights" means that is issued with differential rights in accordance.
 - (r) 'The Secretary' means the secretary of the Company.

INTERPRETATION:

Unless repugnant to the context or otherwise excluded, the words and phrases used in these Articles but not defined herein shall have, *mutatis-mutandis*, the same meaning ascribed to them in the Act.

'In Writing' and 'Written' means and includes words printed, lithographed represented or reproduced in any mode or in any visible form.

Words importing Singular number only shall include Plural number and vice-versa. Words importing masculine gender only shall include the feminine gender and words imparting person include corporation.

Table A to apply:

2. The Regulations contained in Table 'A' in the First Schedule to the Act, shall apply to the Company except in so far as otherwise expressly incorporated herein below.

SHARE CAPITAL

3. The Authorised Share Capital of the Company shall be such amounts and be divided into such shares as may, from time to time, be provided in clause V of the Memorandum of Association with power to increase or reduce the capital in accordance with the Company's regulations and provisions of the Companies Act, 1956 for the time being in force in that behalf with the powers to divide the share capital whether original or increased or decreased into several classes and attach thereto respectively such ordinary, preferential or special rights and conditions in such a manner as may for the time being be provision of the Companies Act, 1956.

Increase of capital by the Company.

4. The Company in General Meeting may, from time to time, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amount as the resolution shall prescribe. Subject to the provisions of the Act, any share of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction is given, as the Directors shall determine; and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at general meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of these Articles, the Directors shall comply with the provisions of Section 97 of the Act.
5. Subject to provisions of the Act and the provisions of these Articles the new shares may be of any kind including shares with differential voting right or with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at general meeting of the Company in conformity with Section 87 and 88 of the Act.

Redeemable Preference Shares

6. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preference Shares, which are liable to be redeemed, and the resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption.

Reduction of Capital

7. The Company may (subject to the provisions of Section 78, 80 and 100 to 105 inclusive, of the Act) from time to time by Special Resolution, reduce its share capital and any capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorized by law and in particular capital may be paid off on the footing that it may called upon again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.

Sub-division and consolidation of shares

8. Subject to the provisions of these Articles, the Company shall have power to alter the conditions of the Memorandum relating to Share capital as follows, that is to say it may.
 - (a) increase its Share capital by such amount as it thinks expedient by issuing new Shares;
 - (b) consolidate and divide all or any of its Share capital into Shares of larger denomination than its existing Shares;
 - (c) sub-divide its Shares or any of them into Shares of smaller amount than is fixed by the Memorandum so, however, that, in the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in the case of the Share, from which the reduced Share is derived;
 - (d) cancel any Shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any Person and diminish the amount of its Share capital by the amount of the shares as cancelled, provided, however, that the cancellation of Shares in pursuance of the exercise of this power shall not be deemed to be a reduction of Share capital within the meaning of the Act.

Modification of rights

9. Whenever the capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act be varied, modified, commuted, affected or abrogated, or dealt with by Agreement between the Company and any person

SHARES AND CERTIFICATES

purporting to contract on behalf of that class provided such agreement is ratified in writing by holders of at least three fourths in nominal value of the issued shares of the class or is confirmed by a Special Resolution passed at a separate General Meeting of the holders of shares of that class. This Article is not to derogate from any power the Company would have if this Article were omitted.

Power to issue sweat equity shares

10. The Company may exercise the powers of issuing sweat equity shares conferred by section 79A of the Act of a class of shares already issued subject to the following conditions:
- (i) the issue of sweat equity share is authorised by a special resolution passed by the company in general meeting.
 - (ii) the resolution specifies the number of shares, their value and the class or classes of directors or employees to whom such equity shares are to be issued.
 - (iii) Not less than one year has at the date of the issue elapsed since the date on which the Company was entitled to commence business;
 - (iv) The sweat equity share issued in accordance with the regulations made by the SEBI in this behalf.

Register and Index of Members

11. The Company shall cause to be kept a Register and Index of Members in accordance with Sections 150 and 151 of the Act. The Company shall be entitled to keep in any State or country outside India a Branch Register of Members resident in that State or Country.
- (a) Notwithstanding anything herein contained a person whose name is at any time entered, in the Register of Members of the Company as the holders of a share in the Company, but who does not hold the beneficial interest in such share, shall, within such time and in such form as may be prescribed, make a declaration to the Company specifying the name and other particulars of the person or persons, who hold the beneficial interest in such share in the manner provided in Section 187-C of the Act;
 - (b) A person who holds a beneficial interest in a share or a class of shares of the Company shall, within the time prescribed, after his becoming such beneficial owner, make a declaration to the Company specifying the nature of his interest, particulars of the person in whose name the shares stand in the Register of members of the Company and such other particulars as may be prescribed as provided in Section 187-C of the Act;
 - (c) Whenever there is a change in the beneficial interest in a share referred to above, the beneficial owner shall, within the time prescribed from the date of such change, make a declaration to the Company in such form and containing such particulars as may be prescribed as provided in Section 187-C of the Act;
 - (d) Notwithstanding anything herein contained in Section 153 of the Act and Sub-Article (a), (b), (c) above, where any declaration referred to above is made to the Company, the Company shall make a note of such declaration, in the Register of Members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the Registrar with regard to such declaration.

Shares to be numbered progressively and no share to be sub-divided

12. The shares in the capital shall be numbered progressively according to their several denominations, and except in the manner hereinbefore 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.

Further issue of capital

13. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that opinion or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting
14. Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is

earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the un-issued capital or out of the increased share capital then:

- (a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
 - (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
 - (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favor of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favor any member may, renounce the shares offered to him.
 - (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that the declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion fit.
2. Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
- (a) If a special resolution to that effect is passed by the company in General Meeting, or
 - (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favor of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or, where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.
3. Nothing in sub-clause (c) of (1) hereof shall be deemed:
- (a) To extend the time within which the offer should be accepted; or
 - (b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favor the renunciation was first made has declined to take the shares comprised in the renunciation.
4. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company:
- (i) To convert such debenture or loans into shares in the company; or
 - (ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise)
PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:
 - (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
 - (b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

Shares under control of Directors

15. 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) shall be under the control of the Directors; who may allot or otherwise dispose of the same to such persons in such proportion on such terms and conditions and at such times as the Directors think fit and subject to the sanction of the Company in General Meeting with full power, to give any person the option to call for or be allotted shares of any class of the Company either (subject to the provisions of Sections 78 and 79 of the Act) at premium or at par or a discount and such option being exercisable for such time and for such consideration as the Directors think fit. The Board shall cause to be filed the returns as to allotment provided for in Section 75 of the Act.
16. The Board shall observe the restrictions as to allotment of shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.

Acceptance of Shares

17. Any application signed by or on behalf 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, and every person who thus or otherwise accepts any shares and whose name is entered on the Register of Members shall, for the purposes of these Articles, be a Member.

Deposit and call etc. to be a debt payable immediately

18. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the insertion of the name of the allottee in the Register of Members as the name of 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.

Liability of Members

19. Every Member, or his heirs, executors, or administrator 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 shall, from time to time in accordance with the Company's regulations, require or fix for the payment thereof.

Share Certificates

20. Every member shall be entitled without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in the name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons the company shall not be borne to.

Issue of New Certificate in place of one defaced, lost or destroyed:

21. If any certificate be worn out, defaced, mutilated, or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, and a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificates under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

22. If any share stand 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 or any other matter connected with Company, except voting at meetings, and the transfer of the shares, be deemed the sole holder thereof but the joint-holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such share and for all incidents thereof according to the Company's regulations.

Company not bound to recognise any interest in share other than that of registered holder

23. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise any equitable, contingent, further or partial interest in any share, 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 person from time to time registered as the holder thereof, but the Board shall be at liberty 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.

CALLS

24. None of the funds of the Company shall be applied in the purchase of any shares of the Company, and it shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the Company or in its holding Company save as provided by Section 77 of the Act.
25. 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 dematerialized, 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.

Dematerialization of Securities

26. Notwithstanding anything contained in these Articles the company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996.
27. Every holder of or subscriber to securities of the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the Securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall in the manner and within the time prescribed, issued to the beneficial owner the required Certificates for the Securities. If a person opts to hold its Security with a Depository, the Company shall intimate such Depository the details of allotment of the Security.
28. All securities of the Company held by the Depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 187C and 372A of the Act shall apply to a Depository in respect of the Securities of the Company held by it on behalf of the beneficial owners.
29. Notwithstanding anything to the contrary contained in the Act, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of Security of the Company on behalf of the beneficial owner.
30. Save as otherwise provided in Article 29 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.
31. Every person holding Securities of the Company and whose name is entered as the beneficial owner in the record of the Depository shall be deemed to be a member of the Company. The beneficial owner of Securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his Securities which are held by a Depository.

Distinctive number of securities held in a Depository

32. The shares in the capital shall 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 dematerialized or may be dematerialized in future or issued in future in dematerialized 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

33. The Company shall cause to keep a Register and index of Members and a Register and index of Debenture holders in accordance with Section 151 and 152 of the Act, respectively, and the Depositories Act, with details of shares and debentures held in material and dematerialized form in any media as may be permitted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be 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.

Directors may make calls

34. The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution)

make such call as it thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and each Member shall pay the amount of every call so made on him to the person or persons and at all times and places appointed by the Board. A call may be made payable by installments.

35. Whenever any calls for further share capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purposes of this Article, shares of the same nominal value of which different amounts have been paid up shall not be deemed to fall under the same class.
36. Fifteen days' notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid.

Call to date from resolution

37. A call shall be deemed to have been made at the time when the resolution authorizing such call was passed at a meeting of the Board and may be made payable by the Members whose names appears on the Register of Members on such date or at the discretion of the Board on such subsequent date as may be fixed by the Board.

Call may be revoked or postponed

38. A call may be revoked or postponed at the discretion of the Board.

Liability of joint holders

39. The joint-holder of a share shall be jointly and severally liable to pay all calls in respect thereof.

Directors may extend time

40. The Board may, from time to time at its discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the Members who from residence at a distance or other cause, the Board may, deem fairly entitled to such extension but no Member shall be entitled to such extension save as a matter of grace and favour.

Sums deemed to be calls

41. Any sum, which by the terms of issue of a share become payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purpose of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Proof on trial of suit for money due on shares

42. On the trial or hearing of any action or suit brought by the Company against any Member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the Member in respect of whose shares the money is sought to be recovered appears entered on the Register of Members as the holder, at or subsequently to the date at which the money is sought to be recovered is alleged to have become due on the share in respect of which such money is sought to be recovered; that the resolution making the call is duly recorded in the Minute Book, and that notice of such call was duly given to the Member or his representatives issued in pursuance of these Articles, and that it shall not be necessary to prove the appointment of the Directors who made such call, nor that quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Partial payment not to preclude forfeiture

43. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

The Directors may, if they think fit, subject to the provisions thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advances has been made, the company may pay interest at such advance has been made, the company may pay interest at such rate, as the member paying such

FORFEITURE OF SHARES

sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

Payment in anticipation of calls may carry interest

44. The Directors may, if they think fit, subject to the provisions thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advances has been made, the company may pay interest at such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company

Company's lien on shares /Debentures

45. The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid upshares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.
46. The Company's lien, if any, on a share shall extend to all dividends payable thereon
47. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares, as against the transferor.

As to enforcing lien by sale

48. For the purpose of enforcing such lien as aforesaid, the Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made:
- (a) unless a sum in respect of which the lien exists is presently payable; and
 - (b) until the expiration of seven days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists and as is presently payable, has been given to the registered holder for the time being of the share or to the person entitled thereto by transmission, and default shall have been made by him in payment of the sum payable as aforesaid for seven days after such notice.

Application of proceeds of sale

49. The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of sale.
50. If any Member fails to pay any call or installment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Form of notice

51. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment and such interest thereon at such rate as the Directors shall determine from the day on which such call or installment ought to have been paid and expenses as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or installment is payable, will be liable to be forfeited.

In default of payment, shares to be forfeited

52. If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share not actually paid before the forfeiture.

Notice of forfeiture to a Member

53. When any share 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 but no forfeiture shall be in any manner invalidated by any commission or neglect to give such notice or to make any such entry as aforesaid.

Forfeited Share to be property of the Company and may be sold etc.

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

Members still liable to pay calls owing at the time of forfeiture and interest

55. Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand all calls, installments, interest and expenses owing upon or in respect of such shares 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.

Effect of forfeiture

56. The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

Evidence of forfeiture

57. A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

Validity of sale

58. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the shares sold and may cause the purchaser's name to be entered in the Register of Members in respect of the shares sold, and the Purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

Cancellation of share certificate in respect of forfeited shares

59. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate or certificates in respect of the said shares to the person or persons entitled thereto.

Power to annul forfeiture

Instrument of transfer

60. The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it think fit.

TRANSFER AND TRANSMISSION OF SHARES

Register of Transfers

61. The Company shall keep a "Register of Transfer" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.
62. A Common form of transfer shall be used and the instrument of transfer shall be in writing and all the provisions of Section 108 of the Act, and or any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and their restrictions thereof.
63. The Instrument of transfer duly stamped and executed by the Transferor and the Transferee shall be delivered to the Company in accordance with the provisions of the Act. Such evidence shall accompany the Instrument of Transfer as the Board may require to prove the title of Transferor and his right to transfer the shares and every registered Instrument of Transfer shall remain in the custody of the Company until destroyed by order of the Board. The Transferor shall be deemed to be the holder of such shares until the name of the Transferee shall have been entered in the Register of Members in respect thereof. Before the registration of a transfer, the certificate or certificates of the shares must be delivered to the Company.

Closure of Register of members or Debenture holders

64. The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate to close the Transfer Books, the Register of Members or Register of Debenture-holders at such time or times and for such period or periods, not exceeding in the aggregate forty-five days in each year, and thirty days at one time.

Directors may refuse to register a transfer

65. Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

Notice of application when to be given

66. Where, in the case of partly paid share, an application for registration is made by the transferor, the company shall give notice of the application to the Transferee in accordance with the provisions of Section 110 of the Act.

Death of one or more joint-holders of shares

67. In the case of the death of any one or more of the persons named in the Register of Members as the joint holders of any share, the survivor or survivors shall be the only persons recognized by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint – holder from an liability on shares held by him jointly with any other person.

Title to shares of deceased holders

68. The executors or administrators of holders of a Succession Certificate or the legal representatives of a deceased member (not being one or two or more joint-holders) shall be the only persons recognized by the Company as having any title to the shares registered in the name of such Member and the Company shall not be bound to recognise such executors or administrators or holders of a Succession Certificate or the legal representatives unless such executors or administrators or legal representatives shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be, from a duly constituted court in the Union of India; provided that in any case where the Board in its absolute discretion thinks fit, the Board may dispense with production of Probate or Letters of Administration or Succession Certificate, upon such terms as to indemnify or otherwise as the Board in its absolute discretion may think necessary and under these article 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.

No fee shall be charged for registration of transfer, Transmission, Probate, succession certificate and letters of administration, certificate of death or marriage, Power of attorney or similar other document.

69. No share shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.

Transmission Clause

70. Subject to the provisions of the Act any person becoming entitled to share in consequence of the death, lunacy, bankruptcy, insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an Instrument of Transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the shares. This clause is hereinafter referred to as the "transmission clause".
71. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided, be entitled to receive, and may give a discharge for, any dividends or other moneys payable in respect of the share.
72. No fee shall be charged for registration of transfer, Transmission, Probate, succession certificate and letters of administration, certificate of death or marriage, Power of attorney or similar other document.
73. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to an transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any 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 shall so think fit.
74. The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transferee named in the case of a transfer of shares presented for registration.

Right of successors

75. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividend and other advantages to which he would be entitled if he were the registered holder of the shares, except that that he shall not, before being registered as a Member in respect of the shares, be entitled to exercise any right conferred by membership in relation to meetings of the Company provided that the directors shall, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares and if the notice is not complied with within ninety days, the directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the shares until the requirements of the notice have been complied with.

NOMINATION

76. Every shareholder or debenture holder of the Company, may at anytime, nominate, in the prescribed manner, a person to whom his shares in, or debentures of the Company shall vest in the event of his death.
77. 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 as the case may be, shall vest in the event of death of all the joint holders.
78. Notwithstanding anything contained in any other law for the time being a 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, the nominee shall, on the death of the shareholder or debenture holder or, as the case may be, on the

BUY BACK OF SHARES

death of the joint holders, become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied, cancelled in the prescribed manner.

79. Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his death, during the minority

TRANSMISSION OF SECURITIES BY NOMINEE

80. A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either -
- (a) to be registered himself as holder of the share or debenture, as the case may be; or
 - (b) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder, could have made;
 - (c) if the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder as the case may be;
 - (d) a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the share or debenture except that he shall not, before being registered as a member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share or debenture, until the requirements of the notice have been complied with.
81. Subject to the provisions of sections 77A, 77AA, 77B and 217 (2B) of the Act, as amended from time to time or any statutory modification thereto or re-enactment thereof, the Company may buy -back its shares or other specified securities out of its free reserves or its securities premium account or from the proceeds of any shares or other specified securities; Provided that no buy -back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or the same kind of other specified securities.

COPIES OF MEMORANDUM AND ARTICLES OF ASSOCIATION TO BE SENT BY THE COMPANY

Copies of Memorandum and Articles of Association to be sent by the Company

82. A copy of the Memorandum and Articles of Association of the Company and other documents referred to in Section 39 of the Act shall be sent by the Company to every member at his request within seven days of the request on payment of the sum of Rupee One for each copy.

BORROWING POWERS

Borrowing Powers

83. Subject to the provisions of Sections 58A, 292 and 293 of the Act and Regulations made thereunder and directions issued by the R.B.I., the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposit from members either in advance of calls or otherwise and generally raise or borrow or secure the repayment of any sum or sums of money for the purposes of the Company. Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of the business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.
84. Subject to the provisions of these article hereof, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Ordinary Resolution shall prescribe including by the issue of debentures or debenture-stock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and

debentures, debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Terms of issue of Debentures

85. Any debentures, debentures stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meetings, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in general meeting accorded by a Special Resolution.

Register of mortgages, etc. to be kept

86. The Board shall cause a proper Register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company and shall cause the requirements of Section 118, 125 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with.

Register and Index of Debenture holders

87. The Company shall, if at any time it issues debentures, keep a Register and Index of Debenture- holders in accordance with Section 152 of the Act. The Company shall have the power to keep in any state or country outside India branch Register of Debenture-holders resident in that State or country.

SHARE WARRANTS

88. The Company may issue share warrants subject to, and in accordance with, the provisions of Section 114 and 115 of the Act and accordingly the Board may in its discretion, with respect to any share which is fully paid, upon application in writing, signed by the person registered as holder of the share, from time to time, require as to identity of the person signing the application, on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.
89. The bearer of a share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposits, as if his name was inserted in the Register of Members as the holder of the share including in the deposited warrant.
90. Not more than one person shall be recognized as depositor of the share warrant.
91. The Company shall, on two days' written notice, return the deposited share warrant to the depositor.
92. (a) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notices from the Company.
(b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the share included in the warrant and he shall be a member of the Company.
93. The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

Shares may be converted into stock

94. The Company in General Meeting may convert any paid-up shares into stock, and when any shares shall have been converted into stock, the several holders of such stock may thenceforth transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations as, and subject to which shares from which the stock arise might have been transferred if no such conversion had taken place or as near thereto as circumstances, will admit. The Company may at any time convert any stock into paid-up shares of any denomination.

Rights of stockholders

95. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings, of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets of winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

MEETING OF MEMBERS

Extraordinary General Meeting

96. The Board may, whenever it thinks fit, call on Extra ordinary General Meeting and it shall do so upon a requisition in writing by any Member or Members holding in the aggregate not less than one- tenth of such of the paid-up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.

Requisition of Members to state object of Meeting

97. Any valid requisition so made by Members must state the object or objects of the meeting proposed to be called, and must be signed by the requisitionists and be deposited at the office provided that such requisition may consist of several documents in like form each signed by one or more requisitionists.

On receipt of requisition, directors to call Meeting and in default requisitionists may do so.

98. Upon the receipt of any such requisition, the Board shall forthwith call an Extra-ordinary General Meeting and if they do not proceed within twenty-one days from the date of the requisition being deposited at the office and cause a meeting to be called on a day not later than forty-five days from the date of deposit of the requisition, the requisitions, or such of their number as represent either a majority in value of the paid-up share capital held by all of them or not less than one- tenth of such of the paid-up share capital of the Company as is referred to in Section 169 (4) of the Act, whichever is less, may themselves call the Meeting, but in either case any Meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.

Meeting called by requisitionists

99. Any Meeting called under the foregoing Articles by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meeting are to be called by the Board.

Omission to give notice not to invalidate a resolution passed

100. The accidental omission to give any such notice as aforesaid to any of the Members, or the non receipt thereof shall not invalidate any resolution passed at any such Meeting.

Meeting not to transact business not mentioned in notice

101. No General Meeting, Annual or Extra-ordinary, shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices upon which it was convened.

Quorum for the General Meeting

102. Five Members present in person shall be a quorum for a General Meeting. The Quorum for the meeting shall be as provided in Section 174 of the Act.

Body Corporate deemed to be personally present

103. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.

If quorum not present, meeting to be dissolved or adjourned

104. If, at the expiration of half an hour from the time appointed for holding a Meeting of the Company, a quorum is not present, the Meeting, if convened by or upon the requisition of Members, shall stand dissolved and in any other case the Meeting shall stand adjourned to the same day in the next week or if that day is a public holiday, until the next succeeding day which is not a public holiday at the same time and place or to such other day and at such other time and place in the City or town in which the Registered Office of the company is for the time being situate, as the Board may determine, and if at such adjourned meeting a quorum is not present at the expiration of

half an hour from the time appointed for holding the Meeting, the Members present shall be a quorum, and may transact the business for which the meeting was called.

Chairman of General Meeting

105. The chairman (if any) of the Directors shall be entitled to take the Chair at every General Meeting, whether Annual or Extra-ordinary. If there be no such Chairman of the Directors, or if at any Meeting he shall not be present within fifteen minutes of the time appointed for holding such Meeting or if he shall be unable or unwilling to take the chair then the members present shall elect another Director as Chairman, and if no Director be present or if all the Directors present decline to take the Chair, then the Members present shall elect one of their number to be Chairman.

Business confined to election of Chairman whilst chair vacant

106. No business shall be discussed at any General Meeting except the election of a Chairman, whilst the Chair is vacant.

Chairman with consent may adjourn

107. The Chairman with the consent of the Members may adjourn any Meeting from time to time and from place to place where the Office is situated. But no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Question at General Meeting how decided.

108. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands a poll is ordered to be taken by the Chairman of the meeting of his own motion or unless a poll is demanded by any member or members present in person or by proxy and holding shares in the company
109. (a) which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or
(b) on which an aggregate sum of not less than Rupees 50,000 has been paid up.
110. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.
111. Unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Minutes Book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.
112. In the case of an equality of votes, the Chairman shall both on a show of hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a Member.
113. If a poll is demanded as aforesaid the same shall subject to these article be taken at such time (not later than forty-eight hours from the time when the demand was made) and place in the City or town in which the Office of the Company is for the time being situate and either by open voting or by ballot, as the Chairman shall direct, and either at once or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

Scrutinizers at poll

114. Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinizers to scrutinize the vote given on the poll and to report thereon to him. One of the scrutinizers so appointed shall always be a Member (not being an officer or employee of the Company) present at the Meeting provided such a Member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutinizer from office and fill vacancies in the office of scrutinizer arising from such removal or from any other cause.

In what case poll taken without adjournment

115. Any poll duly demanded on the election of a Chairman of a Meeting or on any question of adjournment shall be taken at the Meeting forthwith.

Demand for poll not to prevent transaction of other business

116. The demand for a poll except on the questions of the election of the Chairman and on an adjournment shall not prevent the continuance of a Meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTE OF MEMBERS

Member in arrears not to vote

117. No Member shall be entitled to vote either personally or by proxy at any General Meeting or Meeting of a class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.

Number of votes to which member entitled

118. Subject to the provisions of the Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every Member, not disqualified by the last preceding Article shall be entitled to be present, and to speak and vote at such Meeting, and on a show of hands every Member present in person shall have one vote and upon a poll the voting right of every Member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. Provided, however, if any preference shareholder be present at any Meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only on resolutions placed before the Meeting which directly affect the rights attached to his preference shares.

Casting of votes by a Member entitled to more than one vote

119. On a poll taken at a meeting of the Company, a Member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

Vote of Member of unsound mind or who is a minor

120. A Member of unsound mind or and in respect of whom an order has been made by any Court having jurisdiction in lunacy, may not vote, whether on a show of hands or upon a poll in respect of any shares registered in his name and any such committee or guardian may, on poll vote by proxy, if any Member be a minor the vote in respect of his share or shares shall be by his guardian, or any one of his guardian, if more than one, to be selected in case of dispute by the Chairman of the meeting.

Votes of joint member

121. If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a Member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the Meeting, and if more than one of such joint -holders be present at any Meeting, that one of the said persons so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint -holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased Member in whose names shares stand shall for the purpose of these Articles be deemed joint-holders thereof.

Voting in person or by Proxy

122. Subject to the provisions of these Articles votes may be given either personally or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorized in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member.

Votes in respect of shares of deceased and insolvent Member

123. Any person entitled under these article to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight hours at least before the time of holding the Meeting or adjourned Meeting, as the case may be, at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.

Appointment of proxy

124. Every proxy (whether a Member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of such corporation, or be signed by an officer or any attorney duly authorized by it, and any Committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the Meeting.

Proxy either for specified meeting or for a period

125. An instrument of proxy may appoint a proxy either for the purpose of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every Meeting of the Company or of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.

Votes by members present or by proxy

126. A member present by proxy shall be entitled to vote only on a poll. However where such Member is a body corporate present by a proxy who is not himself a Member in which case such proxy shall also be eligible to vote on show of hands as if he were a Member.

Deposit of instrument of appointment

127. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the office not later than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument or proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

Form of proxy

128. Every instrument of proxy whether for a specified Meeting or otherwise shall as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act.

Validity of votes given by proxy notwithstanding death of member

129. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the office before the meeting.

Time for objection to vote

130. No objection shall be made to the validity of any vote, except at any Meeting or poll at which such vote shall be tendered and every vote whether given personally or by proxy, not disallowed at such Meeting or poll shall be deemed valid for all purposes of such Meeting or poll whatsoever.

Chairman of the meeting to be the Judge of the validity of every vote

131. The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

MINUTES OF MEETING

Minutes of General meetings and inspection thereof by Members

132. The Company shall cause minutes of all proceedings of every General Meeting to be kept within thirty days of the conclusion of every such Meeting concerned entries thereof in books kept for that purpose with their pages consecutively numbered.
133. Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each Meeting in such book shall be dated and signed by the Chairman of the same Meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period by a Director duly authorized by the Board for the purpose.
134. In no case the minutes of proceedings of a Meeting shall be attached to any such book as aforesaid by pasting or otherwise.
135. The minutes of each Meeting shall contain a fair and correct summary of the proceedings thereat.

Nominee Director/Investor Director

136. All appointments of Officers made at any Meeting aforesaid shall be included in the minutes of the Meeting.
137. Nothing herein contained shall require or be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the Meeting (a) is or could reasonably be regarded as defamatory on any person, or (b) is irrelevant or immaterial to the proceedings, or (c) is detrimental to the interests of the Company. The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the aforesaid grounds.
138. Any such minutes shall be evidence of the proceedings recorded therein.
139. The book containing the Minutes of proceedings of General Meetings shall be kept at the office of the Company and shall be open during business hours, for such periods not being less in the aggregate than two hours in each day as the Directors determine, to the inspection of any Member without charge.

DIRECTORS

Number of Directors

140. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not be more than twelve excluding Ex-officio Directors/Nominee Directors/Debenture Directors and Alternate Directors.
141. The following are the First Directors of the Company:
 1. Shri Jagjeevan Kumar Jain
 2. Mrs. Seema Jain
 3. Shri Faquir Chand Jaina

Provision to appoint ex-officio Directors

142. Whenever directors enter into a contract with any Government, Central, State or Local, any bank or financial institution or any person or persons (hereinafter referred to as the "appointer") for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or for underwriting or enter into any other arrangement whatsoever, the Directors shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have the right to appoint or nominate by a notice in writing addressed to the Company, one or more Directors on the Board for such period and upon such conditions as may be mentioned in the agreement and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Directors may also agree that any such Director or Directors may be removed from time to time by the appointer entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill in any vacancy, which may occur as a result of any such Director or Directors ceasing to hold that office for any reason whatsoever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the Directors of the Company including payment of remuneration and traveling expenses to such Director or Directors as may be agreed by the Company with the appointer.
143. (a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India Limited (ICICI), Infrastructure Development Finance Corporation (IDFC), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Insurance Corporation of India (GIC), National Insurance Company Limited (NIC), The Orient Fire and General Insurance Company Limited (OFGI), The New India Assurance Company Limited (NIA), United India Insurance Company Limited (UI) or a State Financial Corporation or any financial institution owned or controlled by the Central Government or a State Government or the Reserve Bank of India or by two or more of them or by Central Government or State Government by themselves (each of the above is hereinafter in this Article referred to as "the Corporation"), out of any loans/debenture assistance granted by them to the company or so long as the Corporation holds or continues to hold Debentures/Shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any Guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole-time or non- whole time, (which Director or Directors, is/are

- hereinafter referred to as “Nominee Director/s”) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.
- (b). The Board shall until the expiry of two years from the date of listing of the equity shares of the company on a recognized stock exchange appoint and maintain in office any person as the Investor may from time to time nominate as a director of the Company and as a representative of Remuneration & Compensation Committee and remove any director so appointed, and upon such removal reappoint such person or appoint another director in his place.
 - (c) The Board shall until their shares are subject to Lock-in, appoint and maintain in office any person as the Investor may from time to time appoint a representative to attend as an observer of each and every meeting on the Board and Audit Committee.
 - (d) The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation, such Nominee Director/s shall not be liable to retirement by rotation of Directors. The Company agrees that if the Board of Directors of the Company has constituted or proposes to constitute any management committee or other committee(s) it shall, if so required by the Corporation include the Nominee Director as a member of such management committee or other committee(s). Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Directors of the Company.
- 144. The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold Debentures/Shares in the Company as a result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished by the Corporation.
 - 145. The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meeting, Board Meetings and of the Meetings of the Committee of which the Nominee Director/s is/are member/s also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.
 - 146. The Nominee Director/s shall be entitled to the same sitting fees, commission, remuneration and expenses as are applicable to other Directors of the Company. The Company shall pay the sitting fees and other expenses to the Nominee Director/s directly, but the commission, remuneration or other monies and fees to which the Nominee Director/s is entitled shall accrue due to the Corporation and shall accordingly be paid by the Company directly to the Corporation. Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.
 - 147. Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be, to such Nominee Director/s.
 - 148. Provided also that in the event of Nominee Director/s being appointed as whole time Director/s such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the Corporation.
 - 149. If it is provided by the Trust Deed, securing or otherwise, in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate a Director of the Company, then in the case of any and every such issue of debenture, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as “Debenture Director”. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be bound to hold any qualification shares.

Appointment of Alternate Directors

150. The Board may appoint an Alternate Director recommended for such appointment by the Director (hereinafter called the original Director) in whose place is being appointed during his absence for a period of not less than three months from the State in which the meeting of the Board are ordinarily held. An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to that State. If the term of office of the original Director is determined before he so returns to that State, any provisions in the Act or in these Articles for the automatic reappointment of retiring Director in default of another appointment shall apply to the original Director and not to the Alternate Director.

Directors power to add to the Board

151. (a) Subject to the provisions of Sections 260 of the Act, the Board shall have power at any time and from time to time to appoint any other qualified person to be an Additional Director, but so that the total number of Directors shall not at any time exceed the maximum fixed under Article 165. Any such additional Director shall hold office only upto the next Annual General Meeting.
- (b) Subject to the provisions of Sections 262, 264 and 284 of the Act the Board shall have power at any time and from time to time to appoint any other qualified person to be a Director to fill a casual vacancy. 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 by him.

Qualification of Directors

152. A Director shall not be required to hold any share qualification.

Remuneration of Directors

153. (a) Subject to the provisions of the Act, a Managing Director or Directors, who is in the whole-time employment of the Company may be paid remuneration either by way of monthly payment or at specified percentage of the net profits of the Company or partly by one way and partly by the other.
- (b) Subject to the provisions of the Act, a Director who is neither in the whole time employment nor a Managing Director may be paid remuneration either;
- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government; or
- (ii) by way of Commission if the Company by a special resolution authorized such payment.
154. The fee payable to a Director for attending a meeting of the Board or committee thereof shall be as prescribed under the Act.
155. If any Director is called upon to perform extra services or special exertion 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 exertion or efforts either by a fixed special otherwise as may be determined by the Board and the said remuneration may be either in addition to or in substitution for the remuneration may be either in addition to or in substitution for the remuneration otherwise provided.

Travelling expenses incurred by Director not a bonafide resident or by Director going out on Company's business

156. The Directors may allow and pay to any Director, who travels for the purpose of attending and returning from meetings of the Board of Directors or any Committee thereof or General Meetings, or in connection with the business of the Company, his travelling and hotel and other expenses incurred by him in consequence or for the purpose of his attendance, and in connection with the business of the Company in addition to his fees for attending such meetings as above specified and other remuneration payable to him. Provided that if so desired by the Corporation appointing a Corporation Director, the Company may instead reimburse the Corporation appointing such Director any sums that may be paid by it to that Director in respect of his attendance at the meeting of the Board.

Directors may act notwithstanding any vacancy

157. The continuing Directors may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the minimum fixed by these article hereof the continuing Directors not being less than two may act for the purpose of increasing the number of Directors to that number, or of summoning a General Meeting but for no other purpose.

Directors may be Directors of Companies promoted by the Company

158. 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 benefit received as director or shareholder of such company except in so far Section 309(6) or Section 314 of the Act may be applicable.

Retirement and rotation of Directors

159. At every Annual General Meeting of the Company, one-third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third shall retire from Office of Directors. The non-retiring Directors Ex-Officio Directors/Nominee Directors and Debentures Directors, if any, shall not be subject to retirement under this clause and shall not be taken into account in determining the rotation of retirement or the number of Directors to retire.
160. Subject to provisions of the Act, the Directors to retire by rotation under Article 194 at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those who are to retire, shall in default of and subject to any agreement among themselves, be determined by lot.
161. A retiring Director shall be eligible for re-election.

Company may increase or reduce the number of Directors

162. Subject to Section 258 of the Act the Company may by Ordinary Resolution from time to time, increase or reduce the number of Directors within the limits fixed in that behalf by these Articles, and may alter their qualifications and the Company may (subject to the provisions of Section 284 of the Act) remove any Director before the expiration of his period of office and appoint another qualified person in his stead. The person so appointed should hold office during such time as the Director in whose place he is appointed would have held the same if he had not been removed.
163. Promoters shall as long as they hold not less than 26% of the total Paid-up Share Capital of the Company, be entitled by a notice in writing addressed to the Company by its authorized representative, to appoint any Director as Chairman of the Board of Directors of the Company and to cancel such appointment and on a vacancy being caused in such office due to any cause whatsoever whether by such cancellation or by resignation, retirement, death, removal or otherwise, of any such person so appointed, to appoint any Director to fill such vacancy. An appointment or cancellation of such appointment under this Article shall become effective forthwith upon receipt by the Company of the aforesaid writing.
164. (a) Promoters shall as long as they hold not less than 26% of the total paid-up Share Capital of the Company is entitled by a notice in writing addressed to the Company by its authorized representative, to appoint a Director appointed pursuant to the provisions of Articles 168 of the Articles of Association as the Managing Director of the Company and to remove such person from office and on a vacancy being caused in such office from any cause whatsoever whether by resignation, retirement, death, removal or otherwise, of any such person so appointed, to appoint another to fill such vacancy. An appointment or removal of the Director under this Article shall become effective forthwith upon receipt by the Company of the writing aforesaid.
- (b) Subject to the superintendence, direction, control of the Board, the Managing Director, shall have the Management of the affairs of the Company. The remuneration of the Managing Director shall be such as may be determined by the Board from time to time and may be by way of monthly payment, fee for each meeting or participation in profits or by any or all these modes or any other mode not expressly prohibited by the Act.

PROCEEDINGS OF THE BOARD OF DIRECTORS

Meeting of Directors

165. The Directors may meet together as a Board for the despatch of business from time to time and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings, as they think fit.

Notice of Directors Meeting

166. Notice of every meeting of the Board shall be given in writing to every Director whether in or outside India, and otherwise regulate their meetings, as they think fit.

Quorum at Board Meeting

167. Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength (excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two- third of the total strength the number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such meeting provided further that where the Board includes a Director or Directors appointed under these article no quorum for meeting of the Board shall be constituted unless the Director referred to in Article 203 or his Alternate Director is present at such meeting.

Adjournment of meeting for want of quorum

168. If a meeting of the Board could not be held for want of a quorum then, the meeting shall stand adjourned to such other date and time (if any) as may be fixed by the Chairman.
169. The Secretary shall, as and when directed by a Director as detailed in these article, to do so, convene a meeting of the Board by giving a notice in writing to every other Director.
170. If at any meeting of the Board, the Chairman is not present within fifteen minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting.

Questions at Board meetings how to be decided

171. Questions arising at any meeting of the Board of Director or a committee or sub-committee thereof or in resolution to be passed by circular shall be decided by a majority of votes and in the case of a equality of votes, the Chairman shall have a second or casting vote provided, however that no resolution (whether passed at meeting or by circular) shall be deemed to have been passed unless a Director appointed by Promoters under these article or his Alternate Director designated by Promoters for the purpose of this Article has voted in favour of the Resolution.

Powers of Board in Meetings

172. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions which by or under the Act or the Articles of the Company are for the time being vested in or exercisable by the Board generally.

Directors may appoint Committees

173. Subject to the restrictions contained in Section 292 of the Act, the Board may delegate any of their powers to one or more Committees of the Board consisting of such member or members of its body as it thinks fit, and it may from time to time revoke and discharge any such Committee of the Board either wholly or in part, and either as to persons or purposes; but every Committee of the Board so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board. Provided that every such Committee shall have as one of its member the Director referred to in these article or his alternate Director.

Meeting of Committee how to be governed

174. The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding Article provided that no resolution shall be deemed to have been passed by the Committee unless the Director referred to in the proviso to these article or his Alternate Director has voted in favour of the Resolution.

Resolution by circulation

175. No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board, or a Committee, as the case may be), and to all other Directors or Members of the Committee at their

usual address in India and has been approved by such of the Directors or Members as are then in India, or by a majority of such of them, as are entitled to vote on the resolution

Acts of Board or Committee valid notwithstanding informal defect in appointment

176. All acts done by any meeting of the Board or by a Committee of the Board, or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Director or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director and had not vacated his office or his appointment had not been terminated; provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

Minutes of proceedings of the Board

177. (a) The Company shall cause minutes of all proceedings of every meeting of the Board and Committee thereof to be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for that purpose with their pages consecutively numbered.
- (b) Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the next succeeding meeting.
- (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (e) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (f) The minutes shall also contain -
- (i) The name of the Directors present at the meeting and
- (ii) In the case of each resolution passed at the meeting, the name of the Directors, if any, dissenting from or not concurring in the resolution.
- (g) Nothing contained in sub-clauses (a) to (f) shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting -
- (i) is, or could reasonably be regarded as defamatory of any person,
- (ii) is irrelevant or immaterial to the proceedings; or
- (iii) is detrimental to the interest of the Company.
- (h) The Chairman shall exercise an absolute discretion in regard to the inclusion or non- inclusion of any matter in the minutes on the grounds specified in this sub-clause.
- (i) Minutes of meetings kept in accordance with the aforesaid provisions shall be evidence of the proceedings recorded therein.

Powers of the Board

178. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid regulations, as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meeting:
- (a) Sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking;
- (b) Remit, or give time for the repayment of, any debt due by a Director,
- (c) Invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- (d) Borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose;

Provided further that the powers specified in Section 292 of the Act shall subject to these Articles be exercised only at meetings of the Board, unless the same be delegated to the extent therein stated; or

- (e) Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding whichever is greater.

Certain powers of the Board

- 179. Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power :
 - (a) To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
 - (b) To pay and charge to the capital account of the Company commission or interest lawfully payable there out under the provisions of Section 76 and 208 of the Act.
- 180. Subject to Section 293 and 360 of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorized to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfied.
- 181. At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.
- 182. To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.
- 183. To accept from any Member, as far as may be permissible by law a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.
- 184. To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees.
- 185. To institute, conduct, defend, compound, or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon.
- 186. To act on behalf of the Company in all matters relating to bankrupts and insolvents.
- 187. To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.
- 188. Subject to the provisions of Sections 292, 295, 370 and 372 of the Act, to invest and deal with any moneys of the Company not immediately required for the purposes thereof upon such security (not being shares of this Company), or without security and in such manner as they may think fit, and from time to time vary or realize such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
- 189. To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such

mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.

190. To determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.
191. To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and to give to any office or other person employed by the Company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as part of the working expenses of the Company.
192. To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing provident and other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit, and to subscribe or contribute or otherwise to assist or to guarantee any charitable, benevolent, religious, scientific, national or other institutions or object which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of public and general utility or otherwise.
193. Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as Reserve Fund or any special fund to meet contingencies or to repay debentures or debentures stock, or for special dividends or for equalizing dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest several sums so set aside or so much thereof as required to be invested, upon such investments (other than shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any such part thereof for the benefit of the Company, in such a manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the Reserve Fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of Reserve Fund or division of a Reserve Fund and with full power to employ assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of debentures or debenture stock, and without being bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.
194. To appoint, and at their discretion, remove or suspend, such general managers, managers, secretaries, assistants, supervisors, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think and the provisions contained in the four next following sub-clauses shall be without prejudice to the generally conferred by this sub-clause.
195. From time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such local Boards, and to fix their remuneration.
196. Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow money, and to authorize the members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such terms and subject to such conditions

THE SEAL

as the Board may think fit, and Board may at any time remove any person so appointed, and may annul or vary any such delegation.

197. At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provisions of Section 292 of the Act) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board think fit) be made in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and such Power of Attorney may contain such Powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.
198. Subject to Section 294 and 297 of the Act, for or in relation to any of the matters aforesaid or, otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts deeds and things in the name and on behalf of the Company as they may consider expedient.
199. From time to time to make, vary and repeal by laws for the regulations of the business of the Company, its officers and servants.

MANAGEMENT

200. The Company shall not appoint or employ at the same time more than one of the following categories of managerial personnel namely Managing Director or Manager.
201. The Directors shall from time to time appoint a Secretary to perform any functions, which by the Act are to be performed by the Secretary and to execute any other ministerial or administrative duties, which may from time to time be assigned to the Secretary by the Directors. The Directors may also appoint at any time any person or persons (who need not be the Secretary) to keep the Registers required to be kept by the Company. A director may be appointed as a Secretary and/or as a consultant and/or as an advisor

AUTHENTICATION OF DOCUMENTS

202. Save as otherwise provided in the Act any director or the secretary or any person appointed by the Board for the purpose shall have power to authenticate any document affecting the constitution of the company and any resolution passed by the company or the Board and any books, records, documents and accounts relating to the business of the company, and to certify copies thereof or extracts there from as true copies or extracts; and where any books, records, documents or accounts are elsewhere than at the office, the local manager or other officer of the company having the custody thereof shall be deemed to be a person appointed by the Board as aforesaid.
203. A documents purporting to be a copy of a resolution of the Board or an extract from the minutes of a meeting of the Board which is certified as such in accordance with the provisions of the last proceeding Article shall be conclusive evidence in favour of all persons dealing with the company upon the faith thereof that such resolution has been duly passed or, as the cases may be, that such extract is a true and accurate record of a duly constituted meeting of the Board
204. The Company shall have a Common Seal and the Board of Directors shall provide for the safe custody thereof. The seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors in the presence of at least one Director or Two Director, if so required by law and such Director or Directors shall sign every instrument to which the seal be affixed in his/their presence. Such signatures shall be conclusive evidence of the fact that the seal has been properly affixed. This is, however, subject to Rule 6 of the Companies (issue of Share Certificates) Rules, 1960.

RESERVES

205. The Board may, from time to time, before recommending any dividend, set apart any and such portion of the profits of the company as it thinks fit as reserves to meet contingencies or for the liquidation of any debentures;

debts or other liabilities of the company, for equalization of dividends, for repairing improving or maintaining any of the property of the company and for such other purpose of the company as the Board in its absolute discretion thinks conducive to the interest of the company; and may subject to the provisions of section 372A of the Act, invest the several sums so set aside upon such investments as it may think fit, and from time to time, deal with and vary such investments and dispose of all or any part thereof for the benefit of the company and may divide the reserves into such special funds as it thinks fit, with full power to employ the reserves or any part thereof in the business of the company and that without being bound to keep the same separate from the other assets.

206. Any General Meeting may upon the recommendation of the Board resolved that any moneys, investments or other assets forming part of the undivided profits of the company and standing to the credit of the reserves or any capital redemption reserve account or in the hands of the company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the share premium account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such shareholders in paying up in full any unissued shares, of the company which shall be distributed accordingly or in towards as payment of the uncalled liability on any issued shares, and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum. Provided that any sum standing to the credit of the share premium account or a capital redemption reserve account may, for the purpose of this article only be applied in the paying up of un issued shares to be issued to members of the company as fully paid bonus shares.
207. The Company in general meeting, may at any time and from time to time resolve that any surplus money in the hands of the Company representing capital profits arising from the receipt of money received or recovered in respect of or arising from the realization of any capital assets of the Company, or any investment representing the same instead of being applied in the purchase of other capital assets or for capital purposes be distributed amongst the equity shareholders on the footing that they receive the same as capital and in the same proportions in which they would have been entitled to receive the same if it had been distributed by way of dividend provided always that no such profit as aforesaid shall be so distribute unless there shall remain in the hands of the Company a sufficiency of other assets to answer in full the whole of the liabilities and paid-up share capital of the Company for the time being.
208. For the purpose of going effect to any resolution under the two last proceeding Articles the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates.

DIVIDENDS

Division of profits and dividends in proportion to amount paid up

209. The profits of the Company, subject to any special rights relating thereof created or authorized 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 and to the period during the year for which the capital is paid-up on the shares held by them respectively.

The Company in General Meeting may declare a dividend

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

Dividends only to be paid out of profits

211. No dividend shall be declared or paid otherwise by the Company for any financial year out of profits for the year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act except after the transfer to the reserves of the Company of such percentage of its profits for the year as may be prescribed or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both provided that :
- (a) If the Company has not provided for depreciation for any previous financial year or years shall before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years;

- (b) If the Company has incurred any loss in any previous financial year or years the amount of loss or any amount which is equal to the amount provided for depreciation for that year or these years whichever is less shall be set off against the profits of the Company for the years for which the dividend is provided 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 the 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 higher percentage of its profits as may be allowed in accordance with that Section.

Interim dividend

212. The Board may, from time to time, pay to the Members such interim dividend as in their judgment the position of the Company justifies.

Capital paid up in advance at interest not to earn dividend

213. Where Capital is paid in advance of calls, such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.
214. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.
215. The Board may retain dividends payable upon shares in respect of which any person is, under Article 64 entitled to become a Member, or which any person under that Article is entitled to transfer, until such person shall become a Member, in respect of such shares or share duly transfer the same.

Dividend, etc. to joint-holders

216. Any one of several persons who are registered as the joint-holder 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 shares.

No Member to receive dividend while indebted to the Company and Company's rights of reimbursement thereof

217. No Member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons, and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.
218. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.
219. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer. Provided, however, that where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered, the company shall:
- (a) Transfer the dividend in relation to such shares to the special account referred to in Section 205A unless the company is authorized by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer, and
 - (b) Keep in abeyance in relation to such shares any offer of rights shares under clause (a) of sub-section (1) of Section 81 and any issue of fully paid up bonus shares in pursuance of sub-section (3) of section 205.

Unpaid or Unclaimed Dividend

220. Where the company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of FIEM INDUSTRIES

LIMITED” and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Investor Protection and Education Fund managed by the Central Government.

221. Any dividend which has not been claimed or the warrant in respect whereof has not been encashed within the period prescribed under Section 205 A, shall be deposited in a special account as provided for in the said Section 205 A of Act.
222. No unpaid dividend shall bear interest as against the Company.

Dividend and call together

223. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the meeting fixes 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 Member, be set off against the calls.
224. (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 for representing premium received on the issue of shares and standing to the credit of the Share Premium Account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares of debentures or debentures stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum, provided that a Share Premium Account and a Capital Redemption Reserve Account may, for the purposes of this Article only be applied in the paying of any unissued shares to be issued to members of the Company as fully paid bonus shares.
- (b) A General Meeting may resolve that any surplus moneys arising from the realization of any capital assets of the Company, or in investments representing the same, or any other undistributed profit of the Company not subject to charge for income tax be distributed among the members on the footing that they receive the same as capital.
- (c) For the purpose of giving effect to any resolution under the preceding paragraphs of this 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 members upon the footing of the value so fixed or that fraction of less value than Rs.10/- 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 trusts for the persons entitled to the dividend or capitalized fund as may seem expedient to the Board. Wherever requisite a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Companies Act, 1956, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund, and such appointment shall be effective.

ACCOUNTS

225. (a) The Books of Accounts shall be kept at the Registered office or at such other place as the Directors think fit, and shall be open to inspection by the Directors during business hours.
- (b) The Directors shall, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations the accounts or books or documents of the Company or any of them, shall be open for inspection to members not being directors and no member (not being Directors) shall have any right of inspection to any books of account or document of the Company, except as conferred by law or authorized by the Directors or by the Company in the General Meeting.

- (c) Balance Sheet and Profit & Loss Account will be audited once in a year by a qualified auditors for correctness as per provisions of the Act.

AUDIT

226. (a) The Directors may fill up casual vacancy in the office of the Auditors.
(b) The remuneration of the auditors shall be fixed by the Company in the Annual General Meeting as otherwise decided or that remuneration of the auditors appointed by the Directors may be fixed by the Directors.
(c) The first Auditor of the Company shall be appointed by the Board of Directors within one month from the date of incorporation of the Company and the Auditors so appointed shall hold office until the conclusion of the first Annual General Meeting.
(d) At each Annual General Meeting the Company shall appoint an Auditor to hold Office from the conclusion of that Meeting till the conclusion of the next Annual General Meeting.
(e) The remuneration of the Auditor shall be fixed by the Company in the Annual General Meeting or in such manner as the Company in the Annual General Meeting may determine.
(f) The Board of Director may fill any casual vacancy in the Office of the Auditor and while any such vacancy continues the remaining Auditors, if any, may act, but where such vacancy is caused by resignation of the Auditors and vacancy shall be filled up by the Company in a General Meeting.
(g) Where the company has a branch office the provisions of section 228 of the Act shall apply.
(h) The Auditor's Report shall be read before the company in General Meeting and shall be open to inspection by any member of the company.

SERVICE OF NOTICE AND DOCUMENTS

227. (1) A notice or other document shall be given or sent by the company to any member either personally or by sending it by post to him to his registered address in India or if he has no registered address in India, by air mail post to the address outside India supplied to the company for the giving of notice to him.
(2) Where notice or other document is sent by post:
(a) Service thereof shall be deemed to be effected by properly, addressing prepaying and posting a letter containing the notice or document, provided that were a member has intimated to the Company in advance that notice or documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sufficient sum to defray the expenses of doing so, service of the notice or document shall not be deemed to be effected unless it is sent in the manner intimated by the members; and
(b) Such service shall be deemed to have been effected:
(i) in the case of notice of meeting at the expiration or forty-eight hours after the letter containing the same is posted, and
(ii) in any other case, at the time at which the letter would be delivered in the ordinary course of post.
(2) Notwithstanding any provision to the contrary any notice or document to be served on a member who has not given an address in India for service of notice or documents shall be sent to such member by air mail and posted not less than twenty eight days before the same is to be saved as required by the Act or by these Articles.
228. A notice or other document advertised in a newspaper circulating in the neighborhood of the office of the Company shall be deemed to be duly served on the day on which the advertisement appears on every member of the company who has no registered address in India and has not supplied to the Company an address for the giving of the notices to him.
229. A Notice or other document may be served by the Company on the joint-holders of a share by giving of the notice to the joint-holder named first in the register in respect of the share.
230. A notice or other document may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post prepaid letter addressed to them by name or by the titled of representative of the deceased or assignee of the insolvent or by like description, at the address in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by giving the notice in any manner in which the same might have been if the death so insolvency had not occurred.

231. Any notice required to be or which may be giving by advertisement shall be advertised once in one or more newspapers circulating in the neighborhood of the office.
232. Every person who by operation of law or transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the Register shall have been duly given to the person from whom he derives his title to such share.
233. Subject to the provisions of Articles 264 to 269, any notice or document delivered or sent by post to left at the registered address of any member in pursuance of there article shall, notwithstanding such member be then deceased and whether or not the Company have notice of his decease, be deemed to have been duly served in respect of any registered share, whether held solely or jointly with other persons by such member until some other person be registered in his stand as the holder or joint-holders thereof and such service e shall for all purposes of these presents be deemed a sufficient service of such notice or documents on his heirs, executors or administrators and all persons, if any, jointly interested with him in any such share.
234. Signature to any notice to be given by the Company may be written or printed.
235. Subject to the provisions of Sections 497 and 509 of the Act, in the event of a winding-up of the Company, every member of the Company who is not for the time being in Delhi shall be bound, within eight weeks after the passing of an effective resolution to wind up the Company, to serve notice in writing on the Company appointing some householder reading in the neighborhood of the office upon whom all summons, notice, process, orders and judgments in relation to or under the winding up of the Company, may to served and in default of such nomination, the liquidator of the Company shall be at liberty on behalf of such member, to appoint some such persons and service upon service any such appointee whether appointed by the member or the liquidator shall be deemed to be good personal service on such member for all purposed and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such member by advertisement in some daily newspaper circulating in the neighborhood of the office or by a registered letter sent by post and addressed to such member at his address as registered in the Register and such notice shall be deemed to be served on the day on which the advertisement appears or the letter should be delivered in the ordinary course of the post the provisions of this Article shall not prejudice the right of the liquidator of the Company to serve any notice of other document in any other manner prescribed by these articles.

INSPECTION

236. (a) The books of account and other books and papers shall be open to inspection by any director during business hour.
(b) The Board shall, from time to time, determine whether and to what extent and at what time and place and under what conditions or regulations, the book of account and other book and documents of the Company shall be open to the inspection of the members not being director and no member (not being a director) shall have any right of inspecting any books of account or book or document of the Company except as conferred by law or authorized by the Board or by the Company in general meeting.
237. Subject to the provisions of sections 209-A of the Act, where under any provisions of the Act any person, whether a member of the Company or not, is entitled to inspect any register, return certificate, deed instrument or document required to be kept or maintained by the Company the person entitled to inspection shall on his giving to the Company not less then twenty-four hours previous notice in writing of his intention specifying with etc. he intends to inspect, be permitted to inspect the same during the hours of 11 a.m. and 1 p.m. such business days as the\ Act require them to be given for inspection.
238. The Company may in accordance with the provisions of Section 154(1) of the Act close the Register of members or of debenture-holders as the case may be.

RECONSTRUCTION

239. On any sale of the undertaking of the Company, the Board or the liquidator on a winding up may, if authorized by a Special Resolution, accept fully paid or partly paid up shares, debentures or securities of any other Company incorporated in India or to the extent permitted by law of a Company incorporated outside India either then existing or to be formed for the purchase in whole or part of the property of the Company and the board (if the

profit of the company permit) or the Liquidator (in a winding – up) may distribute such shares or securities or any other property of the Company amongst the members without realization or vest the same in trustees for them and any special Resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefit or property otherwise that in accordance with the strict legal rights of the members or contributories of the Company and for the valuation of any such securities or property at such price and in such manner the meeting may approve and all holders of share shall be bound to accept and shall be bound by any valuation or distribution so authorized, and waive all rights in relation thereto, save only in case the company is proposed to be or in the course of being wound up, such statutory rights (if any) under Section 494 pf the Act, as are incapable of being varied or excluded by these articles.

SECRECY

240. Every Director, Secretary, trustees for the Company, its members or debenture holders, member of a committee, servant, officer, agent, accountant or other person employed in or about the business of the Company shall if so required by the board before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the Company with its customers and the state of account 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 the discharge of his duties except when required so to do by the board or by any general meeting of by law of country and except so far as may be necessary in order to comply with and of the provisions in these articles contained.
241. No shareholder or other persons (not being a Director) shall be entitled to enter upon the properties of the Company or to inspect or examine the premises or properties of the company without the permissions of the Board or, subject to these article to require discovery of or any information respecting any detail trade secret, mystery of trade, or secret process or of any matter whatever which may relate to the conduct of the business of the Company and which in the opinion of the Board it will be in expedient in the interest of the Company to communicate.

WINDING-UP

242. (a) In the event of the Company being wound up, the holders of preference shares, if any, shall be entitled to have the surplus assets available for distribution amongst members as such applied in the first place in repayment to them the amount paid-up on the preference Shares held by them respectively and payments of arrears of dividend up to the commencement of the winding up, whether declared or not, but shall not be entitled to any further participation in such surplus assets. If the surplus available as aforesaid shall be insufficient to repay the whole of the amount paid up on the preference Shares and any arrears of dividend, such asset shall be distributed amongst the holders of Preference shares so that the losses shall be born by the holders of Preference Shares in proportion to the capital paid up or which ought to have been paid up thereon and the arrears of dividend as aforesaid.
- (b) If the Company shall be wound up and the assets available for distribution among the members as such after payment to the Preference Share holder as aforesaid shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed so that as nearly as may be the losses shall be born by the members in proportion to the capital paid up or which ought to have been paid up the commencement of the winding-up on the shares held by them respectively. And if in the winding-up the assets available for distribution among the members after payment to be Preference Shareholders as aforesaid shall be more than sufficient to repay the whole of the capital paid-up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding-up paid –up or which ought to have been paid-up on the shares held by them respectively.

The Article is to be without prejudice to the right and privileges amongst the holders of Preference Shares of different series or shares issued upon special terms and condition.

243. If the Company shall be, wound up, whether voluntary or otherwise the liquidator may with the sanction of a special Resolution, divide amongst the contributories, in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of assets of the Company in trustees upon such trusts for the benefit of the contributories, or any of them, as the liquidators with the like sanction, shall think fit.

INDEMNITY

244. Subject to Section 201 of the Companies Act, 1956, every Director, Managing Director, Manager, Secretary or officer of the Company or any person (whether an officer of the Company or not) employed by the company and any person appointed as Auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, Managing Director, Manager, Secretary, Officer, employee or Auditor in defending bonafide any proceeding, whether Civil or Criminal, in which judgment is given in his favour, or in which he is acquitted, or in connection with any application under Section 633 of the Act in which relief is granted to him by Court.

ALTERATION

245. Till such time as the Company remains a member of any recognized stock Exchange in India the Board as well as all Members shall take such steps as are necessary to alter, amend or adopt such provisions in the Articles of the Company as may be required by such Exchanges and any alterations or amendments to the Articles of association of the Company will be Subject to the prior approval of the Stock Exchange in writing and shall be in compliance with any Rules and Conditions that may be prescribed by the Stock Exchange in this behalf from time to time.

ARBITRATION

246. Whenever any difference or dispute arises between the Company on the one hand and any of the members or their heirs, executors, administrators, nominees or assignees on the other hand or between the members inter-se or their respective heirs, executors, administrator, nominees or assign inter-se touching the intent construction or incident or consequences of these Articles or touching any thing done, executed omitted or suffered in pursuance thereof or to any affairs of the Company, every such disputes or difference shall be referred to the sole arbitration of the chairman for the time being of the Company or to some person appointed by both parties and it will be no objection that he is an officer of the company or that he had to deal with such disputes, or difference and it is only after an Award is given by such Arbitrator that the parties will be entitled to take any other proceedings relating to such disputes, differences and award. The Award made by such Arbitrator shall be final and binding on the parties. The arbitration shall be conducted according to the provisions of the Arbitration Act, 1940.

SECTION IX - OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at 32 Mile Stone, G.T. Road, Kundli, Distt. Sonapat, Haryana, India from 10.00 a.m. to 4.00 p.m. on all working days from the date of this Draft Red Herring Prospectus until the Bid / Issue Closing Date.

MATERIAL CONTRACTS

1. Letter of appointment dated March 7, 2006 to IL&FS Investsmart Limited from the Company appointing them as BRLM.
2. Memorandum of Understanding dated June 26, 2006 amongst our Company and the BRLM.
3. Memorandum of Understanding dated May 30, 2006 executed by our Company with the Registrar to the Issue, etc.
4. Copy of the Syndicate Agreement dated [●] between our Company and BRLM.
5. Copy of the Escrow Agreement dated [●] between our Company, BRLM, Escrow Collection Banks and Registrar to the Issue.
6. Copy of the Underwriting Agreement dated [●] between our Company and BRLM.
7. Royalty Agreement dated March 1, 2005 in relation to right to use 'FIEM' trademark.
8. Joint Venture Agreement dated April 4, 1996 between our Company, Daewoo Motors (India) Ltd. (formerly DCM Daewoo Motors Limited) and Sung San Co. Limited, Korea.
9. Memorandum of Understanding dated September 16, 2005 between our Company and Aspock Holding, GmbH, Austria.
10. Addendum to the Memorandum of Understanding between our Company and Aspock Holding, GmbH, Austria.
11. Joint Venture Agreement dated March 24, 2006 between our Company and Korea Airconditioners Co. Limited, Korea.
12. Memorandum of Understanding dated June 2, 2006 between our Company and ZADI Divisione Fanaleria CEV Spa, Italy.

MATERIAL DOCUMENTS

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certificate of incorporation dated February 6, 1989.
3. Our certificates in relation to change of name.
4. Resolutions passed by Board of Directors / Shareholders in relation to this Issue and other related matters such as formation and revision of Audit, Remuneration and other committees.
5. Resolutions approving the present terms of employment and remuneration between our Company and our Directors as approved by our Board and our Shareholders.

6. Standard Chartered Bank sanction letter no. CRC/316/MM/06/052 dated April 19, 2006 for a term loan of Rs. 120 million.
7. Report of the auditors M/s. Anil S. Gupta & Associates, Chartered Accountants dated June 2, 2006 prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus.
8. 'Statement of Possible Tax Benefits' dated June 9, 2006 prepared by our auditors M/s. Anil S. Gupta & Associates, Chartered Accountants and mentioned in this Draft Red Herring Prospectus.
9. Copies of annual reports of our Company for the years ended March 31, 2002, 2003, 2004 and 2005.
10. Copy of auditors' report of our Company for the year ended March 31, 2006.
11. Report of the auditors M/s. V. Sachdeva & Associates, Chartered Accountants dated June 2, 2006 in relation to FIEM Sung San (India) Limited prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus.
12. Copy of auditors' report of FIEM Sung San (India) Limited for the year ended March 31, 2006.
13. Consent of our auditors M/s. Anil S. Gupta & Associates, Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.
14. Consent of the auditors of FIEM Sung San (India) Limited, M/s. V. Sachdeva & Associates, Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.
15. General Power of Attorney executed by the Directors of our Company in favour of person(s) for signing and making necessary changes to the Draft Red Herring Prospectus and other related documents.
16. Consents of Bankers to the Company, Registrar to the Issue, Legal counsel to the Issue, Monitoring Agency to the Issue, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
17. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated [●].
18. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated [●].
19. Due diligence certificate dated June 26, 2006 to SEBI from the BRLM.
20. In-principle approval letter no. [●] from BSE dated [●], 2006.
21. In-principle approval letter no. [●] from NSE dated [●], 2006.
22. SEBI observation letter no. [●] dated [●], 2006.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and fair.

SIGNED BY ALL THE DIRECTORS

Mr. J. K. Jain, Chairman and Managing Director Sd/-

Mrs. Seema Jain, Whole-time Director Sd/-

Mr. Rahul Jain, Non-Executive Non-Independent Director Sd/-

Ms. Aanchal Jain, Whole-time Director Sd/-

Mr. J. S. S. Rao, Whole-time Director Sd/-

Mr. Pravin Kumar, Whole-time Director Sd/-

Mr. Paramjit Singh Bhatia, Independent Director Sd/-

Mr. Chandrakant D. Shah, Independent Director * Sd/-

Mr. Kuldeep Singh Lamba, Independent Director * Sd/-

Mr. Chatter Singh Kothari, Independent Director Sd/-

Mr. Iqbal Singh, Independent Director Sd/-

Mr. Jasmit Singh Chandhok, Independent Director Sd/-

*** Signed through the duly Constituted Power of Attorney Holder Mrs. Seema Jain**

Mr. O. P. Gupta, Chief Financial Officer Sd/-

Mr. Arvind K. Chauhan, Company Secretary and Compliance Officer Sd/-

Place: New Delhi

Date: June 23, 2006

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