



(Incorporated on February 24, 1995 under the Companies Act, 1956 as a limited liability company. The registered office of our company was changed from Dhakate Building, Fawara Chowk, Gandhi Bagh, Nagpur- 440 002, to its current address 11, Zade Layout, Bharat Nagar, Nagpur – 440 033 with effect from June 10, 2004)

**Registered and Corporate Office:** 11, Zade Layout, Bharat Nagar, Nagpur – 440 033, Maharashtra, India

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**PUBLIC ISSUE OF 44,00,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING TO RS. [●] LAKHS (HEREINAFTER REFERRED TO AS “THE ISSUE”) BY SOLAR EXPLOSIVES LIMITED (“THE COMPANY” OR “THE ISSUER”). THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 EACH. THE ISSUE INCLUDES A RESERVATION OF 60,000 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES OF THE COMPANY. THE NET ISSUE TO THE PUBLIC SHALL BE 43,40,000 EQUITY SHARES. THE NET ISSUE WOULD CONSTITUTE 25.05% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.**

**PRICE BAND: RS. 170/- TO RS. 190/- PER EQUITY SHARE OF FACE VALUE RS. 10/- EACH.**

**ISSUE PRICE IS 17 TIMES THE FACE VALUE AT THE LOWER END OF PRICE BAND AND 19 TIMES THE FACE VALUE AT THE UPPER END OF PRICE BAND**

The Issue is being made through the 100% Book Building process wherein up to 50% of the Issue shall be allocated to Qualified Institutional Buyers (“QIBs”) on a proportionate basis. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds registered with Securities and Exchange Board of India (SEBI). Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non- Institutional Bidders and not less than 35% of the Issue 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.

#### RISK 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 Equity Shares of the Company. **The Face Value of the Equity Shares is Rs. 10/-** and the Floor Price is 17 times and Cap Price is 19 times of the Face Value. The Price band (as determined by the Company in consultation with the Book Running Lead Manager (“BRLM”) on the basis of assessment of market demand for the Equity Shares by the way of Book Building) should not be taken to be indicative of the Market Price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company 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 Company and the Issue including the risks 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 Red Herring Prospectus. **Specific attention of the investors is invited to the statement of Risk Factors on Page No. xiv to xxii of the Red Herring Prospectus.**

**THE COMPANY HAS NOT OPTED FOR THE IPO GRADING**

#### ISSUER’S ABSOLUTE RESPONSIBILITY

The Company having made all reasonable inquiries, accepts responsibility for and confirms that this 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 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 offered through this Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (“BSE”) and the National Stock Exchange of India Limited (“NSE”). The in-principle approvals of the Stock Exchanges for listing the Equity Shares have been received pursuant to letter no. DCS/SMG/sm/dm/2006 dated February 1, 2006 and letter no. NSE/LIST/20143 dated February 3, 2006 respectively. BSE will be the Designated Stock Exchange.

#### BOOK RUNNING LEAD MANAGER



#### SBI CAPITAL MARKETS LIMITED

202, Maker Tower “E”,  
Cuffe Parade,  
Mumbai – 400005  
Tel: (+91-22) 2218 9166,  
Fax: (+91-22) 2218 8332  
Website: www.sbicaps.com  
Email: sel.ipo@sbicaps.com

#### REGISTRAR TO THE ISSUE



#### INTIME SPECTRUM REGISTRY LIMITED

C-13, Pannalal Silk Mills Compound  
LBS Marg, Bhandup (W)  
Mumbai – 400 078  
Tel: (+91-22) 5555 5491,  
Fax: (+91-22) 5555 5499  
Website: www.intimespectrum.com  
Email : solar@intimespectrum.com

#### BID / ISSUE PROGRAMME

**BID / ISSUE OPENS ON : 9TH MARCH, 2006**

**BID / ISSUE CLOSES ON : 13TH MARCH, 2006**

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## SECTION I: DEFINITIONS AND ABBREVIATIONS

### I. Definitions

Term	Description
“SEL” or “the Company” or “Our Company” or “Solar Explosives Limited” or “Issuer”	Solar Explosives Limited, a public limited company incorporated under the Companies Act, 1956
“We” or “us” or “our” or “the Group”	Unless otherwise specified, these references mean Solar Explosives Limited along with its subsidiaries Economic Explosives Limited, Solar Capitals Limited and Solar Components Private Limited.

### II. Conventional / General Terms

Term	Description
AGM	Annual General Meeting
Articles/Articles of Association	Articles of Association of our Company
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Auditors	The Statutory Auditors of the Company, viz, Gandhi Rathi & Co.
Board of Directors / Board/ Directors	The Board of Directors of Solar Explosives Limited
BSE	Bombay Stock Exchange Limited
Companies Act	The Companies Act, 1956, as amended from time to time
CDSL	Central Depository Services (India) Limited
Depository	NSDL and CDSL, both being depositories, which are registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
FII	Foreign Institutional Investor (as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000) registered with SEBI
Financial Year/ Fiscal/ FY	Period of twelve (12) months ended March 31 of that particular year, unless stated otherwise
FVCI	Foreign Venture Capital Investors
Government/Gol	The Government of India
HUF	Hindu Undivided Family
I.T. Act	Income Tax Act, 1961 as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India

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Term	Description
Lakhs	A Lakh is a unit in traditional number system equal to One Hundred Thousand
Metric Tonnes/MT	A tonne (T) sometimes referred to as Metric Tonne is a measurement of use in Metric system
Million	Ten Lakhs
MOA/Memorandum/ Memorandum of Association	Memorandum of Association of the Company
NAV	Net Asset Value
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NRIs/ Non-Resident Indians	A person resident outside India who is a citizen of India or a Person of Indian Origin (as defined in Foreign Exchange Management (Deposit) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
Overseas Corporate Body / OCB	Any company, partnership, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly but irrevocably as defined in Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to participate in this issue.
P/E Ratio	Price / Earnings ratio
PAN	Permanent Account Number
Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/ or incorporated in the jurisdiction in which it exists and operates, as the context requires
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time



<b>Term</b>	<b>Description</b>
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time
Stock Exchanges	NSE and BSE
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America

### III. Issue Related Terms

<b>Term</b>	<b>Description</b>
Allotment	Issue of the Equity Shares pursuant to the Issue to the successful Bidders as the context requires
Allottee	The successful bidder to whom the Equity Shares are being / have been issued.
Bankers to the Issue	State Bank of India, ICICI Bank Limited and Hong Kong and Shanghai Banking Corporation Limited
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form
Bid Closing Date/ Issue Closing date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English National newspaper, Hindi National newspaper and a regional newspaper
Bid cum Application Form/ Bid Form	The form in terms of which the Bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for allotment of the Equity Shares in terms of this Red Herring Prospectus
Bid Opening Date/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English National newspaper, Hindi National newspaper and a regional newspaper
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Bidding Period/ Issue Period	The period between the Bid/Issue Opening Date and the Bid/ Issue Closing Date, inclusive of both days, and during which prospective Bidders may submit their Bids

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<b>Term</b>	<b>Description</b>
Book Building Process	Book Building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made
BRLM/Book Running Lead Manager	Book Running Lead Manager to the Issue in this case being SBI Capital Markets Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The higher end of the Price Band, above which Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	The Issue Price finalized by the Company in consultation with the BRLM
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer / allot the Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Director(s)	Director(s) of Solar Explosives Limited, unless otherwise specified
Draft Red Herring Prospectus (DRHP)	This Draft Red Herring Prospectus proposed to be filed with the SEBI, which does not have complete particulars of the price at which the Equity Shares are offered and size of the Issue
Eligible Employees	Permanent Employees of the Group as on 30 <sup>th</sup> November, 2005, who are Indian Nationals based in India and are physically present in India on the date of submission of Bid cum Application Form, including Directors of the Company except for the Directors who are part of the Promoter Group
Employee Reservation Portion	The portion of the Issue reserved for Eligible Employees of the Company, in this case being upto 60,000 Equity Shares
Equity Shares	Equity Shares of the Company of Face Value of Rs.10 each
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
Escrow Agreement	Agreement entered into amongst the Company, Syndicate Members, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and for remitting 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 Bankers to the Issue at which bank(s) the Escrow Account of the Company will be opened



<b>Term</b>	<b>Description</b>
Face Value	Face value of the Equity Shares of our Company, being Rs.10 each
First Bidder	The bidder whose name appears first in the Bid cum Application form or Revision Form
Floor Price	Lower End of Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue	Public Issue of 44,00,000 new Equity Shares of Rs 10 each for cash at the Issue price of Rs [●] aggregating to Rs [●] by the Company in terms of this Red Herring Prospectus
Issue Price	The final price at which the Equity Shares will be allotted in terms of the Red Herring Prospectus, as determined by the Company and the BRLM on the Pricing Date
Issue Account / Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Issue Period	The period between the Bid / Issue Opening Date and Bid / Issue Closing Date, including both these dates
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
Mutual Fund	A fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instrument and registered with the SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Members of the Syndicate	The BRLM and the Syndicate Members
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue, including affiliates of BRLM and Syndicate Members, or Retail Individual Bidders and who have bid for an amount more than Rs. 1,00,000. For the sake of clarity NRIs, Foreign Venture Capital Investors and Indian Venture Capital Funds are not included within this definition
Non-Institutional Portion	The portion of the Issue being at least 6,51,000 Equity Shares of Rs. 10 each available for allocation to Non-Institutional Bidders
Net Issue/Net Issue to the Public	The Issue comprising of 43,40,000 Equity Shares
Pay-In-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(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

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Term	Description
Permanent Employees	Permanent Employees of the Group as on 30 <sup>th</sup> November 2005.
Price Band	Being the price band of a minimum price of Rs. 170/- per Equity Share (Floor Price) and the maximum price of Rs. 190/- per Equity Share (Cap Price)(both inclusive), and including revision thereof
Pricing Date	Means the date on which the Company, in consultation with the BRLM, finalizes the Issue Price
Promoters	Mr. Satyanarayan Nuwal, Mr. Kailashchandra Nuwal, Mr. Nandlal Nuwal, Mr. Satyanarayan Nuwal (HUF), Mr. Kailashchandra Nuwal (HUF), Mr. Nandlal Nuwal (HUF), Mr. Manish Nuwal, Ms Sohandevi Nuwal, Ms Leeladevi Nuwal, Ms Indiradevi Nuwal, Ms Seemadevi Nuwal, Mr. Rahul Nuwal
Promoter Group Companies	Solar Explosives Limited, Economic Explosives Limited, Solar Capitals Limited, Solar Components Private Limited, Solar Industries Limited, Solar Synthetics Private Limited, Solar Processors (Bhilwara) Limited, Mahakal Infrastructure Private Limited, Mahakal Projects Private Limited, Commercial Sales Corporation, Solar Explosives (Transport) Limited, Savita Sales Corporation
Prospectus	The Prospectus, filed with the RoC containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue/ /Issue	Public Issue of 44,00,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. [●] per Equity Share aggregating to Rs. [●] lakhs (the 'Issue').
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Bid / Issue Opening Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 2500 lakhs and Pension Funds with minimum corpus of Rs. 2500 lakhs.
QIB Portion	The portion of the Issue being upto 21,70,000 Equity Shares of Rs. 10 each available for allotment to QIB Bidder(s) of which 1,08,500 shall be available for allocation to Mutual Funds. Mutual Funds shall be eligible for proportionate allocation under the balance available for QIBs



<b>Term</b>	<b>Description</b>
Red Herring Prospectus or RHP	Means the Document issued in accordance with the SEBI Guidelines and which is not a Prospectus under Section 60 of the Companies Act and does not have complete particulars of the price at which the Equity Shares are offered and the 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 the pricing and allotment
Registered Office/ Registered Office of the company	11, Zade Layout, Bharat Nagar, Nagpur – 440 033, Maharashtra, India
Registrar/Registrar to the Issue	Registrar to the Issue in the case being Intime Spectrum Registry Limited
RoC / Registrar of Companies	Registrar of Companies, Everest 100, Marine Drive, Mumbai – 400 002 Maharashtra
Retail Portion	The portion of the Issue being at least 15,19,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have made their bid for Equity Shares for a cumulative amount of not more than Rs.1,00,000 in any of the bidding options in the Issue
Reserved Categories	Means reservation for Eligible Employees of the Company
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any
SBI Caps	SBI Capital Markets Limited
Syndicate Agreement	Agreement to be entered into among the BRLM, Syndicate Member(s) and the Company in relation to the collection of Bids in the Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM
TRS or Transaction Registration Slip	The slip or document registering the Bids, issued by the Syndicate Members to the Bidder as proof of registration of the Bid upon submission of the Bid cum Application Form in terms of this Red Herring Prospectus
Underwriters	The BRLM and the Syndicate Members
Underwriting Agreement	The agreement among the Underwriters and the Company to be entered into on or after the Pricing Date

## Solar Explosives Limited

### IV. Glossary of Technical and Industry Terms

Term	Definition
Ammonium Nitrate	The ammonium salt of nitric acid represented by the formula $NH_4NO_3$ .
ANFO	An explosive material consisting of ammonium nitrate and fuel oil.
Blast, (Blasting)	The firing of Explosive materials for such purposes as breaking rock or other material, moving material, or generating seismic waves.
Bulk Mix	A mass of Explosive material prepared for use in bulk form without packaging.
Bulk Delivery System / BDS	Bulk Delivery System is a specially fabricated vehicle having the facilities to receive, carry and charge the Matrix into the boreholes at the mine site or user point. This vehicle is fully equipped with all the safety equipment required as per the rules and regulations. This is the point where the non-Explosive Matrix becomes Explosive after the charging by this special purpose vehicle.
Cartridge	An individual closed shell, bag, or tube of plastic film, which packages the Explosive material into a single plastic case as per the precise diameter.
Commercial Explosives	Explosives designed, produced, and used for commercial or industrial applications rather than for military purposes.
Crimping	The act of securing a fuse cap or igniter cord connector to a section of a safety fuse by compressing the metal shell of the cap against the fuse by means of a cap crimper.
Deflagration	An Explosive reaction such as a rapid combustion that moves through an Explosive material at a velocity less than the speed of sound in the material.
Delay Blasting	The practice of initiating individual Explosive decks, boreholes or rows of boreholes at predetermined time intervals using delay detonators, or other delaying means, as compared to instantaneous blasting where all holes are fired essentially at the same time.
Delay Detonator	An electric or nonelectric detonator used to introduce a predetermine lapse of time between the application of a firing signal and the detonation of the base charge.
Detonating Cord	A flexible cord containing a center core of high Explosive which may be used to initiate other high Explosives.
Detonation	An Explosive reaction that moves through an Explosive material at a velocity greater than the speed of sound in the material.



<b>Term</b>	<b>Definition</b>
Detonator	Any device containing an initiating or primary Explosive that is used for initiating detonation in another Explosive material. A detonator may not contain more than 10 grams of total Explosives by weight, excluding ignition or delay charges. The term includes, but is not limited to, electric blasting caps of instantaneous and delay types, blasting caps for use with safety fuses, detonating cord delay connectors, and nonelectric instantaneous and delay blasting caps which use detonating cord, shock tube, or any other replacement for electric leg wires.
Dynamite	A high Explosive used for blasting, consisting essentially of a mixture of, but not limited to, nitroglycerin, nitrocellulose, ammonium nitrate, sodium nitrate, and carbonaceous materials.
Electric Detonator	A detonator designed for, and capable of, initiation by means of an electric current.
Emulsion	An Explosive material containing substantial amounts of oxidizer dissolved in water droplets, surrounded by an immiscible fuel, or droplets of an immiscible fuel surrounded by water containing substantial amounts of oxidizer.
Explosive	Any chemical compound, mixture or device, the primary or common purpose of which is to function by explosion.
Explosive Charge	The quantity of Explosive material used in a blasthole, coyote tunnel, or Explosive device.
Explosive Loading Factor	The amount of Explosive used per unit of rock. Also called Powder Factor
Explosive Materials	These include Explosives, blasting agents and detonators.
Flyrock	Rocks propelled from the blast area by the force of an explosion.
Fuse Cap	A detonator which is initiated by a safety fuse; also referred to as an ordinary Blasting Cap.
High Explosives	Explosives which are characterized by a very high rate of reaction, high pressure development, and the presence of a detonation wave in the Explosive.
Initiation	The start of deflagration or detonation in an Explosive material.
Loading	Placing Explosive material in a blasthole or against the material to be blasted.
Low Explosives	Explosives which are characterized by deflagration or a low rate of reaction and the development of low pressure. See Deflagration.
Magazine	Any building, structure, or container, other than an Explosives manufacturing building, approved for the storage of Explosive materials.

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Term	Definition
Matrix	Matrix is word used for the intermediary product which is manufactured at support plants. This is non-Explosive in nature till it gets charged into the boreholes by Bulk Delivery System.
Misfire	A blast or specific borehole that failed to detonate as planned. Also, the Explosive material itself that failed to detonate as planned.
Nitroglycerin	An Explosive chemical compound used as a sensitizer in dynamite and represented by the formula $C_3H_5(ONO_2)_3$ .
Nonelectric Detonator	A detonator that does not require the use of electric energy to function.
Opencast Mine	Any mine other than an underground excavation. Open cast mines allow higher mechanisation and can therefore ensure faster step-up in production. The key challenge however is to manage the adverse impact on environment, which is greater in the case of open cast mines.
Overburden	The rock, earth together with unconsolidated material or other matter lying on or interspersed with the mineral to be mined.
PETN	An abbreviation for the name of the Explosive Pentaerythritol Tetranitrate.
Permitted Explosives	Permitted Explosives means authorized Explosives which are permitted by the Director General of Mines Safety to be used in underground coal mines.
Powder	A common synonym for Explosive materials.
Powder Factor	The amount of Explosive used per unit of rock. Also called Explosive Loading Factor.
Primary Explosive	A sensitive Explosive which nearly always detonates by simple ignition from such means as spark, flame, impact, friction, or other primary heat sources of appropriate magnitude.
Primer	A unit, package, or cartridge of Explosives used to initiate other Explosives or blasting agents, and which contains (1) a detonator; or (2) detonating cord to which is attached a detonator designed to initiate the detonating cord.
Safety Fuse	A flexible cord containing solid flammable material by which fire or flame is conveyed at a continuous and uniform rate from the point of ignition to a cut end. A fuse detonator is usually attached to that end, although safety fuse may be used without a detonator to ignite material such as deflagrating Explosives.
Secondary Blasting	Blasting to reduce the size of boulders resulting from a primary blast.
Slurry Explosive	An Explosive material containing substantial portions of a liquid, oxidizers and fuel, plus a thickener.



<b>Term</b>	<b>Definition</b>
Support Plant	The support plant is basically a Matrix manufacturing plant which manufactures emulsion/slurry Matrix from various raw materials like Ammouium Nitrate, Sodium Nitrate, Calcium Nitrate, diesel, furnace oil and emulsifiers.
Transfer Plant	This is a unit, which receives, and stores Matrix from its support plant through transfer tankers and delivers to BDSs. See Bulk Delivery System.
Transfer Tanker	Transfer tanker is a special purpose vehicle fabricated for the purpose of carrying the Matrix from support plant to transfer plant. This vehicle is properly insulated for this purpose.

#### **V. Abbreviations of General Terms**

<b>Abbreviation</b>	<b>Full Form</b>
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
EPS	Earnings Per Share
EGM	Extraordinary General Meeting
FCNR Account	Foreign Currency Non Resident Account
FIPB	Foreign Investment Promotion Board
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FII	Foreign Institutional Investors
GIR Number	General Index Registry Number
MoF	Ministry of Finance, Gol
MOU	Memorandum of Understanding
NAV	Net Asset Value
NPV	Net Present Value
NRIs	Non Resident Indians
NRE Account	Non Resident External Account
p.a.	Per annum
PAN	Permanent Account Number
RBI	The Reserve Bank of India
RoC	Registrar of Companies, Maharashtra
ROE	Return on Equity
RONW	Return on Net Worth
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time

**SECTION II: RISK FACTORS**

**I. Certain Conventions; Use of Market Data**

In this Red Herring Prospectus, unless stated otherwise, the financial data is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, as stated in auditor's report in this Red Herring Prospectus. Accordingly, financial information relating to us is presented on a non-consolidated basis and also on a consolidated basis for the Half Year ending September 30, 2005. Our fiscal year commences on April 1 and ends on March 31. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

All references to "India" contained in this Red Herring Prospectus are to the Republic of India and all references to "Rupees" or "Rs" are to Indian Rupees, the official currency of the Republic of India.

In this Red Herring Prospectus all references to one gender also refers to another gender and the word "Lakh" or "Lakhs" means "one hundred thousand" and the word "million" means "ten lakh" and the word "Crore" means "ten million".

Any percentage amounts, as set forth in this RHP (eg. "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operation", etc.), unless otherwise indicated, have been calculated on the basis of the Rupee amounts derived from our financial statements prepared in accordance with the Indian GAAP and not on the basis of any translated Rupee amount presented solely pursuant to SEBI requirements. Calculation of percentage amounts on the basis of Rupee amounts may lead to results that are different, in a material way, from those calculated as per Foreign Currency amounts.

For additional definitions, see the section titled 'Definitions and Abbreviations' on page i of this Red Herring Prospectus. In the section titled 'Main Provisions of Articles of Association of the Company' beginning on page 211 of this Red Herring Prospectus, defined terms have the meaning given to such terms in the AoA of the Company.

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from data internal to the Company, Ministry of Coal, Coal India Limited and from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Red Herring Prospectus is reliable; it has not been independently verified.



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### Forward-Looking Statements

We have included statements in this Red Herring Prospectus, that contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions that are “forward-looking statements”. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Red Herring Prospectus regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Red Herring Prospectus (whether made by us or any third party) involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

1. General economic and business conditions in India and other countries
2. Our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks that have an impact on our business activities or investments.
3. The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.
4. Changes in the value of the Rupee and other currencies.
5. The occurrence of natural disasters or calamities
6. Change in political condition in India

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page xiv of this Red Herring Prospectus. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the members of Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the 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.

## **II. RISK FACTORS**

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

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Red Herring Prospectus, including financial statements included in this Red Herring Prospectus beginning on page 97. Unless stated otherwise, the financial data in this section is as per our financial statements prepared in accordance with Indian GAAP.

### **Materiality**

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

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

The risk factors are as envisaged by the management along with the proposals to address the risk if any. Wherever possible, the financial impact of the risk factors has been quantified however, certain risks cannot be quantified because of their very nature.

### **INTERNAL RISK FACTORS**

#### **Foreign manufacturing location not finalised**

After completing the necessary evaluations of various locations in Africa, we will be finalizing the sites for the project. Depending upon finalization of location for foreign investment the cost of project may change. Any delay or the inability to finalize the overseas locations may impact the utilization of issue proceeds. This delay may adversely affect our future prospects. Further, after finalising the location, we will be seeking necessary regulatory/statutory approvals. In case, such approvals are delayed or not granted, the implementation of projects will get delayed. Please refer material developments on page no. 176 of this RHP.

#### **Land for all the locations in New Project (in India) has not been finalized**

The locations for 13 plants as per our project has been finalized and detailed on page 27 of the RHP. It is scheduled to be completed in 2 phases. 8 plants are scheduled in the 1st phase and 5 in the 2nd phase. Land has been procured only in 5 out of the total 13 locations (advance for land has been paid at Asansol, Jharsugada, Ramagundam and Ramgarh and one land has been allotted by Bokaro Industrial Area Development Authority, at Bokaro). The lands for 8 locations are still to be finalized. Any inability to locate land at optimum location/price will adversely affect the project cost and our profitability. Please refer to page no. 27 of this RHP for details.

**We have significant planned capital expenditures; our capital expenditure plans may not yield the benefits intended. Our business and future results of operation may be adversely affected if we are unable to implement our expansion plans.**

Our operations require significant capital expenditure to be utilized for the purpose of setting up new manufacturing facilities and new storage facilities. The planned expenditure for the setting up of new facilities is Rs. 7638.05 lakhs. For more details on expenditure please refer to the section entitled "Objects of the Issue" beginning on page 26 of this Red Herring Prospectus.



In addition, our planned expenditure plans are subject to a number of variables, including possible cost overruns, construction/development delays or defects, receipt of critical governmental approvals and changes in management's views of the desirability of current plans, among others. We may also require additional financing to expand and upgrade our existing facilities. The actual amount and timing of our future capital requirements may differ from our estimates as a result of, among other things, unforeseen delays or cost overruns, unanticipated expenses, regulatory changes, engineering design changes, weather-related delays and technological changes. There can be no assurance that any capacity addition or improvement at our facilities will be completed as planned or on schedule or that we will achieve our planned capacity, operational efficiency or product base, or our targeted return on investment. In view of the reasons stated above, we cannot assure you that we will be able to execute our capital expenditure plans as contemplated. If we experience significant delays or mishaps in the implementation of our capital expenditure plans or if there are significant cost overruns, then the overall benefit of such plans to our revenues and profitability may decline. To the extent that completed capital expenditure does not produce anticipated or desired revenue or cost-reduction outcomes, our profitability and financial condition will be adversely affected.

**All the definitive agreements to utilise the proceeds of the Issue have not yet been finalised.**

We intend to use the proceeds of the Issue for capital expenditure described in the section "Objects of the Issue" beginning on page 26 of this Red Herring Prospectus. We have only placed orders worth Rs 555.81 Lakhs (Gross amount) for the plant and machinery as compared to total expenditure detailed on page no. 27 of this RHP. For the balance planned expansions, which we propose to fund from the proceeds of this issue, we have only estimated our total fund requirements. Pending any use of the proceeds of the Issue, we intend to invest the funds in "Fixed Deposit- Escrow Account" with a Scheduled Commercial Bank.

**For the proposed expansion plan, we have not yet received required approvals. We may face delay in implementation of the project in case the same is delayed or not granted. We require certain registrations and permits from government and regulatory authorities in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect our operations**

We have made the necessary application for Industrial Licence with the Ministry of Commerce and Industry, Govt. After getting the letter of intent we will take all other statutory approvals. We are also required to obtain/renew various permits from time to time in the ordinary course of business. For details please refer to the para Government Approvals/Licensing Arrangements on page 169 of this Red Herring Prospectus under the Chapter "Legal and Other Approvals". Failure to obtain the permits on time or at all will impact our operations.

**Our revenues are highly dependent on a limited number of buyers. The loss of any of our major buyers or a decrease in the volume of our finished products they source from us may adversely affect our revenues and profitability.**

We derive a significant portion of our revenues from a limited number of buyers. In FY 2003-04, FY 2004-05 and first six months of 2005-06, our largest buyer, Coal India and its subsidiaries, accounted for 39.88%, 47.43% and 33.32% of our revenues respectively and our five largest buyers accounted for 53.95%, 61.84% and 58.55% respectively. As a result of our reliance on a limited number of clients, we may face pricing pressure. In addition, there are a number of factors, other than our performance, that could cause loss of a buyer which may not be predictable. Our buyers may also decide to reduce the quantity of final product sourced from us because of challenging market conditions and other factors, internal and external, relating to their business. The loss of any of the major buyers, a decrease in the volume of our products they source from us or decrease in the price of our products we supply, may adversely affect our revenue and profitability.

**Our operations are subject to manufacturing risks and may be disrupted by a failure in our facilities. Our industry is prone to accidents because of the nature of raw materials handled and products manufactured. Any such incident can hamper production, which would result in lower revenues.**

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Our manufacturing operations could be disrupted by extreme weather conditions, fire, natural catastrophes or raw material supply disruptions. Our facilities are also subject to operating 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. In addition, there is a risk that production difficulties such as capacity constraints, mechanical and systems failures, construction/upgrade delays or delays in the delivery of machinery may occur, causing suspension of production and reduced output. Any significant manufacturing disruption could adversely affect our ability to make and sell products, which could have a material adverse effect on our business, financial condition and results of operations. We are also 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.

In addition, due to the nature of our business and despite compliance with requisite safety requirements and standards, our operations are subject to operating risks associated with Explosive and Explosive accessory manufacturing. These hazards include storage tank leaks and ruptures, explosions, discharges or releases of hazardous substances, manual handling, exposure to dust and the operation of mobile equipment and manufacturing machinery. These operating risks may cause personal injury and property damage and could result in the imposition of civil and criminal penalties. The occurrence of any of these events could have a material adverse effect on the productivity and profitability of a particular manufacturing facility and on our business, financial condition and results of operations. An inability to utilize our manufacturing capacities to optimum levels or streamline our production planning and procurement processes will adversely impact our results of operations.

However we have covered Insurance for accidents and losses as detailed in page no. 74 of RHP. Further we also have insurance cover against loss of profits.

### **Disruptions in supply and transport could affect our business.**

Our production facility is dependent on a steady supply of various raw materials. These inputs are transported to our plants by land, and Explosives is transported to our customers by land transport. Transport of our inputs and finished products is subject to various bottlenecks and other hazards beyond our control, including poor road and other transport infrastructure, accidents, adverse weather conditions, strikes and civil unrest. Either an increase in the price of transportation or interruptions in transportation of our inputs or finished products could have an adverse effect on our business, financial condition and results of operations. Although we have not encountered any significant disruption to the supply and transportation of inputs and finished products to date, no assurance can be given that any such disruption will not occur in the future as a result of these factors and that such disruptions will not be material.

However on date the Company is able to make all raw materials in-house except Ammonium Nitrate. Further, the company has its own fleet of vans to transport raw materials and finished goods.

### **An increase in the prices of raw materials will raise our manufacturing costs and could adversely affect our profitability. Moreover, Ammonium Nitrate, one of the raw materials, alone constitutes almost 30% of the total raw material cost.**

We have no control on the prices of our basic raw material viz. Ammonium Nitrate. The prices of Ammonium Nitrate could fluctuate due to uncertain prices of petroleum world over, considering that natural gas is its major input.

In the recent past, there have been wide fluctuations in the prices of critical raw materials such as ammonium nitrate, both at domestic and international levels. Such fluctuations in prices of raw material and our inability to negotiate at optimum market rates may affect our profitability. Similarly, the prices of finished products have also shown price variations, which may impact our profitability.



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

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

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. Whilst we have generally been successful in execution of our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget in the future. If we are unable to implement our business and growth strategy, this may have an adverse effect on our business, financial condition and results of operations.

While we have been able to successfully execute our business strategy in the past, the same may not be achievable in the future. Further, rapid growth could place significant demand on our management team and other resources and would require us to continuously develop and improve our operational, financial and other controls, none of which can be assured. Any failure on our part to scale up our infrastructure and management to meet the challenges of rapid growth could cause disruptions to our business and could be detrimental to our long-term business outlook.

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

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

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

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

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

**We are dependent on the growth prospects of other industries, especially mining and infrastructure related sectors. A slowdown in any of these industries would seriously impact our growth prospects and will result in a decline in profits**

The Gol is laying emphasis on development of the core sector. Our investment decisions are influenced by the stated plans of Gol for power generation and infrastructure. Gol may not undertake the proposed plans to the extent envisaged, thereby impacting the growth in power and infrastructure sectors, which in turn may affect demand for our products.

**There is a marketing risk as bulk of our orders is obtained by bidding through tenders. Thus it is possible that we may not win a bid and this could affect our revenue flow.**

It has been our experience that large institutional buyers give due weightage also to non-price related aspects like product performance, supply performance, production capacity and infrastructure.

**Our Contingent Liabilities could adversely affect our financial condition.**

We have certain Contingent Liabilities, which may adversely affect our financial condition.

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As on September 30, 2005 contingent liabilities not provided for appearing in our Consolidated financial statements are given in the table below:

(Rs.in lakh)

Particular	Half year Ended At 30.09.2005
Sales Tax Deferment (Unsecured Loan)	2450.93
Central Excise Duty	27.85
Sales Tax	49.90
Guarantees given by bank on behalf of the company	1130.57
<b>Total</b>	<b>3659.25</b>

**There are certain outstanding litigations against our Company and our Subsidiary Companies, which if decided unfavourably will affect our financial conditions.**

There are seven (7) Customs and Central Excise Duty Disputes and six (6) Labour related cases pending at different levels. The total amount involved in the afore-cited cases is approximately Rs.65,00,000 (Rupees sixty five lakhs). Further, there are twelve (12) cases pending at different levels against our subsidiaries and Group concerns.

We are defendants in legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian laws or rulings against us by the courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if significant claims are determined against us and we are required to pay all or a portion of the disputed amounts, it could have a material adverse effect on our business and profitability.

For more information, see the section titled "Outstanding Litigation and Material Development" on page 155 of this Red Herring Prospectus.

### **Risk related to Insurance cover**

Our operations are subject to hazards and risks inherent in the use of chemicals and other hazardous materials in the course of our production processes, such as explosions, chemical spills, storage tank leaks, discharges or releases of hazardous substances and other environmental risks, mechanical failure of equipment at our facilities and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of our properties and the properties of others and environmental pollution, and may result in suspension of operations and the imposition of civil or criminal penalties. While we believe that our insurance coverage is consistent with industry norms for India, we do not carry business interruption insurance for our operations in India. If any or all of our production facilities are damaged in whole or in part and our operations are interrupted for a sustained period, there can be no assurance that our insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities or any third party claims. If we suffer a large uninsured loss or any insured loss suffered by us significantly exceeds our insurance coverage, our business, financial condition and results of operations may be adversely affected.

In addition, our insurance coverage is generally subject to annual renewal. In the event of sharp premium increase, we may only be able to obtain such coverage at substantially higher cost than we are currently paying which may in turn affect our margins.. For a summary of the terms of our insurance contracts, see "Business — Insurance" on page 74 of this Red Herring Prospectus.



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**We are subject to the restrictive loan covenants of FI's and Bank's in respect of the short and long term borrowings made from them. Some of the loan covenants may affect some or all of the rights of the shareholders.**

We are subject to usual and customary restrictive covenants in agreements that we have entered into with our banks for short-term loans and long-term borrowings. These restrictive covenants require us to seek the prior permission of the banks for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger / amalgamation / restructuring, change in management etc. These restrictive covenants may affect some or all of the rights of our shareholders.

#### **Issue of Equity Shares in the last 12 months**

We have issued Equity Shares in the last 12 months. For details, please refer to the "Notes to Capital Structure" on page 16 of the RHP. On September 30, 2005, the Company has issued bonus shares in the ratio of 1.5 : 1 to all the existing shareholders.

**Our trade marks is not registered, this may cause damage to our reputation and goodwill and may also result in loss of business.**

We have so far not obtained registration of trade marks for our products. Any misuse of our trade marks by an unscrupulous person or entity can cause serious damage to our reputation and goodwill and may also result in a loss of business.

#### **Risk related to related party transactions**

We have given loans to our Group companies at 10.5% to 11%. Please refer to "Related Party Transactions" on page 114 of this Red Herring Prospectus for more details.

**The decrease in or elimination of government initiatives and incentives relating to wind energy may have a adverse effect on our business and results of operations.**

Our 100% subsidiary Economic Explosives Limited is setting up a wind power project at Dhulia, Maharashtra with 1.25 MW capacity. In recent years, the Indian government has enacted legislation and has established policies that support the expansion of renewable energy sources, such as wind power, and such support has been a significant contributing factor in the growth of the wind power industry. Support for investments in wind power is provided through fiscal incentive schemes and public grants to the owners of wind power systems, for example through preferential tariffs on power generated by wind farms or tax incentives, including in respect of certain capital investments, promoting investments in wind power. Various state governments have also provided wind power generators with wheeling facilities and have also allowed wind power generators to bank power with the grid, due to wind being an intermittent source of power. Further, the international attention being paid to reducing carbon dioxide emissions and the possibility of trading carbon dioxide emission quotas taking place has led to extra duties being applied to those sources of energy, primarily fossil fuels, which cause carbon dioxide pollution. The imposition of these duties has indirectly supported the expansion of power generated from renewable energy and, in turn, the wind power industry in general. If this direct and indirect government support for wind power was terminated or reduced, this would make producing electricity from wind power less competitive. There can be no assurance that any such government support will continue at the same level or at all. Our ability to profitably generate wind power could therefore decline sharply, which would adversely affect our results of operations and financial condition.

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### EXTERNAL RISK FACTORS

#### **An economic downturn may adversely impact our operating results.**

An economic downturn may result in the postponement or reduction of expenditures for Explosives and related products and services.

#### **Our operations are subject to environmental, labour and other regulations.**

Our operations are subject to various Indian national and State environmental laws and regulations relating to the control of pollution in the various locations in India where we operate. In particular, the discharge or emission of chemicals, dust or other pollutants into the air, soil or water that exceed permitted levels and cause damage to others may give rise to liabilities to the Government of India and State Governments and third parties, and may result in our incurring costs to remedy such discharge or emissions, such as from the use of coal. There can be no assurance that compliance with such environmental laws and regulations will not result in a curtailment of production or a material increase in the costs of production or otherwise have a material adverse effect on our financial condition and results of operations. Environmental laws and regulations in India have been increasing in stringency and it is possible that they will become significantly more stringent in the future. Stricter laws and regulations, or stricter interpretation of the existing laws and regulations, may impose new liabilities on us or result in the need for additional investment in pollution control equipment, either of which could affect our business, financial condition or prospects.

We are also subject to laws and regulations governing relationships with employees, in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and terminating of employees, contract labour and work permits. Furthermore, the success of our strategy to modernize and optimize our existing operations, open newly-constructed plants or acquire new plants is contingent upon, among other things, receipt of all required licenses, permits and authorizations, including local land use permits, building and zoning permits and environmental permits. Changes or concessions required by regulatory authorities could also involve significant costs and delay or prevent completion of the construction or opening of a plant or could result in the loss of an existing license.

#### **Any change in the policies by the countries in terms of tariff and non-tariff barriers from which the Company imports its raw materials and/or exports its products to, will have an impact on the Company.**

#### **A significant change in the regulatory environment could disrupt our business and financial performance.**

The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance.

#### **Taxes and other levies imposed by the Government of India or other state governments, as well as other financial policies and regulations, may have a material adverse effect on our business, financial condition and results of operations.**

Taxes and other levies imposed by the central or state governments in India that affect our industry include customs duties, excise duties, sales tax, income tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time. Currently we benefit from certain tax benefits that result in a decrease in the effective tax rate compared to the tax rates that we estimate would have applied if these incentives had not been available. There can be no assurance that these tax incentives will continue in the future. The non-availability of these tax incentives could adversely affect our financial condition and results of operations.



Natural calamities, acts of God and unforeseen contingencies including terrorist attack, civil unrest and other acts of violence or war involving India and/or other countries across the world, where the Company has business presence, could have a negative impact on the Indian economy and cause our business to suffer.

**After this Issue, the prices of Company's Equity Shares may be volatile, or an active trading market for Company's Equity Shares may not develop. The price of Company's Equity Shares in Indian Stock Exchanges may fluctuate after this Issue as a result of several factors, including:**

- A) Volatility in the Indian and Global securities market;
- B) The results of its operations and performance and Perceptions about its future performance;
- C) Performance of competitors and market perception of investments in the industry;
- D) Adverse media reports on SEL or on the industry;

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

#### **Exchange rate volatility may have an impact on our business**

Exchange rate fluctuations may have an impact on the performance of the Company. The exchange rate between the Rupee and other currencies is variable and may continue to fluctuate in the future. Such fluctuations can have a serious impact on the revenues from our trading business.

#### **NOTES TO RISK FACTORS**

- Public Issue of 44,00,000 Equity Shares of Rs. 10/- each for Cash at a Price of Rs. [●] per Equity Share aggregating Rs. [●] lakhs (the 'Issue'), The Issue comprises of a reservation of 60,000 Equity Shares to Eligible Employees of the company Net Issue to the Public of 43,40,000 Equity Shares of Rs. 10/- each.
- The net worth of our Company (as on March 31, 2005) was Rs. 2727.63 lakhs and was Rs 4800.42 lakhs (as on September 30, 2005).
- Out of Share Premium of Rs. 13,51,28,350/-, the Company has utilized Share Premium amount to the extent of Rs. 7,75,42,910/- towards the issue of Bonus Shares to the existing shareholders
- The book value per share as on March 31, 2005 is Rs. 78.16
- The average cost of acquisition of Equity Shares by our Promoters is as follows:

<b>Name of the Promoter</b>	<b>Average Cost of Acquisition (Rs.)</b>
Mr. Satyanarayan Nuwal	15.02
Mr. Kailashchandra Nuwal	14.78
Mr. Nandlal Nuwal	12.52
Mr. Satyanarayan Nuwal (HUF)	16.5
Mr. Kailashchandra Nuwal (HUF)	16.77
Mr. Nandlal Nuwal (HUF)	10.99
Mr. Manish Nuwal	15.49
Ms. Sohandevi Nuwal	14.78
Ms. Leeladevi Nuwal	12.31
Ms. Indiradevi Nuwal	13.54
Ms. Seemadevi Nuwal	19.83
Mr. Rahul Nuwal	35.89

## **Solar Explosives Limited**

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- The Issue is being made through a 100% Book Building Process wherein up to 50% of the Issue will be allocated to Qualified Institutional Buyers (“QIBs”) on a proportionate basis. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds. Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, at least 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- The Investors are advised to refer to the section titled ‘Basis for Issue Price’ on page 36 of this Red Herring Prospectus before making an investment in this Issue
- For related party transactions, refer to the section titled ‘Related Party Transactions’ and ‘Transactions with Promoter/ Promoter Group’ on page 114 of this Red Herring Prospectus.
- Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
- Except as disclosed in this Red Herring Prospectus, none of our Directors have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding.
- Investors may contact the BRLM or the Compliance officer for any complaints, information or clarifications pertaining to the Issue.
- In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to QIB Bidders, Retail Individual Bidders and Non-Institutional Bidders (Refer to the paragraph entitled “Basis of Allotment” on page 206 of this Red Herring Prospectus).



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## SECTION III: INTRODUCTION

### I. SUMMARY

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information on “Risk Factors” and our financial statements and related notes beginning on page xiv of this Red Herring Prospectus, before deciding to invest in our Equity Shares. Unless otherwise stated, all financial and other data regarding our business and operations presented in this Red Herring Prospectus are presented on a consolidated basis.

#### Industry Overview

Explosives mainly find their use in the mining and infrastructure industries. The growth in the Explosives industry is largely dependent on the growth in the Mining Industry, with players in mining comprising the largest consumers of industrial Explosives. With the economy poised to grow at 7 – 8% per annum with focus on investment in infrastructure, mining industry is expected to grow at a similar pace particularly in the core segments like Coal, Iron Ore, and Limestone.

The key driver of growth in the Explosive industry is the demand from the coal sector. Coal production has increased steadily, with the rate of growth accelerating to over 4% onwards of 2000-01 ([http://www.icraratings.com/rating\\_article/2005-October-Coalnote.pdf](http://www.icraratings.com/rating_article/2005-October-Coalnote.pdf)). With over 55% (Source: <http://coal.nic.in/>) of India's energy need being met by Coal, the long term volume demand for the Explosive industry is expected to be stable. With the growing demand for power, steel and cement, there is a big surge in the growth of coal, iron ore and limestone mining.

As outlined in the National Steel Policy, 2005, in order to ensure availability of 190 Million MT of iron ore for domestic production of steel by 2019-20, Government would encourage investments in creation of an additional mining capacity of 200 Million MT. The size of these investments will be Rs. 20,000 Crore (<http://steel.nic.in/nspolicy2005.pdf>). Further, the golden quadrilateral project of National Highways has created substantial demand for the Explosives.

Other sectors which account for the demand in Explosives include irrigation and infrastructure sector. With infrastructure being the prime focus of Government of India, the share of Explosives demand from this sector is also expected to increase.

#### Business Overview

Solar Explosives Limited, the flagship company of the Group had started manufacturing of Slurry Explosives in the year 1996-97. With the success of this unit, the Group forayed into manufacture of Detonators and Detonator components through Economic Explosives Limited, and Solar Components Private Limited in the year 1998 respectively. Subsequently the Group entered into manufacture of Bulk Explosives through Solar Capitals Limited in the year 2000. These three companies were made 100% subsidiaries of Solar Explosives Limited, with effect from September 25, 2005.

With a Licensed Capacity of 80,000 MT Explosives, 50 Million numbers of Detonators and 20 Million Meters of Detonating Cord, Solar Explosives Limited is one of the largest suppliers of Packaged Explosives in India. Solar Explosives Limited is also one of the largest suppliers of packaged Explosives to Coal India Limited (CIL), which consumes over 70% of the country's demand. The company also supplies to other major Public Sector and Private sector companies like Steel Authority of India Limited, Singareni Collieries Co. Limited, Hindustan Zinc Limited, Cement Industry, Border Roads Organization, various National Hydro-Electric Projects and various other companies in the infrastructure and construction sector.

Underground mines of CIL which at present are 305 in number produce about 30% of the coal as against 70% produced by Opencast Mines (Source: Standing Committee on Coal and Steel (2004-2005), Fourteenth Lok Sabha, Ministry of Coal, Eighth Report). Further, the scales of operations are becoming larger in the Opencast Mines. This has necessitated the Explosives industry to move to the latest generation of technological swing, which is marked by introduction of site specific bulk manufacturing and delivering vehicles which carry non-Explosive Matrix to the mine site and convert it to Explosives only during the process of charging of the bore holes. The advantages offered by this system are manifold:

- Higher Loading rate
- Enhanced safety
- Reduction of storage and transportation infrastructure;

## Solar Explosives Limited

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- Savings on labour cost
- Provides better blast management.

Solar Explosives limited is presently making various types of packaged Emulsion Explosives and Explosive Accessories. In order to maintain and enhance its position in the markets in which it competes, and take advantage of growth opportunities the Company intends to substantially expand the facilities for manufacturing of Bulk Explosives.

### Management

The Company is currently managed by the Board of Directors comprising ten Directors, of which five are Whole-time Directors and five are independent Directors. The Wholetime Directors are responsible for the day-to-day operations of the Company and their broad area of operations is as follows:

<b>Name</b>	<b>Broad Area of Operations</b>
Mr. Satyanarayan Nuwal	Chairman
Mr. Kailashchandra Nuwal	Director responsible for Sales and Marketing in the Trade Market
Mr. Kundan Singh Talesra	Chief Executive Officer responsible for operations and new projects in India
Mr. Manish Nuwal	Chief Commercial Officer responsible for finance, purchase and new projects Overseas
Mr. Roomie Vakil	Chief Marketing Officer responsible for marketing and exports



## II. THE ISSUE

The following information, unless stated otherwise, is based on our capital structure as of the date of this Red Herring Prospectus.

### Public Issue of Equity Shares by the Company:

Issue	44,00,000 Equity Shares.
Of which Employee Reservation Portion	60,000 Equity Shares
Net Offer to the Public	43,40,000 Equity shares
Of which:	
Qualified Institutional Buyers Portion:	Up to 21,70,000 Equity Shares (allocation on proportionate basis). Out of which 5% i.e. 1,08,500 will be available for allocation to Mutual Funds and the remaining QIB portion will be available for allocation to QIBs, including Mutual Funds.
Of which Mutual Funds	Up to 1,08,500 Equity Shares (allocation on proportionate basis).
Non-Institutional Portion:	At least 6,51,000, Equity Shares (allocation on proportionate basis).
Retail Portion:	At least 15,19,000 Equity Shares (allocation on proportionate basis).
Equity Shares outstanding prior to the Issue	1,29,23,816 Equity Shares of Rs. 10/- each.
Equity Shares outstanding after the Issue	1,73,23,816 Equity Shares
Objects of the Issue:	See the section titled "Objects of the Issue" on page 26 of this Red Herring Prospectus.

**Note:** Under-subscription, if any, in any of the categories of the net public offer would be allowed to be met with spillover from the other categories, at the sole discretion of the Company and BRLM and Under-subscription, if any, in Employee category would be allowed to be met with spillover first from the retail category and then if any from the Non Institutional category.

## Solar Explosives Limited

### SUMMARY FINANCIAL AND OPERATING INFORMATION

Three of our Group companies, viz. Economic Explosives Limited, Solar Capitals Limited and Solar Components Private Limited, became 100% owned subsidiaries of Solar Explosives Limited with effect from September 25, 2005.

Statement of Assets and Liabilities on consolidated basis for half-year ended 30/09/2005, as restated

#### SOLAR EXPLOSIVES LIMITED (Consolidated)

#### STATEMENT OF ASSETS AND LIABILITIES

(Rs. In Lakhs)

	30/09/2005
<b>(A) FIXED ASSETS:</b>	
Gross Block	7365.55
Less: Depreciation	1143.40
<b>Net Block</b>	<b>6222.15</b>
Add: Capital work in progress	65.64
<b>Total</b>	<b>6287.79</b>
Less: Revaluation Reserve	0.00
<b>Net Block (after adjustment of Revaluation Reserve)</b>	<b>6287.79</b>
<b>(B) Investments</b>	<b>97.72</b>
<b>(C) Current Assets, Loans Advances</b>	
Inventories	1870.60
Sundry debtors	3515.75
Cash & Bank Balances	375.22
Loans Advances	1525.82
<b>TOTAL</b>	<b>7287.39</b>
<b>(D) Liabilities Provisions</b>	
Secured Loans	2630.09
Unsecured Loans	1016.51
Current liabilities Provisions	2996.63
13% Cumulative Redeemable Preference shares	0.00
Deferred Tax liability	617.99
<b>Total</b>	<b>7261.22</b>
<b>(E) Net Worth (A+B+C-D)</b>	<b>6411.68</b>
<b>(F) Represented by:</b>	
<b>Paid-up share capital</b>	
Equity Shares	1292.38
Reserves Surplus	5126.17
Less: Revaluation reserve	0.00
Reserve surplus after adjustment of Revaluation Reserve	5126.17
<b>Total</b>	<b>6418.55</b>
<b>(G) Misc. expenditure to the extent not written off</b>	<b>6.87</b>
<b>(H) Net worth (F-G)</b>	<b>6411.68</b>



Statement of Profit & Loss on consolidated basis for half year ended 30/09/2005, as restated

SOLAR EXPLOSIVES LIMITED (Consolidated)

STATEMENT OF PROFIT AND LOSS

(Rs. In Lakhs)

	30/09/2005
<b>Income:</b>	
<b>Sales</b>	
Manufactured goods	7145.19
Traded goods	1022.81
<b>Total Turnover</b>	<b>8168.00</b>
Less: Excise Duty	972.49
<b>Net Sales</b>	<b>7195.51</b>
Increase (Decrease) in Stock	-88.76
Other Income	129.34
<b>TOTAL</b>	<b>7236.09</b>
<b>Expenditure</b>	
Material Consumed	4114.45
Manufacturing Expenses	339.18
Employees Emoluments	252.08
Administrative Other Expenses	115.30
Financial Charges	161.34
Selling and Distribution Expenses	668.06
Depreciation	160.16
<b>TOTAL EXPENSES</b>	<b>5810.57</b>
<b>Profit before Tax and other Adjustments</b>	<b>1425.52</b>
Prior Period Adjustment	
Provision for Current Tax	230.47
Provision for Fringe Benefit Tax	6.69
Provison For Deferred Tax	44.38
<b>Profit after Tax</b>	<b>1143.98</b>
Carried Forward Profit from Previous Year	0.00
Profit Available For Appropriation	1143.98
Transferred to General Reserve	0.00
Transferred to Capital Redemption Reserve	0.00
Proposed / Interim Dividend on Equity Shares	0.00
Proposed / Interim Dividend on Preference Shares	0.00
Tax on Dividend on Equity Shares	0.00
Tax on Dividend on Preference Shares	0.00
<b>Balance carried to Balance Sheet</b>	<b>1143.98</b>

## Solar Explosives Limited

### Statement of Assets and Liabilities on a stand alone basis for the last five years, as restated

(Rs In Lakhs)

	As at 30.09.05	As at 31.03.05	As at 31.03.04	As at 31.03.03	As at 31.03.02	As at 31.03.01
<b>(A) FIXED ASSETS:</b>						
Gross Block	4152.97	4085.44	2772.58	2493.12	1633.05	927.13
Less: Depreciation	571.27	479.85	323.97	208.38	125.39	84.32
<b>Net Block</b>	<b>3581.70</b>	<b>3605.59</b>	<b>2448.61</b>	<b>2284.74</b>	<b>1507.66</b>	<b>842.81</b>
Add: Capital work in progress	65.64	26.55	156.05	68.45	2.69	—
<b>Total</b>	<b>3647.34</b>	<b>3632.14</b>	<b>2604.66</b>	<b>2353.19</b>	<b>1510.35</b>	<b>842.81</b>
Less: Revaluation Reserve	—	—	—	—	—	—
Net Block (after adj. of Revaluation Reserve)	3647.34	3632.14	2604.66	2353.19	1510.35	842.81
<b>(B) Investments</b>	<b>2291.94</b>	<b>105.75</b>	<b>87.00</b>	<b>82.00</b>	<b>64.00</b>	<b>65.00</b>
(C) Current Assets, Loans Advances						
Inventories	1175.99	839.10	391.19	338.35	221.78	215.81
Sundry debtors	2924.02	1037.12	1057.41	829.79	583.14	456.09
Cash & Bank Balances	165.55	159.57	473.45	108.85	19.10	13.99
Loans Advances	565.09	487.19	511.46	516.7	1009.53	365.68
<b>TOTAL</b>	<b>4830.65</b>	<b>2522.98</b>	<b>2433.51</b>	<b>1793.69</b>	<b>1833.55</b>	<b>1051.57</b>
<b>(D) Liabilities Provisions</b>						
Secured Loans	1810.65	1679.66	1746.42	1474.52	1331.00	512.05
Unsecured Loans	1214.26	627.90	516.33	370.12	257.57	176.72
Current liabilities Provisions	2575.90	827.44	500.01	426.48	389.32	169.17
13% Cumulative Redeemable Preference shares	—	—	—	—	—	—
Deferred Tax liability	368.69	398.23	295.97	225.47	—	—
<b>Total</b>	<b>5969.50</b>	<b>3533.23</b>	<b>3058.73</b>	<b>2496.59</b>	<b>1977.89</b>	<b>857.94</b>
<b>(E) Net Worth (A+B+C-D)</b>	<b>4800.43</b>	<b>2727.64</b>	<b>2066.44</b>	<b>1732.29</b>	<b>1430.01</b>	<b>1101.44</b>
<b>(F) Represented by:</b>						
<b>Paid-up share capital</b>						
Equity Shares	1292.38	349.00	349.00	349.00	239.00	239.00
Reserves Surplus	3512.53	2379.02	1718.04	1384.09	1191.66	863.22
Less: Revaluation reserve	—	—	—	—	—	—
Reserve surplus after adjustment of Revaluation Reserve	3512.53	2379.02	1718.04	1384.09	1191.66	863.22
<b>Total</b>	<b>4804.91</b>	<b>2728.02</b>	<b>2067.04</b>	<b>1733.09</b>	<b>1430.66</b>	<b>1102.22</b>
(G) Misc. expenditure to the extent not written off	4.48	0.38	0.60	0.80	0.65	0.78
<b>(H) Net worth (F-G)</b>	<b>4800.43</b>	<b>2727.64</b>	<b>2066.44</b>	<b>1732.29</b>	<b>1430.01</b>	<b>1101.44</b>



**Statement of Profits and Losses on a stand alone basis, for the last five years as restated**

(Rs In Lakhs)

Particulars	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Income:</b>						
<b>Sales</b>						
- Manufactured Goods	3657.46	7895.26	5045.37	3993.09	3826.96	3252.98
- Traded Goods	1440.29	676.79	284.38	15.96	23.35	31.21
	<b>5097.75</b>	<b>8572.05</b>	<b>5329.75</b>	<b>4009.05</b>	<b>3850.31</b>	<b>3284.19</b>
Excise Duty	417.52	1060.92	643.28	506.63	484.34	407.19
Net Sales	4680.23	7511.13	4686.47	3502.42	3365.97	2877.00
Increase (Decrease) in Stock	-8.93	133.47	50.78	21.23	1.11	12.68
Other Income	189.63	245.16	233.22	113.03	93.82	34.57
<b>TOTAL</b>	<b>4860.93</b>	<b>7889.76</b>	<b>4970.47</b>	<b>3636.68</b>	<b>3460.90</b>	<b>2924.25</b>
<b>Expenditure</b>						
Material Consumed	3374.10	5207.40	3248.61	2206.45	2156.86	1904.03
Manufacturing Expenses	117.69	293.65	161.25	141.12	102.40	90.53
Employees Emoluments	127.52	243.97	183.63	133.07	102.42	78.01
Administrative Other Expenses	54.22	116.62	82.58	86.00	79.56	70.44
Financial Charges	89.14	116.32	196.50	151.48	91.56	81.75
Selling and Distribution Expenses	380.26	891.70	521.23	415.89	476.75	309.59
Depreciation	91.42	155.88	116.14	83.38	41.07	34.52
<b>TOTAL EXPENSES</b>	<b>4234.35</b>	<b>7025.54</b>	<b>4509.94</b>	<b>3217.39</b>	<b>3050.62</b>	<b>2568.87</b>
Profit before Tax other Adjustments	<b>626.58</b>	<b>864.22</b>	<b>460.53</b>	<b>419.29</b>	<b>410.28</b>	<b>355.38</b>
Prior Period Adjustment						
Provision for Current Tax	80.05	41.76	16.71	16.39	42.33	24.68
Provision for Fringe Benefit Tax	3.42	0.00	0.00	0.00	0.00	0.00
Provison For Deferred Tax	27.35	102.26	70.50	102.68	0.00	0.00
Profit after Tax (A)	<b>515.76</b>	<b>720.20</b>	<b>373.32</b>	<b>300.22</b>	<b>367.95</b>	<b>330.70</b>
Brought Forward Profit from Previous Year	583.16	422.15	288.20	287.98	259.54	128.84
<b>Profit Available For Appropriation</b>	<b>1098.92</b>	<b>1142.35</b>	<b>661.52</b>	<b>588.20</b>	<b>627.49</b>	<b>459.54</b>
Transferred to General Reserve	—	500.00	200.00	300.00	300.00	200.00
Transferred to Capital Redemption Reserve	—	—	—	—	—	—
Proposed / Interim Dividend on Equity Shares	—	52.35	34.90	—	35.85	—
Proposed / Interim Dividend on Preference Shares	—	—	—	—	—	—
Tax on Dividend on Equity Shares	—	6.84	4.47	—	3.66	—
Tax on Dividend on Preference Shares	—	—	—	—	—	—
Balance carried to Balance Sheet	<b>1098.92</b>	<b>583.16</b>	<b>422.15</b>	<b>288.20</b>	<b>287.98</b>	<b>259.54</b>

## Solar Explosives Limited

### GENERAL INFORMATION

#### REGISTERED AND CORPORATE OFFICE OF OUR COMPANY

##### Solar Explosives Limited

11, Zade Layout, Bharat Nagar,

Nagpur – 440 033

Maharashtra, India

Tel: (+91 712) 256 1000

Fax: (+91 712) 256 0202

E-mail: investor.relations@solarexplosives.com

Registration number: 11-85878 of 1995

**Our Company is registered at the Registrar of Companies, Everest 100, Marine Drive, Mumbai – 400 002, Maharashtra.**

#### BOARD OF DIRECTORS

The following persons constitute our Board of Directors as on the date of filing of RHP:

Name of Director	Designation
Mr. Satyanarayan Nuwal	Chairman
Mr. Kailashchandra Nuwal	Whole-time Director
Mr. Manish Nuwal	Whole-time Director
Mr. Kundan Singh Talesra	Whole-time Director
Mr. Roomie Vakil	Whole-time Director
Mr. Ramesh Chandra Tripathi	Director
Mr. Anant Sagar Awasthi	Director
Dr. Jai Prakash Agrawal	Director
Dr. R Srinivasan	Director
Mr. J F Salve	Director

For further details of our directors, see section titled “Our Management” on page 83 of this Red Herring Prospectus.

#### COMPANY SECRETARY

##### Mr. Suresh H. Gangan

11, Zade Layout, Bharat Nagar,

Nagpur – 440 033, Maharashtra

Tel no. (+91 712) 25555051

Fax no. (+91 712) 2560202

E-mail – sureshg@solarexplosives.com

#### COMPLIANCE OFFICER

##### Mr. Nilesh Panpaliya

Vice President - Finance

11, Zade Layout, Bharat Nagar,

Nagpur – 440 033, Maharashtra

Tel: (+91 712) 25555051/2561000

Fax: (+91 712) 2560202

E-mail - nilesh@solarexplosives.com

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



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#### **LEGAL ADVISORS TO THE ISSUE**

##### **Rajani Associates**

F – 4, Panchsheel,  
53, 'C' Road, Churchgate,  
Mumbai – 400 020  
Tel: (+91 22) 2202 1010  
Fax: + 91 22 2202 1011

#### **BOOK RUNNING LEAD MANAGER**

##### **SBI Capital Markets Limited**

202, Maker Tower 'E'  
Cuffe Parade, Mumbai- 400 005  
Tel: +91 22 2218 9166-69  
Fax: +91 22 2218 6367 / 2218 8332  
E-mail: sel.ipo@sbicaps.com  
Contact Person: Mr. Amit Srivastava  
Website: www.sbicaps.com

#### **BANKERS TO THE COMPANY**

##### **State Bank of India**

Industrial Finance Branch  
5, Sai Complex, Bharat Nagar  
Amravati Road, Nagpur – 440 010  
Tel: (+91 712) 2546641-42  
Fax: (+91 712) 2529105

#### **REGISTRAR TO THE ISSUE**

##### **Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound  
LBS Marg, Bhandup (W)  
Mumbai – 400 078  
Tel: (+91 22) 5555 5491  
Fax: (+91 22) 5555 5499  
e-mail: solar@intimespectrum.com  
Website: www.intimespectrum.com  
Contact Person: Mr. Vishwas Attavar

#### **BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS**

##### **State Bank of India**

New Issues and Securities Services Division, Mumbai Main Branch,  
Mumbai Samachar Marg, P.B. No. 13, Fort, Mumbai- 400023  
Contact Person: Anuradha Kurma  
Telephone No.: 91 22 2265 1579, 2266 2133, 2265 1363  
Fax No.: 91 22 2267 0745, 2269 5277  
Email ID: agmnissd@vsnl.net, anuradha.kurma@sbi.co.in  
Website: www.sbi.co.in

## **Solar Explosives Limited**

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### **The Hong Kong and Shanghai Banking Corporation Limited**

52/60 M G Road, Fort,

Mumbai-400001

Contact Person: Dhiraj Bajaj

Tel No.: 91 22 22681673

Fax No.: 91 22 2262 3890

Email ID: dhirajbajaj@hsbc.co.in

Website: www.hsbc.co.in

### **ICICI Bank Ltd.**

Capital Markets Division

30, Mumbai Samachar Marg, Mumbai – 400001

Contact Person: Siddhartha Routray

Tel. No.: 91 22 2265 5285

Fax No.: 91 22 2261 1138

Email ID: sidhartha.routray@icicibank.com

Website: www.icicibank.com

### **AUDITORS**

#### **Gandhi Rathi & Co.**

Chartered Accountants

Parekh Centre, 3<sup>rd</sup> Floor

Opp.Daga Hospital, Gandhi Bagh

Nagpur – 440 002

Tel: (+91 712) 2766732

Fax: (+91 712) 2764207



### Statement of Inter Se Allocation of Responsibilities for the Issue

The following table sets forth the responsibility of the BRLM:

Particulars	Responsibility and Coordinator
1. Capital structuring with the relative components and formalities such as type of instruments etc.	SBI Caps
2. Due diligence of the Company's operations/ management/ business plans/ legal etc. Drafting and design of the Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of Prospectus and RoC filing of the same.	SBI Caps
3. Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, roadshow presentations, FAQs, corporate films etc.	SBI Caps
4. Appointment of other intermediaries viz. Registrar, Printers, Advertising Agency and Bankers to the Issue.	SBI Caps
5. Institutional Marketing of the Issue, which will cover, inter alia, Finalize the list and division of investors for one to one meetings; and Finalize roadshow schedule and investor meeting schedules	SBI Caps
6. Non-Institutional and Retail Marketing of the Issue, which will cover, inter alia, Formulating marketing strategies, preparation of publicity budget; Finalise Media & PR strategy; Finalise centres for holding conferences for brokers etc.; Finalise collection centres; and Follow-up on distribution of publicity and issue material including form, prospectus and deciding on the quantum of the Issue material.	SBI Caps
7. Deciding pricing in consultation with the Company	SBI Caps
8. The post bidding activities including management of escrow accounts, coordinate allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post issue activities will involve essential follow up steps, which include the finalisation of listing of instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company.	SBI Caps

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Brokers, Advertising Agencies, etc. will be finalized by the Company in consultation with the BRLM in terms of the inter-se allocation of responsibilities. Even if many of these activities will be handled by other intermediaries, the designated BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.

## Solar Explosives Limited

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### CREDIT RATING

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

### TRUSTEES

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

### Appraising Agency

#### SICOM LIMITED

Nirmal, Nariman Point

Mumbai 400021

Phone No.: +91 22 56572800

### MONITORING AGENCY

#### State Bank of India

Industrial Finance Branch

5, Sai Complex, Bharat Nagar

Amravati Road, Nagpur – 440 010

Tel: (+91 712) 2546641-42

Fax: (+91 712) 2529105

### BOOK BUILDING PROCESS

Book Building Process refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed 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. Syndicate Members are appointed by the BRLM;
4. Registrar to the Issue.
5. Escrow collection bank(s)

SEBI through its guidelines has permitted an issue of securities to the public through 100% Book Building Process, wherein: (i) upto 50% of the Net Issue shall be allocated to QIBs, 5% thereof shall be specifically available for mutual funds registered with SEBI on a proportionate basis (ii) at least 15% of the Net Issue shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) at least 35% of the Net Issue 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. The Issue Price will be ascertained after the Bid Closing Date.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid Closing Date/Issue Closing Date and for further details see the section titled "Terms of the Issue" on page 185 of this Red Herring Prospectus.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed SBI Capital Markets Limited as the BRLM to manage the Issue and to procure subscription to the Issue.

The process of Book Building under SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

**Illustration of Book Building and Price Discovery Process** (Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)



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

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

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

#### Steps to be taken for bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid" on page 190 of this 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 copies of your PAN to the Bid cum Application Form (see section titled "Issue Procedure —'PAN' or 'GIR' Number" on page 203 of this Red Herring Prospectus).
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

#### UNDERWRITING AGREEMENT

After the determination of the Issue Price but prior to filing of the Prospectus with RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

## Solar Explosives Limited

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in Lakhs)
<b>SBI Capital Markets Limited</b> 202, Maker Tower 'E', Cuffe Parade, Mumbai – 400 005	[●]	[●]

The above-mentioned amount is indicative and this would be finalized after determination of Issue Price and actual allocation of the Equity Shares.

In the opinion of the Board of Directors (based on a certificate given to them by BRLM and the Syndicate Members), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The Board of Directors has accepted the above Underwriting Agreement and our Company has issued letters of acceptance to the Underwriters.



### III. CAPITAL STRUCTURE

Share capital as at the date of filing of Red Herring Prospectus

#### Share Capital

In Rs Lakhs

	Aggregate Nominal Value	Aggregate value at Issue Price
<b>(A) Authorized Share Capital</b>		
2,00,00,000 Equity shares of Rs.10/- each	2000.00	
<b>(B) Issued, Subscribed and Paid-up Equity Capital</b>		
1,29,23,816 Equity shares of Rs.10/- each fully paid up	1292.38	1868.23
<b>(C) Present Issue to the public in terms of this Red Herring Prospectus</b>		
44,00,000 Equity Shares of Rs.10/- each fully paid up	440.00	●
<b>(a) Employee Reservation</b>		
60,000 Equity Shares of Rs. 10/- each		●
<b>(b) Net Issue to the Public</b>		
43,40,000 Equity Shares of Rs. 10/- each		●
<b>(D) Paid up capital after the Issue</b>		
1,73,23,816 Equity shares of Rs.10/- each fully paid up	1732.38	●
<b>(E) Share Premium Account</b>		
Before the Issue		575.85
After the Issue		●

#### Details of Increase in Authorised Capital

Date	Authorized Capital (Rs.)	Face Value (Rs.)	No. of Shares	Particulars
24.02.1995	500,000	10	50,000	Incorporation
15.07.1996	1,00,00,000	10	10,00,000	Increase
16.11.1998	2,00,00,000	10	20,00,000	Increase
08.06.1999	4,00,00,000	10	40,00,000	Increase
05.07.2005	10,00,00,000	10	1,00,00,000	Increase
21.09.2005	20,00,00,000	10	2,00,00,000	Increase

## Solar Explosives Limited

### NOTES TO THE CAPITAL STRUCTURE:

#### 1. Share Capital History of the Company

Allotment Date	No. of Shares	Cumulative Total Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Cumulative Share Premium	Reasons for Allotment
February 24, 1995	2800	2800	10	10	Cash	Nil	Allotment to Subscribers to the memorandum
February 15, 1997	977200	980000	10	10	Cash	Nil	Equity to promoters
February 27, 1999	910000	1890000	10	10	Cash	Nil	Equity to promoters and Solar Carbons Private Limited
March 28, 2000	500000	2390000	10	10	Cash	Nil	Equity to promoters
September 22, 2002	1050000	3440000	10	10	Cash	Nil	Equity to promoters
September 28, 2002	50000	3490000	10	40	Cash	15.00 Lakhs	Equity to Mobile Communications Limited (others) through Preferential Allotment
September 25, 2005	1679525	5169525	10	89.56	Shares	1351.28 Lakhs	Purchase of Shares of Subsidiary Company *
September 30, 2005	7754291	12923816	10	-	Bonus	575.85	1.5:1 Bonus Issue of Equity Share **

\* The method of Book Value per Share was used as the basis of valuation. The company had purchased the shares of subsidiary companies namely Economic Explosives Limited, Solar Capitals Limited and Solar Components Private Limited at their Book Value i.e. Rs. 41.44, Rs. 18.17 and Rs. 47.20 respectively. In lieu of these purchases the Company issued its own shares to these promoters at its book value of Rs. 89.56

\*\* Out of Share Premium of Rs. 1351,28,350/-, the Company has utilized Share Premium amount to the extent of Rs. 7,75,42,910/- towards the issue of Bonus Shares to the existing shareholders.

#### 2. Details of Promoter Contribution

Promoter	Date of Allotment/ transferred and made fully paid up	No. of Shares	Face value (Rs.)	Issue price (Rs.)	Consideration (Rs.)
Mr. Satyanarayan Nuwal	24.02.95	400	10	10	4000
	15.02.97	229600	10	10	2296000
	27.02.99	106000	10	10	1060000
	04.11.99	60000	10	10	600000
	28.03.00	150000	10	10	1500000
	22.09.02	150000	10	10	1500000
	25.09.05	368800	10	89.56	33030901
	30.09.05	1597200	10	N.A.	Bonus
Sub-Total		2662000	10	15.02	39990901



Promoter	Date of Allotment/ transferred and made fully paid up	No. of Shares	Face value (Rs.)	Issue price (Rs.)	Consideration (Rs.)
Mr. Kailashchandra Nuwal	24.02.95	400	10	10	4000
	15.02.97	149600	10	10	1496000
	27.02.99	300000	10	10	3000000
	04.11.99	20000	10	10	200000
	22.09.02	220000	10	10	2200000
	25.09.05	353650	10	89.56	31674019
	30.09.05	1565475	10	N.A.	Bonus
Sub-Total		2609125		14.78	38574019
Mr. Nandlal Nuwal	24.02.95	400	10	10	4000
	15.02.97	199600	10	10	1996000
	27.02.99	50000	10	10	500000
	04.11.99	30000	10	10	300000
	28.03.00	150000	10	10	1500000
	22.09.02	130000	10	10	1300000
	01.12.04	50000	10	10	500000
	25.09.05	222925	10	89.56	19965872
30.09.05	1249388	10	N.A.	Bonus	
Sub-Total		2082313		12.51	26065872
Mrs.Sohandevi Nuwal	24.02.95	400	10	10	4000
	15.02.97	79600	10	10	796000
	27.02.99	56000	10	10	560000
	22.09.02	110000	10	10	1100000
	25.09.05	125975	10	89.56	11282722
	30.09.05	557963	10	N.A.	Bonus
Sub-Total		929938		14.78	13742722
Mrs. Indiradevi Nuwal	24.02.95	400	10	10	4000
	15.02.97	79600	10	10	796000
	27.02.99	56500	10	10	565000
	04.11.99	70000	10	10	700000
	28.03.00	50000	10	10	500000
	22.09.02	50000	10	10	500000
	25.09.05	131250	10	89.56	11755167
	30.09.05	656625	10	N.A.	Bonus
Sub-Total		1094375		13.54	14820167

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Promoter	Date of Allotment/ transferred and made fully paid up	No. of Shares	Face value (Rs.)	Issue price (Rs.)	Consideration (Rs.)
Mr. Manish Nuwal	24.02.95	400	10	10	4000
	15.02.97	39600	10	10	396000
	27.02.99	30000	10	10	300000
	28.03.00	50000	10	10	500000
	22.09.02	50000	10	10	500000
	25.02.04	50000	10	10	500000
	25.09.05	124325	10	89.56	11134942
	30.09.05	516488	10	N.A.	Bonus
Sub-Total		860813		15.67	13334942
Mrs. Leeladevi Nuwal	24.02.95	400	10	10	4000
	15.02.97	79600	10	10	796000
	27.02.99	50000	10	10	500000
	04.11.00	70000	10	10	700000
	28.03.00	50000	10	10	500000
	22.09.02	50000	10	10	500000
	25.09.05	106075	10	89.56	9500414
	30.09.05	609113	10	N.A.	Bonus
Sub-Total		1015188		12.31	12500414
Mr. Satyanarayan Nuwal (HUF)	24.02.97	40000	10	10	400000
	22.09.02	80000	10	10	800000
	25.09.05	77575	10	89.56	6947864
	30.09.05	296363	10	N.A.	Bonus
Sub-Total		493938		16.49	8147864
Mr. Kailashchandra Nuwal (HUF)	24.02.97	40000	10	10	400000
	22.09.02	80000	10	10	800000
	25.09.05	80450	10	89.56	7205358
	30.09.05	300675	10	N.A.	Bonus
Sub-Total		501125		16.77	8405358
Mr. Nandlal Nuwal (HUF)	24.02.97	40000	10	10	400000
	27.02.99	11500	10	10	115000
	22.09.02	80000	10	10	800000
	25.09.05	37000	10	89.56	3313838
	30.09.05	252750	10	N.A.	Bonus
Sub-Total		421250		10.99	4628838
Mrs. Seema Manish Nuwal	28.03.00	50000	10	10	500000
	25.09.05	49475	10	89.56	4431138
	30.09.05	149213	10	N.A.	Bonus
Sub-Total		248688		19.82	4931138
Mr. Rahul Nuwal	25.09.05	2025	10	89.56	181365.4
	30.09.05	3038	10	N.A.	Bonus
Sub-Total		5063		35.82	181365.43

All transfers as on 25.09.05 were due to Share Swap.



### Final Shareholding of Promoters:

Name of Promoter	Shares Allotted as per table above	Add:Shares acquired by way other than allotment	Less:Shares transferred	Pre issue Shareholding
Shri Satyanarayan Nuwal	2602000	60000	0	2662000
Shri Kailashchandra Nuwal	2589125	20000	0	2609125
Shri Nandlal Nuwal	2002313	80000	0	2082313
Shri Satyanarayan Nuwal(HUF)	493938	0	0	493938
Shri Kailashchandra Nuwal(HUF)	501125	0	0	501125
Shri Nandlal Nuwal(HUF)	421250	0	0	421250
Shri Manish Nuwal	810813	50000	0	860813
Smt.Sohandevi Nuwal	929938	0	0	929938
Smt.Leeladevi Nuwal	945188	70000	0	1015188
Smt.Indiradevi Nuwal	1024375	70000	0	1094375
Smt.Seemadevi Nuwal	248688	0	0	248688
Shri Rahul Kailash Nuwal	5063	0	0	5063
<b>Total</b>	<b>12573816</b>	<b>350000</b>	<b>0</b>	<b>12923816</b>

### Note

- Mr.Satyanarayan Nuwal acquired 60000 shares from Solar Carbons Private Limited on 4<sup>th</sup> November 1999
- Mr.Kailashchandra Nuwal acquired 20000 shares from Solar Carbons Private Limited on 4<sup>th</sup> November 1999
- Mr.Nandlal Nuwal acquired 30000 shares from Solar Carbons Private Limited on 4<sup>th</sup> November 1999. Mr.Nandlal Nuwal acquired 50000 shares from Sudha Nuwal on 1<sup>st</sup> December 2004.
- Ms.Indiradevi Nuwal acquired 70000 shares from Solar Carbons Private Limited on 4<sup>th</sup> November 1999.
- Ms.Leeladevi Nuwal acquired 70000 shares from Solar Carbons Private Limited on 4<sup>th</sup> November 1999.
- Mr.Manish Nuwal acquired 50000 shares from Mobile Telecommunication Limited 25<sup>th</sup> February 2004.

### Lock in of Minimum Promoters Contribution

Name	Date of allotment	No. of Shares	Face Value	Issue Price	Consideration	% of Post Issue	Lock in Period
Mr. Satyanarayan Nuwal	22.09.02	150000	10	10	1500000		
	28.03.00	150000	10	10	1500000		
	04.11.99	60000	10	10	600000		
	27.02.99	106000	10	10	1060000		
	15.02.97	229600	10	10	2296000		
	24.02.95	400	10	10	4000		
Sub Total		696000				4.02%	3 Years
Mr. Kailashchandra Nuwal	22.09.02	220000	10	10	2200000		
	04.11.99	20000	10	10	200000		
	27.02.99	300000	10	10	3000000		
	15.02.97	149600	10	10	1496000		
	24.02.95	400	10	10	4000		
Sub Total		690000				3.98%	3 Years

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Name	Date of allotment	No. of Shares	Face Value	Issue Price	Consideration	% of Post Issue	Lock in Period
Mr. Nandlal Nuwal	01.12.04	50000	10	10	500000		
	22.09.02	130000	10	10	1300000		
	28.03.00	150000	10	10	1500000		
	04.11.99	30000	10	10	300000		
	27.02.99	50000	10	10	500000		
	15.02.97	199600	10	10	1996000		
	24.02.95	400	10	10	4000		
Sub Total		610000				3.52%	3 Years
Mrs.Sohandevi Nuwal	22.09.02	110000	10	10	1100000		
	27.02.99	56000	10	10	560000		
	15.02.97	79600	10	10	796000		
	24.02.95	400	10	10	4000		
Sub Total		246000				1.42%	3 Years
Mrs. Indiradevi Nuwal	22.09.02	50000	10	10	500000		
	28.03.00	50000	10	10	500000		
	04.11.99	70000	10	10	700000		
	27.02.99	56500	10	10	565000		
	15.02.97	79600	10	10	796000		
	24.02.95	400	10	10	4000		
Sub Total		306500				1.77%	3 Years
Mr. Manish Nuwal Nuwal	25.02.04	50000	10	10	500000		
	22.09.02	50000	10	10	500000		
	28.03.00	50000	10	10	500000		
	27.02.99	30000	10	10	300000		
	15.02.97	39600	10	10	396000		
	24.02.95	400	10	10	4000		
Sub Total		220000				1.27%	3 Years
Mrs.Leeladevi Nuwal	22.09.02	50000	10	10	500000		
	28.03.00	50000	10	10	500000		
	04.11.00	70000	10	10	700000		
	27.02.99	50000	10	10	500000		
	15.02.97	79600	10	10	796000		
	24.02.95	400	10	10	4000		
Sub Total		300000				1.73%	3 Years
Mr. Satyanarayan Nuwal (HUF)	22.09.02	80000	10	10	800000		
	24.02.97	40000	10	10	400000		
Sub Total		120000				0.69%	3 Years



Name	Date of allotment	No. of Shares	Face Value	Issue Price	Consideration	% of Post Issue	Lock in Period
Mr. Kailashchandra Nuwal (HUF)	22.09.02 24.02.97	80000 40000	10 10	10 10	800000 400000		
Sub Total		120000				0.69%	3 Years
Mr. Nandlal Nuwal	24.02.97 22.09.02 27.02.99	40000 80000 11500	10 10 10	10 10 10	400000 800000 115000		
Sub Total		131500				0.76%	3 Years
Mrs. Seema Nuwal (HUF)	28.03.00	50000	10	10	500000		
Sub Total		50000				0.29%	3 Years
<b>SUB TOTAL</b>		<b>3490000</b>				<b>20.15%</b>	

The same is for a lock in period of 3 years beginning from the date of allotment in this Issue and the last date of lock-in shall be reckoned as three years from the date of commencement of commercial production or the date of allotment of Equity shares in the Public issue whichever is later.

The above promoters have vided their letter dated December 28, 2005 given their consent for lock in as stated above. The minimum promoters' contribution shall be locked in for a period of 3 years as indicated above. Shares issued last shall be locked in first.

The balance promoters' contribution shall be locked in as follows:

Name	No. of shares	Face Value	% of post Issue	Lock in Period
Mr. Satyanarayan Nuwal	1966000	10	11.35%	1 year from the date of allotment in the Issue
Mr. Kailashchandra Nuwal	1919125	10	11.08%	1 year from the date of allotment in the Issue
Mr. Nandlal Nuwal	1472313	10	8.50%	1 year from the date of allotment in the Issue
Mrs.Sohandevi Nuwal	683938	10	3.95%	1 year from the date of allotment in the Issue
Mrs. Indiradevi Nuwal	787875	10	4.55%	1 year from the date of allotment in the Issue
Mr. Manish Nuwal	640813	10	3.70%	1 year from the date of allotment in the Issue
Mrs.Leeladevi Nuwal	715188	10	4.13%	1 year from the date of allotment in the Issue
Mr. Satyanarayan Nuwal (HUF)	373938	10	2.16%	1 year from the date of allotment in the Issue
Mr. Kailashchandra Nuwal (HUF)	381125	10	2.20%	1 year from the date of allotment in the Issue

## Solar Explosives Limited

Name	No. of shares	Face Value	% of post Issue	Lock in Period
Mr. Nandlal Nuwal (HUF)	289750	10	1.67%	1 year from the date of allotment in the Issue
Mrs. Seema Manish Nuwal	198688	10	1.15%	1 year from the date of allotment in the Issue
Mr.Rahul Nuwal	5063	10	0.03%	1 year from the date of allotment in the Issue
<b>SUB TOTAL</b>	<b>9433816</b>		<b>54.46%</b>	

The entire pre-issue capital, other than that locked in as minimum promoters contribution, shall be locked in for a period of one year from the date of allotment. The securities which are locked-in will carry inscription “non transferable” along with duration of specified non-transferable period mentioned in the face of the security certificate.

The Promoter, Promoter Group or the Directors have not purchased or sold any Equity Shares from the market during a period of six months preceding the date on which the Red Herring Prospectus is filed with SEBI.

### 3. Pre-issue and post-issue shareholding pattern:

Category	Pre Issue Shares	%	Post Issue Shares	%
<b>Promoters</b>				
Mr. Satyanarayan Nuwal	2662000	20.60%	2662000	15.37%
Mr. Kailashchandra Nuwal	2609125	20.19%	2609125	15.06%
Mr. Nandlal Nuwal	2082313	16.11%	2082313	12.02%
Mr. Satyanarayan Nuwal(HUF)	493938	3.82%	493938	2.85%
Mr. Kailashchandra Nuwal(HUF)	501125	3.88%	501125	2.89%
Mr. Nandlal Nuwal(HUF)	421250	3.26%	421250	2.43%
Mr. Manish Nuwal	860813	6.66%	860813	4.97%
Ms.Sohandevi Nuwal	929938	7.20%	929938	5.37%
Ms.Leeladevi Nuwal	1015188	7.86%	1015188	5.86%
Ms.Indiradevi Nuwal	1094375	8.47%	1094375	6.32%
Ms.Seemadevi Nuwal	248688	1.92%	248688	1.44%
Mr. Rahul Nuwal	5063	0.04%	5063	0.03%
<b>Sub Total</b>	<b>12923816</b>	<b>100.00%</b>	<b>12923816</b>	<b>74.60%</b>
<b>Others</b>				
Public	0	0.00%	43,40,000	25.05%
Emplyoees			60,000	0.35%
<b>Sub Total</b>	<b>0</b>	<b>0.00%</b>	<b>44,00,000</b>	<b>25.40%</b>
<b>Total</b>	<b>12923816</b>	<b>100.00%</b>	<b>17323816</b>	<b>100.00%</b>

#### 4. Buyback and Standby arrangement

There is no “buy back” or “stand by” arrangement for purchase of Equity Shares by the Company, its Promoters, Directors, or Lead Manager for the Equity Shares offered through this Red Herring Prospectus.

#### 5. The Company has not raised any bridge loan against the proceeds of this Issue

#### 6. The Equity Shares offered through this public issue will be fully paid up.

#### 7. The Issue is being made through a 100% Book Building Process wherein up to 50% of the Issue will be allocated to Qualified Institutional Buyers (“QIBs”) on a proportionate basis. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds. Mutual Fund applicants shall also be eligible for



proportionate allocation under the balance available for the QIBs. Further, at least 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

8. Unsubscribed portion, if any, in Employee Reservation Portion should be allowed to be met first with spillover from Retail category and then if any from the Non Institutional category.
9. Under-subscription, if any, in any of the categories of the net public offer would be allowed to be met with spillover from the other categories, at the sole discretion of the Company and BRLM
10. Top ten shareholders as on date of filing of the RHP with SEBI

Sr. No	Name of the Promoter	No. of Shares	Percentage
1	Mr. Satyanarayan Nuwal	2662000	20.60%
2	Mr. Kailashchandra Nuwal	2609125	20.19%
3	Mr. Nandlal Nuwal	2082313	16.11%
4	Mr. Satyanarayan Nuwal(HUF)	493938	3.82%
5	Mr. Kailashchandra Nuwal(HUF)	501125	3.88%
6	Mr. Nandlal Nuwal(HUF)	421250	3.26%
7	Mr. Manish Nuwal	860813	6.66%
8	Ms.Sohandevi Nuwal	929938	7.20%
9	Ms.Leeladevi Nuwal	1015188	7.86%
10	Ms.Indiradevi Nuwal	1094375	8.47%

Top ten shareholders 10 days prior to the date of filing of the RHP with SEBI  
(to be updated at the time of filing the Red Herring Prospectus with the RoC)

Sr. No	Name of the Promoter	No. of Shares	Percentage
1	Mr. Satyanarayan Nuwal	2662000	20.60%
2	Mr. Kailashchandra Nuwal	2609125	20.19%
3	Mr. Nandlal Nuwal	2082313	16.11%
4	Mr. Satyanarayan Nuwal(HUF)	493938	3.82%
5	Mr. Kailashchandra Nuwal(HUF)	501125	3.88%
6	Mr. Nandlal Nuwal(HUF)	421250	3.26%
7	Mr. Manish Nuwal	860813	6.66%
8	Ms.Sohandevi Nuwal	929938	7.20%
9	Ms.Leeladevi Nuwal	1015188	7.86%
10	Ms.Indiradevi Nuwal	1094375	8.47%

Top ten shareholders as on two years prior to the date of filing of the RHP with SEBI

Sr. No	Name of the Promoter	No. of Shares	Percentage
1	Mr. Satyanarayan Nuwal	696000	19.94%
2	Mr. Kailashchandra Nuwal	690000	19.77%
3	Mr. Nandlal Nuwal	560000	16.05%
4	Ms.Indiradevi Nuwal	306500	8.78%
5	Ms.Leeladevi Nuwal	300000	8.60%
6	Ms.Sohandevi Nuwal	246000	7.05%
7	Mr. Manish Nuwal	170000	4.87%
8	Mr. Nandlal Nuwal(HUF)	131500	3.77%
9	Mr. Satyanarayan Nuwal(HUF)	120000	3.44%
10	Mr. Kailashchandra Nuwal(HUF)	120000	3.44%

(To be updated at the time of filing the Red Herring Prospectus with the ROC)

## Solar Explosives Limited

11. As of the date of the Red Herring Prospectus, there are no partly-paid up shares. Further, there are no outstanding financial instruments or any other right, which would entitle the existing Promoter or shareholders, or any other person any option to receive Equity Shares after the offering. The company does not have any outstanding ESOP.
12. **Shares Issued for consideration other than cash**
  - a. On September 25, 2005, the company has issued 16,79,525 shares to the promoters of the subsidiary company in consideration of the shares of subsidiary companies.
  - b. On September 30, 2005, the company has issued 77,54,291 bonus shares in the ratio of 1.50 shares for every 1 share held in the Company by capitalization of Rs. 775.42 lakhs from the Share Premium Account.
13. The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares may be transferred amongst Promoter/Promoter group or to a new Promoter or persons in control of the Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
14. The Company has not issued any shares out of revaluation reserves.
15. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of the Red Herring Prospectus with SEBI until the Equity Shares offered through this Red Herring Prospectus have been listed.
16. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise.
17. There shall be only one denomination of the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time.
18. No single applicant can make an application for number of shares, which exceeds the number of shares offered.
19. The company has 12 shareholders as on the December 28, 2005.
20. Shares issued in the last one year

Name of Promoter	Date	No. of Shares	Issue Price (Rs.)	Reason
Mr. Satyanarayan Nuwal	25.9.05	368800	89.56	Share Swap with promoters of Subsidiary Companies
Mr. Kailashchandra Nuwal	25.9.05	353650	89.56	Share Swap with promoters of Subsidiary Companies
Mr. Nandlal Nuwal	25.9.05	222925	89.56	Share Swap with promoters of Subsidiary Companies
Mr. Satyanarayan Nuwal(HUF)	25.9.05	77575	89.56	Share Swap with promoters of Subsidiary Companies
Mr. Kailashchandra Nuwal(HUF)	25.9.05	80450	89.56	Share Swap with promoters of Subsidiary Companies
Mr. Nandlal Nuwal(HUF)	25.9.05	37000	89.56	Share Swap with promoters of Subsidiary Companies
Mr. Manish Nuwal	25.9.05	124325	89.56	Share Swap with promoters of Subsidiary Companies
Ms.Sohandevi Nuwal	25.9.05	125975	89.56	Share Swap with promoters of Subsidiary Companies



Name of Promoter	Date	No. of Shares	Issue Price (Rs.)	Reason
Ms.Leeladevi Nuwal	25.9.05	106075	89.56	Share Swap with promoters of Subsidiary Companies
Ms.Indiradevi Nuwal	25.9.05	131250	89.56	Share Swap with promoters of Subsidiary Companies
Ms.Seemadevi Nuwal	25.9.05	49475	89.56	Share Swap with promoters of Subsidiary Companies
Mr. Rahul Nuwal	25.9.05	2025	89.56	Share Swap with promoters of Subsidiary Companies
Mr. Satyanarayan Nuwal	30.9.05	1597200	-	Bonus Issue
Mr. Kailashchandra Nuwal	30.9.05	1565475	-	Bonus Issue
Mr. Nandlal Nuwal	30.9.05	1249388	-	Bonus Issue
Mr. Satyanarayan Nuwal(HUF)	30.9.05	296363	-	Bonus Issue
Mr. Kailashchandra Nuwal(HUF)	30.9.05	300675	-	Bonus Issue
Mr. Nandlal Nuwal(HUF)	30.9.05	252750	-	Bonus Issue
Mr. Manish Nuwal	30.9.05	516488	-	Bonus Issue
Ms.Sohandevi Nuwal	30.9.05	557963	-	Bonus Issue
Ms.Leeladevi Nuwal	30.9.05	609113	-	Bonus Issue
Ms.Indiradevi Nuwal	30.9.05	656625	-	Bonus Issue
Ms.Seemadevi Nuwal	30.9.05	149213	-	Bonus Issue
Mr. Rahul Nuwal	30.9.05	3038	-	Bonus Issue

## Solar Explosives Limited

### III. OBJECTS OF THE ISSUE

We manufacture Cartridge Explosives at our Solar Explosives Limited plant at Chakdoh (Nagpur). Bulk explosives is manufactured by our 100% owned subsidiary Solar Capital Limited at Singrauli (Madhya Pradesh), Chandrapur (Maharashtra) and Korba (Chattisgarh). Detonators are manufactured at our 100% owned subsidiary Economic Explosives Limited. Further, we manufacture Accessories at our 100% owned subsidiary Solar Components Private Limited.

With the increasing mining activity in our country, both for coal and other minerals, the Explosives industry is expected to witness higher demand for Explosives and related accessories. This has necessitated the Explosives industry to move to the latest generation of technological swing, which is marked by introduction of site specific bulk manufacturing and delivering vehicles which carry Non-Explosive Matrix to the mine site and convert it to Explosives only during the process of charging of the bore holes. Our three Bulk manufacturing units as stated find it difficult to cater to demands originating from different Coal mining sites due to cost and time factors emanating from distance. The objects of the Issue is derived from the need to cater to all major mining sites.

We intend to set up Support and Transfer Plants for Bulk Explosives mostly in the eastern part of the country to cater to the coal and iron-ore mines in that region. To increase our presence in the overseas markets we intend to set up units for manufacture of Bulk Explosives, Cartridge Explosives and Magazines (storage facility). We plan to finance the fund requirement through the Initial Public Offer of our Equity Shares. Any shortfall for project requirement from the issue shall be met from internal accruals of the Company.

The net proceeds from the issue after deducting underwriting commission and management fees, brokerage, fees to various advisors and all other issue related expenses are estimated at Rs.[\*] Lakhs. The proceeds from the Issue of the shares are intended to be deployed for:

- To meet expenses for the proposed Expansion project for manufacture of Bulk Explosives in India.
- To meet expenses for the proposed overseas Expansion project for manufacture of Bulk Explosive, Cartridge Explosive and Magazine (Storage) facility. This investment is proposed to be made in the new 100% owned subsidiary namely Solar Explosives Nigeria Limited through equity participation.
- To meet the margin requirement for Working Capital
- The surplus funds raised, if any, would be utilised for general corporate purposes
- To meet the expenses of this Issue.

The other object of the Issue is to list our Equity Shares on Stock Exchanges as this will provide liquidity to our existing shareholders and enhance our visibility and brand name. This will also enable us to use our Equity Shares for strategic growth opportunities.

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

### FUNDS REQUIREMENT

Particulars	Amount (Rs. Lakhs)
Capital Expenses for setting up Bulk Explosive Plants in India	5299.17
Investment in 100% owned subsidiary for setting up manufacturing units for Bulk Explosive and Cartridge Explosive as also a Magazine (Storage) facility in Nigeria .	2338.88
Fund Requirement	7638.05

### Appraisal:

SICOM Limited has prepared an appraisal report on the expansion Project of the Company, which has been used as a basis for this Red Herring Prospectus.

Company is planning to set up four Bulk Support/Base plants and nine Transfer plants in India .the company also proposes to set up one Bulk Support/Base plant and one Magazine (storage) plant in Nigeria.



The break up of Project Cost:

	Particulars	Indian Operations (Rs Lakhs)	Overseas (Rs Lakhs)	Total (Rs Lakhs)
1	Land & site developments	607	453.5	1060.5
2	Building & Civil works	712	471.98	1183.98
3	Plant & Machinery	840.57	581.84	1422.41
4	Bulk Delivery Systems (Pump trucks)	1592.5	225	1817.5
5	Bulk Transfer System (Tankers)	234	0	234
6	Electricals	220.6	87.5	308.1
7	Miscellaneous Fixed Assets	85	32.8	117.8
8	Preoperating Expenses	85	35	120
	<b>Sub-total</b>	<b>4376.67</b>	<b>1887.62</b>	<b>6264.29</b>
9	Contingencies (10%)	437.67	188.762	626.43
10	Capital Cost	4814.34	2076.38	6890.72
11	Margin for Working Capital	484.83	262.5	747.33
	<b>Total Project Cost</b>	<b>5299.17</b>	<b>2338.88</b>	<b>7638.05</b>

Source: SICOM Limited

The Project would be set up in two phases.

The Phase I would include setting up of Bulk Support Plants at Asansol, Talchar and Ramgarh and Transfer Plants at Dhanbad, Bokaro, Jharsuguda, Raigarh and Manindragarh. Phase I would also include the setting up of manufacturing units for Bulk Explosives and Cartridge Explosives and a Magazine (Storage) facility Overseas.

Phase II envisages setting up of Bulk Support Plants at Ramagundam and Transfer Plants at Manuguru, Barbil, North Karanpura and Rajmahal.

Location	Plant	BDS	Capacity (MT)	Phase
Talcher, Orissa	Support Plant	5	15000	I
Barbil, Orissa	Transfer Plant	3	9000	II
Jharsugada, Orissa	Transfer Plant	3	9000	I
Ramgarh, Chattisgarh	Transfer Plant	3	9000	I
Manendragadh, Chattisgarh	Transfer Plant	4	12000	I
			54000	
Ramgarh, Jharkhand	Support Plant	5	15000	I
Bokaro, Jharkhand	Transfer Plant	3	9000	I
North K, Jharkhand	Transfer Plant	3	9000	II
			33000	
Asansol, West Bengal	Support Plant	5	15000	I
Rajmahal, West Bengal	Transfer Plant	3	9000	II
Dhanbad, Jharkhand	Transfer Plant	5	15000	I
			39000	
Ramgundam, Andhra Pradesh	Support Plant	4	12000	II
Manuguru, Andhra Pradesh	Transfer Plant	3	9000	II
			21000	
<b>Total</b>		<b>49</b>	<b>147000</b>	

## Solar Explosives Limited

Phase I Capacity	99000
Phase II Capacity	48000
Overseas Operations in Africa	
Bulk Emulsion Explosive	9000
Cartridge Explosive	5000

The details of phasewise cost are as under: (Rs. in lakhs)

	Phasewise Project Cost	Phase I*	Phase II*	Total
1	Land & site developments	851.5	209	1060.5
2	Building & Civil works	982.48	201.5	1183.98
3	Plant & Machinery	1204.28	218.13	1422.41
4	Bulk Delivery Systems (Pump trucks)	1297.5	520	1817.5
5	Bulk Transfer System (Tankers)	117	117	234
6	Electricals	235.1	73	308.1
7	Miscellaneous Fixed Assets	87.8	30	117.8
8	Preoperating Expenses	90	30	120
	<b>Sub-total</b>	<b>4865.66</b>	<b>1398.63</b>	<b>6264.29</b>
9	Contingencies (10%)	486.569	139.86	626.43
10	Capital Cost	5352.23	1538.49	6890.72
11	Margin for Working Capital	454.5	292.83	747.33
	<b>Total Project Cost</b>	<b>5806.73</b>	<b>1831.32</b>	<b>7638.05</b>

\*Trial production for Phase I is expected to start by September 2006, for Phase II the trial production is expected to start by September 2007.

The cost of plant and machinery, utilities, land development and building has been considered based on the details estimated by the Company and by SICOM Limited.

### Major cost heads:

#### Land & Site development

The total requirement of land for Indian operations is 46 acres, comprising of 19 acres for Support Plants at 4 locations and 27 acres for Transfer Plants at 9 locations. The Company has identified land and is in the process of acquisition. The requirement of land for overseas operations is 60 acres comprising of 50 acres for manufacturing plant and 10 acres for Magazine (storage). The cost of land is estimated at Rs.345 lakhs for Indian operations and Rs.280 lakhs for overseas project. The cost of site development includes leveling, internal roads, compound wall, bore-wells etc. and works out to Rs.262 lakhs for Indian project and Rs.173.50 lakhs for overseas project.

Out of these the Company has purchased land at Asansol, Jharsugada, Ramagundam and Ramgarh at a total expenditure of Rs. 32,83,000 and at Bokaro the Company has received letter of allotment from Bokaro Industrial area development authority.

#### Building & Civil works

The total cost of building and civil works is Rs.1183.98 lakhs, comprising main factory buildings, storage, administrative bldg, mounds, retaining wall etc. The building cost in phase I is Rs. 982.48 lakhs and that in phase II is Rs. 201.50 lakhs.

#### Plant & Machinery

The total plant & machinery cost is estimated at Rs. 3473.91 lakhs comprising of Rs. 2667.07 lakhs for Indian project and Rs. 806.84 lakhs for overseas project. The main Plant & Machinery required for support plants are oxidizer & fuel blend reactor, continuous mixer, filters, boiler, material handling equipment, storage tanks, pumps, piping fittings, etc. The plant & machinery for overseas operation also includes machinery required for cartridges i.e. peterson blender, cartridge machine, chilling plant, etc.



The plant & machinery also includes tankers for Bulk Transfer System and special vehicles for Bulk Delivery Systems. Total cost for Bulk Delivery Systems is Rs. 1817.50 lakhs and that of Bulk Transfer Systems works out at Rs. 234 lakhs.

Details of Machineries Ordered:

**DETAILS OF ORDERS / LOI ( Rs. In Lacs )**

Party Name	Value	Date
Associated Engineers	24.48	11/1/2006
Associated Engineers	23.95	11/1/2006
SOS Enterprises	8.05	11/1/2006
Associated Engineers	4.25	11/1/2006
Associated Engineers	2.3	11/1/2006
Thermax Ltd	7.73	LOI
Associated Engineers(Roto Pumps)	11.35	11/1/2006
Eassace Digitronic Pvt Ltd	45.64	LOI
Associated Engineers	1.59	11/1/2006
Associated Engineers	37.25	11/1/2006
Associate Engineers	389.22	12/1/2006
<b>Total</b>	<b>555.81</b>	

Details of orders to be placed for plant & machinery:

Projects in India - Phase I		Cost Estimates (Rs. Lakh)
<b>P&amp;M</b>		
<b>A</b>	<b>Cost of Bulk Support Plant</b>	
1	AN Melt and CN Melt storage tank	39.17
2	OB Reactor (SS)	23.58
3	FB Reactor (MS) And measuring vessels	3.93
4	Continous Mixer , strainers etc	4.19
5	Storage tanks- matrix,f.o,diesel and service tanks.	19.79
6	DM Water Unit and Boilers	17.95
7	Material Handling Equipment	10.81
8	DM Water Unit	3.01
9	AN Conveyor	1.97
10	Pumps and Compressor	9.14
11	Weigh Bridge and Other Balances	7.44
12	Lab equipments, Workshop & Safety Equipments	5.54
13	OB & FB filters	1.57
14	Pipe, Fittings and Insulation	22.50
	Cost Of Bulk Support Plant	170.58
	Number of Bulk Support Plants in Phase I	3
	Total Cost of Bulk Support Plant in Phase I	511.74

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<b>B</b>	<b>Cost of Bulk Transfer Plant</b>	
1	Emulsion Matrix Storage Tank	10.50
2	Pumps and Compressors	2.40
3	Weigh Bridge	6.00
4	Miscellaneous Equipments	3.24
	Cost of Bulk Transfer Plant	22.14
	Number of Bulk Transfer Plant in Phase I	5
		110.70
<b>C</b>	<b>Total Cost of Bulk Support and Transfer Plant in Phase I</b>	<b>622.44</b>
<b>D</b>	<b>Bulk Delivery and Transfer System</b>	<b>1189.50</b>
<b>E</b>	<b>Total cost of Plant and Machinery in Phase I</b>	<b>1811.94</b>

### Project in India (Phase II)

<b>A</b>	<b>Cost of Bulk Support Plant</b>	<b>Cost Estimates (Rs. Lakhs)</b>
<b>P&amp;M</b>		
1	AN Melt and CN Melt storage tank	18.08
2	OB Reactor (SS)	11.79
3	FB Reactor (MS) And measuring vessels	1.97
4	Continous Mixer , strainers etc	4.19
5	Storage tanks- matrix,f.o,diesel and service tanks.	19.76
6	DM Water Unit and Boilers	17.95
7	Material Handling Equipment	10.81
7	DM Water Unit	3.01
8	AN Conveyor	1.97
10	Pumps and Compressor	9.14
11	Weigh Bridge and Other Balances	7.44
14	Lab equipments, Workshop & Safety Equipments	4.89
15	OB & FB filters	1.57
16	Pipe, Fittings and Insulation	17.00
	Cost Of Bulk Support Plant	129.57
	Number of Bulk Support Plants in Phase I	1
	Total Cost of Bulk Support Plant in Phase I	129.57
<b>B</b>	<b>Cost of Bulk Transfer Plant</b>	
1	Emulsion Matrix Storage Tank	10.50
2	Pumps and Compressors	2.40
3	Weigh Bridge	6.00
4	Miscellaneous Equipments	3.24
	Cost of Bulk Transfer Plant	22.14
	Number of Bulk Transfer Plant in Phase II	4
		88.56
<b>C</b>	<b>Total Cost of Bulk Support and Transfer Plant in Phase I</b>	<b>218.13</b>
<b>D</b>	<b>Bulk Delivery and Transfer System</b>	<b>637.00</b>
<b>E</b>	<b>Total cost of Plant and Machinery in Phase II</b>	<b>855.13</b>



### Project Outside India (Phase I)

	Description of Machinery	Total Cost (Rs. Lakhs)
1	Oxydiser Blend Reactor & Storage tank	45.00
2	Fuel Blend Reactor & Storage tank	4.37
3	Mixer and Blender	26.75
4	Ammo. Nitrate Dissolver	18.75
5	Cartridge Machine and Spares	148.50
6	Storage Tanks	28.62
7	Rotopumps with hopper, compressors and hydraulic pack	57.52
8	ETP System	12.50
9	Material handling Equipments	21.25
10	Chilling Plants & Cooling Bath	21.88
11	Lab Equipments, Safety & Fire Equipments etc	31.25
12	Pipings, fittings & insulations	46.00
13	Weighing balances	9.35
14	OB & FB Filters	1.25
15	Small reactors	5.50
16	Boiler incl. Chimney and DM unit	30.00
17	Bulk Delivery Systems Pump Trucks	225.00
18	Erectioning & Commissioning	73.35
		<b>806.84</b>

#### Cost of Electricals and Miscellaneous Fixed Assets:

The cost of Electricals is Rs. 308.10 lakhs and it includes transformer, DG Set etc. The cost of miscellaneous Fixed Assets is Rs. 117.80 lakhs and includes furniture, fixtures, office equipment, etc.

#### Preoperative expenses:

Preoperative expenses include expenses incurred for setting up Project till commissioning like insurance, traveling expenses, etc and total cost is estimated at Rs. 120 lakhs excluding the public issue expenses. Contingencies are provided at 10% of the above cost.

#### Contingencies:

The cost estimate is based on the quotations obtained from the capital equipment manufacturers and the civil contractors and no major change in the cost is expected. However, we plan to keep aside some portion of the net proceeds from the issue towards meeting contingent expenses and/or cost overruns in carrying out our above-proposed activities. Considering these factors, provision for contingency has been estimated at 10% on all hard costs aggregating Rs. 437.63 Lakhs.

#### Margin Money for Working Capital:

The working capital margin requirements of the Project are estimated at Rs. 747.33 Lakhs. Working capital for the domestic project has been calculated on the basis of following assumptions:

Current Assets	Months	Current Liabilities	Months
Raw Material	1.00	Raw Materials Credit	1.00
Finished Goods	0.10		
Receivables	2.50		

Working capital for the overseas Project has been calculated on the basis of following assumptions:

## Solar Explosives Limited

Current Assets	Months	Current Liabilities	Months
Raw Material	1.50	Raw Materials Credit	1.00
Finished Goods	0.10		
Trading Goods Stock	3.00		
Receivables	2.00		

### Schedule of Implementation

The proposed schedule of implementation for the domestic projects is as follows

#### Phase I

Particulars	Estimated completion time
Letter of Intent from Ministry of Industry & Commerce	Applied for
Procurement of Land	March 2006
Order for equipment	March 2006
Site development	April 2006
Building and construction	July 2006
Installation of Plant and Machinery	August 2006
Plant and Product Trials	September 2006

#### Phase II

Particulars	Estimated completion time
Procurement of Land	June 2006
Order for equipment	March 2007
Site Development	April 2007
Building and construction	July 2007
Procurement of Plant and Machinery	August 2007
Plant and Product Trails	September 2007

The proposed schedule of implementation for the African projects is as follows

Particulars	Estimated completion time
Apply for registration of business in the African Countries	January 2006
Seeking necessary approvals from concerned departments (e.g. Department of Mining and Investment Promotion Commission)	March 2006
Procurement of Land	March 2006
Order for equipment	March 2006
Site Development	April 2006
Building and construction	July 2006
Installation of Plant and Machinery	August 2006
Plant and Quality Trails	September 2006

The investments in the foreign venture as per the appraised project will be done through 100% subsidiary namely Solar Explosives Nigeria Limited. The process of registration is already been initiated. We do not assure any dividends from our investments in our 100% owned subsidiary in Nigeria.



### Funds Deployed

So far the company has spent a total of Rs. 69,98,650 ,the breakup of which is provided below:

Date of payment	Amount (Rs.)	Name of Party	Purpose
17/01/06	37,15,650	Associated Engineers India	Amount paid as advances for Roto pumps, Site Mix trucks & other items
17/01/06	32,83,000	Solar Capitals Ltd.	Amount paid as advances for purchase of land at Asansol, Jharsugda & Ramagundam and Ramgarh

Sources of funds deployed: Company has utilised internal accruals for the expenditure it incurred on land and machinery as stated above.

### Expenses of the Issue:

The expenses for this Issue includes underwriting and management fees, selling commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated at Rs. [·] lakhs being, which will be borne by the Company.

Sr. No.	Particulars	Amount Rs. Lakhs
1	Book Running Lead Managers fees	[·]
2	Registrar to the Issue	[·]
3	Advisors to the Issue	[·]
4	Offer Stationery	[·]
5	Advertising Expenses	[·]
6	Brokerage and selling Commission	[·]
7	Legal Fees	[·]
8	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	[·]
9	Contingencies	[·]
	<b>Total</b>	<b>[·]</b>

### MEANS OF FINANCE

The net proceeds of the Issue after meeting issue expenses would be utilized to meet fund requirements described above. In case of shortfall if any, the same would be met through our internal accruals. In the event that the funds raised in the issue are higher than the budgeted requirements, we intend to use the excess for general corporate purposes. The details of the Monitoring Agency are given on page number 12 of the RHP.

The appraisal report also covers following aspects:

- Market Assessment
- Technical Assessment
- Financial Assessment

A brief summary of the appraisal report is as follows:

#### Market Assessment

The present market for industrial explosives including Accessories is estimated at Rs. 1300 crs comprising of Bulk Slurry emulsion of Rs. 740 crs, Cartridge of Rs. 260 crs and Accessories of Rs. 300 crs. Indian Explosives Limited, Solar Group and Gulf Oil Corporation Limited are the prominent players.

During the last few years there has been a significant growth in production of Bulk Explosives with marginal increase in the Cartridge Explosives. This trend is due to increased deployment of technologically advanced Bulk Delivery System in the open cast mines where higher productivity is achieved with less manpower.

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With growing demand for power, steel and cement, there is an increase in coal, iron ore and limestone mining. Road sector is also growing at fast space with National Highway projects.

The growth in the Explosives industry is directly proportional to the growth in the mining industry. With the economy poised to grow at 7 – 8% per annum with focus on investment in infrastructure. Mining industry is expected to grow at a similar pace, particularly in the core segments like coal, iron ore, and limestone.

Coal mining, which accounts for approximately 70% of total explosive consumption, remains the largest application for Explosives worldwide. Quarrying and metal mining, the second largest consuming industry accounts for almost 10% of the consumption. The balance 20% is accounted for by infrastructure, construction and other miscellaneous uses.

Over 70% of the coal output in India is being consumed for power generation. With the continuing dependence on thermal plants for power generation, the long-term volume demand for the Explosive industry is expected to be stable. The balance 30% of the Explosives demand is accounted for by the mineral mining, irrigation, hydel power and construction sectors, which are also growing steadily.

### Mining Industry - An Overview

The production of minerals resources in India where Explosives are used for production in last five years can be seen from the following figures published in the annual report of Ministry of Mines and Indian Bureau of Mines for the year 2004-05.

(Million MT)

Mineral	2004-05	2004-03	2003-02	2002-01	2001-00
Coal	382	361	341	328	314
Lignite	30	28	26	25	24
Limestone	161	154	156	131	127
Iron Ore	143	121	99	86	80
Bauxite	12	11	10	9	8
Dolomite	4.3	3.8	3.6	3.2	3.0

The demand for the Explosives or the growth in the Explosive sector is directly coupled to the growth in the mining sector. The maximum consumption of the Explosives produced is by the mining sector and in particular coal mining. In the absence of any data on the consumption of Explosives and growth thereof, one has to take a view on the demand or growth in the mining industry as well as infrastructure projects and develop a correlation.

### Coal:

Coal demand is an aggregate derivative of the sectoral demand of coal consuming sectors namely power, steel and cement. Coal mining sector consumes about 70% of Explosives. Other sectors are quarrying and metal mining, infrastructure, construction etc.. Based on this, the coal demand is expected to increase to about 600 million tons by 2011. Many power projects are being planned in India to add capacities of more than 100,000MW in the next 5 to 10 years, including thermal and hydel projects.

### Metal Mining:

The total value of mineral production was Rs.678838 million in 2004-2005, of which the value of minerals other than petroleum and natural gas was Rs.399974 million. The metallic production is accounted for by iron-ore, copper-ore, chromite and/or zinc concentrates, gold, manganese ore, bauxite and lead concentrates. Amongst the non-metallic minerals, more than 90 percent of the aggregate value is shared by limestone, magnesite, dolomite, barytes, kaolin, gypsum, phosphorite, steatite and fluorite.

### Infrastructure Projects:

The second most important segment for the Explosives market is the growth in infrastructural projects. India offers one of the biggest infrastructure opportunities in the world and there are ambitious plans for expansion and modernization. Explosives are also used during construction of hydel power stations and irrigation projects.



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**Road:**

The Golden Quadrilateral project alone is likely to generate requirement of cement of 2.5 to 4 million Metric Tonne, and of steel of 2.5 to 3 lakh Metric Tonne.

Further there are several ongoing mega projects both for National Highways as well as State Highways, which will be generating a tremendous demand for the Explosives.

**Technical assessment**

The Company is in the field of manufacturing Slurry / Emulsion Explosives and Accessories since last 10 years. The Group has set up four plants to cater to needs of various customers. The Company has a wide variety of products . The manufacturing units have quality assurance systems.

The major raw materials required are ammonium Nitrate/Nitrite, Waxes, Paraffin Oil, Emulsifiers, Zinc nitrate, etc

**Plant and machinery appropriateness:**

According to the consultants the list of machinery provided by SEL appears to be comprehensive and covers all items required for the particular project. Various aspects pertaining to project implementation time frame spelt out by SEL seems to be reasonable, adequate and conforms to generally accepted norms and conventions of the industry

**Conclusion:**

SICOM Limited has gone through selection of plant & machinery, comparison of various technologies available locally and internationally, market assessment, reasonableness of project cost and overall financial viability of the project.

The plant and machinery planned to be used for the various projects are appropriate for the technology and the configuration is as per the accepted norms and conventions of the industry.

Based on the review, SICOM Limited concluded that the Project is financially viable.

**INTERIM USE OF FUNDS**

Pending utilization of funds as stated above, we would deposit the funds in "Fixed deposit - Escrow Account" with Scheduled Commercial Bank/s.

## Solar Explosives Limited

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### BASIC TERMS OF ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the 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.

### BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares offered by way of Book Building Process.

**Investors should read the following summary with the Risk Factors included from page number xiv to xxii and the details about the Company and its financial statements included in this Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these risks and you may lose all or part of your investments.**

### Qualitative Factors

- The Company is a leading player in the domestic Explosives market.
- One of the largest licensed capacity for Cartridge Explosives manufacture and to manufacture Bulk Explosives.
- Critical Inputs required to manufacture Explosives are made in-house resulting in cost efficiency
- Quality assurance- 4 out of 6 units are ISO 9001 certified.
- Strong marketing network and logistics to deliver the Explosives and has magazines (storehouses) at major consuming areas.
- Strong technical team at user end for providing blasting services to customers
- Company manufactures wide range of Explosives and Accessories catering fully to various industries.
- The promoters of the Company have years of experience in the Industrial Explosives Industry

### Quantitative Factors:

1. Adjusted Earnings Per Equity Share (Stand Alone)

Year	Earnings per Equity Share (Rs.)	Weight
2002-03	11.54	1
2003-04	12.72	2
2004-05	20.63	3
Weighted Average	16.48	

### Note:

- a. The Earnings per Equity Share has been computed on the basis of adjusted Profits Losses for the respective years/periods after considering the impact of accounting changes and prior period adjustments / regroupings pertaining to the earlier years.
- b. EPS calculations have been done in accordance with Accounting Standard 20-“Earnings per Share” issued by the Institute of Chartered Accountants of India.
- c. The denominator considered for the purpose of calculating earning per share is the weighted average number of Equity Shares outstanding during the period.



**2. Price / Earning (P/E) ratio in relation to the Issue Price of Rs. [●]**

a. Based on the year ended March 31, 2005 Adjusted EPS of Rs. 20.63

b. Industry P/E

I) Highest	:	27.7
II) Lowest	:	8.1
III) Industry Average	:	17.9

Note : Highest, Lowest and Industry average is taken as average of peer group.

**3. Return on Networth (RoNW)**

Year	RoNW %	Weight
2002-03	18.99%	1
2003-04	19.66%	2
2004-05	30.05%	3
Weighted Average	24.74%	

Note:

a. The average return on net worth has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/ regroupings pertaining to earlier years.

**4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS of Rs [●] : [●]**

**5. Net Asset Value per share (NAV)**

	Rs.
NAV per share as on September 30, 2005*	37.14
NAV per share as on March 31, 2005	78.16
NAV per share as on March 31, 2004	59.21
NAV per share as on March 31, 2003	49.64
Issue Price	[●]
NAV after the Issue	[●]

\* The decrease in NAV per share is due to the Bonus issue of 1.5:1

Note:

a. Net Asset Value Per Share = Equity Share Capital plus Reserves Surplus less Miscellaneous Expenditure to the extent not written off /No. of Equity Shares

**6. Comparison with Industry Peers**

	EPS (Rs.)	P/E	RONW(%)	NAV (Rs.)
Solar Explosives Limited*	20.6	[=]	30.05	78.16
Keltech Energies Limited	18.0	9.7	17.5	57.2
Premier Explosives Limited	4.2	26.00	17.3	18.5

\* Data as of 31/3/2005

● For Peers the data is taken from Capital Market Magazine Jan 30-Feb 12, 2006.

● There are other players like Gulf Oil and IBP for which the revenue from Explosives forms a part of their total revenue. Though Keltech and Premier Explosives are comparatively smaller players, their revenues are almost

## Solar Explosives Limited

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completely from Explosives. Hence, Keltech and Premier Explosives are chosen as peer companies for Solar Explosives Limited.

**7. The face value of Equity Shares of our Company is Rs. 10 and the Issue Price is [●] time of the face value.**

The Issue Price of Rs. [●] has been determined by the Company 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.



#### IV. TAX BENEFITS STATEMENT

The auditors for the company are Gandhi Rathi Co., Chartered Accountants vide letter dated 25.08.2005 have stated the possible tax benefits available to Solar Explosives Limited (the "Company") and its shareholders under the current tax laws presently in force in India. They have stated that several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and 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 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. The auditors do not express any opinion or provide any assurance as to whether:

- (I) the Company or its share holders will continue to obtain these benefits in future; or
- (II) the condition prescribed for availing the benefits have been / would be met with.

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

#### Statement of possible tax benefits available to Solar Explosives Limited and to its Shareholders

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to M/s Solar Explosives Limited and its shareholders.

#### Benefits available to the Company Under the Income Tax Act, 1961

1. In accordance with and subject to the provisions of section 35 of the Income tax Act, the Company will be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business other than expenditure on land.
2. In accordance with and subject to the provisions of section 32, the Company will be entitled to claim depreciation in respect of tangible assets and intangible assets being in the nature of copyrights and trademarks or any other business or commercial rights of similar nature acquired on or after 1 April 1998 at the rates prescribed under the Income tax Rules.
3. By virtue of section 10(34) of the Income Tax Act, dividend income referred to in section 115-0 of the IT Act, will be exempt from tax in the hands of the Company.
4. By virtue of section 10(35) of the Income Tax Act, the following income shall be exempt in the hands of the Company
  - a. Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
  - b. Income received in respect of units from the Administrator of the specified undertaking; or
  - c. Income received in respect of units from the specified company;

Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be. For this purpose:

- i. "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
  - ii. "specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
5. In terms of section 10(38) of the Income tax Act, any long term capital gain arising to the company from the transfer of a long term capital asset being an equity shares in a company or unit of an equity oriented fund on or after the

## Solar Explosives Limited

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date on which chapter VII of the Finance ( No. 2) Act 2004, comes into force and such transaction is chargeable to securities transaction tax, would not be liable to tax in the hands of the company.

For this purpose, "equity oriented fund" means

- a. Where the investible funds are invested by way of equity shares in domestic companies to the extent of more than fifty per cent of the total proceeds of such fund; and
  - b. Which has been set up under a scheme of a Mutual Fund specified under clause (23D)
6. In accordance with and subject to the provisions of Section 80-IB, in computing the total income of the company, a deduction from such profit and gains of an amount equal to such percentage and for such number of assessment years as specified in this section will be allowed.
  7. In terms of section 111 A of the Income tax Act, any short term capital gain arising to the company from the transfer of a short term capital asset being an equity shares in a company or unit of an equity oriented fund on or after the date on which chapter VII of the Finance ( No.2) Act, 2004( i.e. 1<sup>st</sup> day of October, 2004) comes into force and where such transfer is chargeable to securities transaction tax would be subject to tax at a rate of 10 per cent (plus applicable surcharge and Education Cess)
  8. As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess).
  9. Under section 54EC of the Income tax Act and subject to the conditions and to the extent specified therein, long term capital gains arising on transfer of a long term capital asset shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long term specified asset.  
  
If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income "chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.
  10. As per the provisions of Section 54ED of the Act and subject to the condition specified therein, capital gains arising from transfer of long term assets, being listed securities or units (not covered by section 10(38)) shall not be chargeable to tax to the extent such gains are invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
  11. As per the provisions of Section 115JAA sub section (1A) Where any amount of tax is paid under sub-section (1) of section 115JB by an assessee, being a company for the assessment year commencing on the 1<sup>st</sup> day of April,2006 and any subsequent assessment year, then, credit in respect of tax so paid shall be allowed to him in accordance with the provisions of this section.

### To the Resident Members of the Company

1. In term of section 10(34) of the Income Tax Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the company) is exempt from tax.
2. In accordance with section 10(23d) of the Income Tax Act, all mutual funds registered under the securities and exchange board of India act or set up by public sector banks or a public financial institutions or authorized by the reserve bank of India, subject to the conditions specified therein are eligible for exemption from income tax all their income, including income from investment in the share of the company.
3. In terms of section 10(38) of the Income Tax Act, any long term capital gain arising to the members from the transfer of a long term capital asset being an equity shares in a company on or after 1<sup>st</sup> day of October 2004, where such transfer is chargeable to securities transaction tax, would not be liable to tax in the hand of the member.
4. In term of section 111A of the Income Tax Act, any short term capital gain arising from the transfer of a short term capital asset being an equity shares in a company or unit of an equity oriented fund on or after 1<sup>st</sup> day of October 2004, where such transaction is chargeable to securities transaction tax, would be subject to tax at a rate of 10 per cent (plus applicable surcharge and Education Cess)



5. Under section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under section 64(1A) of the Act, will be exempt from tax to the extent of Rs. 1500/- per minor child.
6. As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess).
7. As per the provisions of section 88E, where the business income of a resident 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
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by section 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section.

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

9. In accordance with and subject to the conditions and to the extent specified the Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their assets being listed securities or units (not covered by section 10(38)), to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
10. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, 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 /construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.
11. As per the provisions of Section 80C, in computing the total income of an assessee, there shall be deducted, the whole of the amount paid or deposited in the previous year, being the aggregate of the sums referred to in sub - section (2), as does not exceed one lakh rupees as subscription of equity shares or debentures forming part of any eligible issue of capital approved by the Board on an application made by a public company or as subscription to any eligible issue of capital by any public financial institution in the prescribed form.

#### **Benefits available to other Non-residents**

1. Under Section 10(34) of the Act, dividend (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.
2. In accordance with the provisions of Section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs.1500 per minor child per year.
3. As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess).
4. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1<sup>st</sup> of October 2004 and such sale is subject to Securities Transaction tax.
5. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be

## Solar Explosives Limited

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subject to tax @ 10% provided such a transaction is entered into after the 1<sup>st</sup> day of October, 2004 and the transaction is subject to Securities Transaction Tax.

6. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
7. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by section 10(38)) if such capital gain is invested in any of the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
8. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gains (not covered by section 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
9. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by section 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
10. As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

### Benefits available to Non-Resident Indian Shareholders

1. Under Section 10(34) of the Act, dividend (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.
2. In accordance with the provisions of Section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs. 1,500 per minor child per year.
3. In the case of shareholder being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in Section 115D read with Section 115E of the 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% as increased by a surcharge and education cess at an appropriate rate on the tax so computed, without any indexation benefit but with protection against foreign exchange fluctuation.
4. In case of a shareholder being a non-resident Indian, and subscribing to the share 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 from long term capital gains (not covered by section 10(38)) on the transfer of shares in the Company upon investment of net consideration in modes as specified in sub-section (1) of Section 115F.
5. In accordance with the provisions of Section 115G of the Act, Non Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.



6. In accordance with the provisions of Section 115H of the Act, when a Non Resident Indian become assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
7. As per the provisions of section 115 I of the /Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that year under Section 139 of the 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.
8. As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess).
9. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1<sup>st</sup> of October 2004 and such sale is subject to Securities Transaction tax.
10. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1<sup>st</sup> day of October, 2004 and the transaction is subject to Securities Transaction Tax.
11. As per the provisions of section 88E, where the business income of a assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
12. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by section 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified asset is transferred or converted into money.
13. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholder would be entitled to exemption from tax on long term capital gains (not covered by section 10(38)) arising on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
14. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by section 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
15. As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

#### **Benefits available to Foreign Institutional Investors ('FII')**

1. In case of a shareholder being a Foreign Institutional Investor (FII), in accordance with and subject to the conditions

## Solar Explosives Limited

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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 20% and on short term capital gain will be 30% as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case. However short term capital gains on sale of Equity Shares of a company through a recognised stock exchange or a unit of an equity oriented mutual fund effected on or after 1<sup>st</sup> October 2004 and subject to Securities transaction tax shall be taxed @ 10% as per the provisions of section 111A. It is to be noted that the benefits of Indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to FII.

2. As per the provision of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.
3. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1<sup>st</sup> of October 2004 and such sale is subject to Securities Transaction tax.
4. 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.
5. In accordance with and subject to the conditions and to the extent specified in /section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by section 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified assets is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.
6. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax (not covered by section 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

### **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 authorised by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

### **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 exempt from Income Tax, subject to the conditions specified.

### **Benefits available to the company under the Central Sales Tax Act, 1956, Maharashtra Value Added Tax Act 2004**

Company is registered under the above mentioned Acts. As per the prevailing provisions of the above acts, company is enjoying the benefits as available to registered dealer.

### **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.



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**Note:**

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

However, a shareholder is advised to consider in his / her / its own case. The tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislations may not have direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

### SECTION IV: ABOUT THE ISSUER COMPANY

#### I. INDUSTRY OVERVIEW

##### Introduction

The roadways we travel on and tunnels we travel through are built by first breaking rock using Explosives. The cars we travel in contain steel, copper, aluminum, and zinc — all raw materials extracted from the ground using Explosives. Our power sources — coal, fuel, natural gas pipelines, and hydroelectric dams — are either extracted or built using the power of Explosives. Even everyday products such as talcum powder, toothpaste, cosmetics and medicines contain minerals, all of which need to be mined using Explosives.

The Explosives industry was founded when black powder was used to extract minerals, break rock, clear fields and make roads. It would not be an overstatement to say that the infrastructure of the developed world was built with the help of Explosives. In the 1860s, Alfred Nobel, a Swede, invented dynamite and the blasting cap required to make dynamite explodes. He licensed it in the United States and the Industrial Revolution began.

With the use of dynamite, mines could be dug deeper and more quickly, and mineral deposits that were uneconomical to mine became profitable. The mining of copper, coal and iron ore increased. Rock quarries delivered materials such as limestone, cement and concrete which became common building products, replacing bricks and cobblestones. Harbours were deepened and widened; railways and roads expanded and dams were built creating enough electricity to pave the way to the 20<sup>th</sup> Century.

Between the end of the Civil War and the end of World War II, no single engineering tool surpassed the achievement of dynamite. During the last four decades this workhorse of industrial progress has been joined by even more efficient and safer products such as water gels, emulsions and ANFO (Ammonium Nitrate/ Fuel Oil).

Today, we rely on Explosives engineering more than ever in our quest for more electrical energy, better roadways and more mineral harvesting. Explosives are used in

1. Mining
2. Infrastructure Projects
3. Building Demolition and Construction

##### Different Types of Explosives

According to their rates of decomposition, Explosives are classified as low or high Explosives. Low Explosives burn rapidly and do not detonate. High Explosives undergo detonation.

The term “detonation” is used to describe an Explosive phenomenon whereby the decomposition is propagated by the Explosive shockwave penetrating the Explosive material. The shockwave front is capable of passing through the high Explosive material at massive speeds.

##### Low Explosives

Low Explosives are normally employed as propellants. Blasting powder, gunpowder and pyrotechniques Explosives fall in this category. They undergo deflagration at rates that vary from a few centimeters per second to approximately 400 meters per second. Included in this group are smokeless powders, and pyrotechnics such as flares and illumination devices. However the use of low Explosives in mining activities has totally stopped for last 20 years because of its inefficient performance and unsafe characteristic.

##### High Explosives

High Explosives are employed in mining, demolitions and military warheads. They undergo detonation at rates of 2,000 to 8,500 meters per second. The High Explosives are broadly divided into two categories i.e. the Explosives and the initiating systems.



Explosives are further divided into two categories

- Cap sensitive Explosives also known as primer Explosive  
Primer Explosives are extremely sensitive to shock, friction, and heat. They will react rapidly or detonate if ignited under confined conditions.
- Non Cap sensitive Explosives also known as column charge or base charge  
Non Cap sensitive Explosives are relatively insensitive to shock, friction, and heat. They will detonate with the help of Primer Explosives.

For a blasting application the Cap Sensitive and Non Cap Sensitive Explosive are used in predetermined ratio depending on the application. The detonator or detonating fuse (initiator) initiates the cap sensitive Explosive, which in turn initiates the non cap sensitive Explosive. The cap sensitive Explosive needs extra sensitizers and are costly. To achieve the mining economies the primer charge and column charge are used in combination.

#### COMPONENTS OF AN INDUSTRIAL EXPLOSIVE

An industrial Explosive device consists of two components - the detonator and the Explosive material. The fuse sets off a controlled ignition in the detonator, which in turn sparks an initial explosion leading to a build-up of pressure and thermal energy in the main Explosive material that it is connected to.

The principal distinction between high Explosives and blasting agents is their sensitivity to initiation. High Explosives are cap sensitive, whereas blasting agents are not. High Explosives include permissible and other High Explosives, which would initiate blasting agents

Blasting agents include (i) ammonium nitrate-fuel oil (ANFO) mixtures, regardless of density (ii) slurries, water gels or emulsions (iii) ANFO blends containing slurries, water gels, or emulsions and (iv) ammonium nitrate in prilled, grained or liquor (water solution) form.

#### The Indian Explosive Industry

Explosives are a vital part of every construction project, and indispensable in the mining of every mineral - be it coal, iron ore, copper, bauxite, or any other. Worldwide Explosive demand is driven by economic development, energy and base mineral demand, transition from underground mining to surface mining.

In India, manufacture of Explosives started in the year 1958 by M/s. ICI (India) Limited, Gomia, Bihar (now Jharkhand). Later on Indian Detonators Limited, Hyderabad, IBP Co. Limited, Korba, Keltech Energies Limited, Karnataka, Maharashtra Explosives Limited, Nagpur, Noble Explo-Chem Limited, Nagpur, Tamil Nadu Industrial Explosives Limited, Vellore, Bharat Explosives Limited, Lalitpur, Premier Explosives Limited, Hyderabad etc. also started manufacturing different kinds of Explosives.

However, with the passage of time several SSI units also started manufacture of Explosives from 1980 and there are about 63 Explosives manufacturing companies in the country, both in medium and SSI scale having the following installed capacity

TYPE OF EXPLOSIVE	CAPACITY
Gun Powder	1703 MT
High Explosives	14,50,275 MT
Safety Fuse	216 Million Meters
Detonating Fuse	439 Million Metres
Detonators (in nos.)	878 Million Numbers

Source: Annual Report 2004-05, Petroleum and Explosives Safety Organisation,  
Ministry of Commerce Industry, Government of India

During the year there has been a significant growth in production and delivery of site mixed Explosives with marginal increase in the cartridge Explosives. This trend is due to more deployment of technologically advanced machinery/mechanized mining in the open cast sector where higher productivity is achieved with less manpower.

## Solar Explosives Limited

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In the mining segment, a gradual shift towards higher-value products for enabling better critical blasting is evident. While there is greater emphasis on improved blast performance and efficiency, with emphasis on environmental safety considerations, Explosive delivery systems and after-sales technical support are the differentiating factors in the industry.

### RECENT TRENDS IN EXPLOSIVES USAGE

With the increasing mining activity in our country, both for coal and other minerals, the Explosives industry is expected to witness higher demand for Explosives and related Accessories. This has necessitated the Explosives industry to move to the latest generation of technological swing, which is marked by introduction of site specific bulk manufacturing and delivering vehicles which carry non-Explosive Matrix to the mine site and convert it to Explosives only during the process of charging of the bore holes. This system offers the following advantages over traditional methods:

- Higher loading rate
- Enhanced safety
- Reduction of storage and transportation infrastructure
- Savings on labour cost and
- Better blast management.

### Demand for Industrial Explosives and Key Growth Drivers - Market Prospects

The growth of the Explosives industry mainly depends on the growth of the following sectors

- Mining
  - Coal
  - Mineral
- Infrastructure and Construction

### MINING INDUSTRY - AN OVERVIEW

There exists a great potential for mining in India which is mainly because of the following factors

- Still largely unexplored through modern prospecting techniques.
- Availability of sound geological, exploration and aero-geo-physical database.
- History of mineral occurrences, including base metals, precious stones and diamonds.
- Large pool of mining engineers, managers and skilled workers.

This when coupled with the National Mineral Policy as stated under, further enhances the growth of mining sector in India. Few highlights of the National Mineral Policy are

- Thirteen minerals earlier reserved for exclusive exploitation by public sector opened for private investment, both domestic and foreign.
- Induction of foreign technology and private participation in exploration and mining of high value and scarce minerals encouraged.
- Foreign equity investment in joint ventures promoted by Indian companies allowed.

India is endowed with significant mineral resources. Presently India produces 89 minerals out of which 4 are fuel minerals, 11 metallic, 52 non-metallic and 22 minor minerals.

Besides, India ranks 3<sup>rd</sup> in production of coal and lignite, 4<sup>th</sup> in iron ore, 6<sup>th</sup> in bauxite and manganese ore, 10<sup>th</sup> in aluminium and 11<sup>th</sup> in crude steel in the World.

The production of Minerals resources in India where Explosives are used for production, in last five years, can be seen from the following figures published in the Annual Report of Ministry of Mines and Indian Bureau of Mines for the year 2004-05.



(Million MT)

Mineral	2004-05	2004-03	2003-02	2002-01	2001-00
Coal	382	361	341	328	314
Lignite	30	28	26	25	24
Limestone	161	154	156	131	127
Iron Ore	143	121	99	86	80
Bauxite	12	11	10	9	8
Dolomite	4.3	3.8	3.6	3.2	3.0

The demand for the Explosives or the growth in the Explosive sector is directly coupled to the growth in the mining sector. The maximum consumption of the Explosives produced is by the mining sector and in particular coal. In the absence of any data on the consumption of Explosives and growth thereof one has to take a view on the demand or growth in the mining industry as well as infrastructural projects and develop a correlation between them.

### Coal

(Source: <http://www.indiainbusiness.nic.in/> and Vision 2025 Publication of Ministry of Coal, Govt of India, website of coal India limited)

Against the backdrop of a liberalized and growing economy, the Indian coal industry is gearing up for massive changes in the coming decades. Considering the limited reserve and potentiality of petroleum and natural gas, eco-conservation restrictions of large hydroelectric projects and geo political perception of nuclear power, coal shall continue to occupy center stage of Indian energy scenario.

India is one of the biggest coal producers in the world. Coal meets about two-third of India's commercial energy needs and accounts for about 75% of national power production. More than two-third of coal production is used for generating thermal power. Coal demand is an aggregate derivative of the sectoral demand of coal consuming sectors namely:

- Cement,
- Steel,
- Fertilizers,
- Chemical,
- Paper,
- Transport sector
- Households

The Ministry of Coal is, therefore, engaged in developing coal resources of the country in a manner so that requirements of coal of above consuming sectors are met in full and their dependence on oil/imported coal is minimized (Source: Standing Committee on Coal and Steel (2004-2005), Ministry of Coal).

Coal mining, with approx. over 70% of total Explosive consumption, remains the largest application for Explosives worldwide. Quarrying and Metal mining, the second largest consuming industry accounts for almost 10% of the consumption. The balance 20% is accounted for by infrastructure, construction and miscellaneous/other uses.

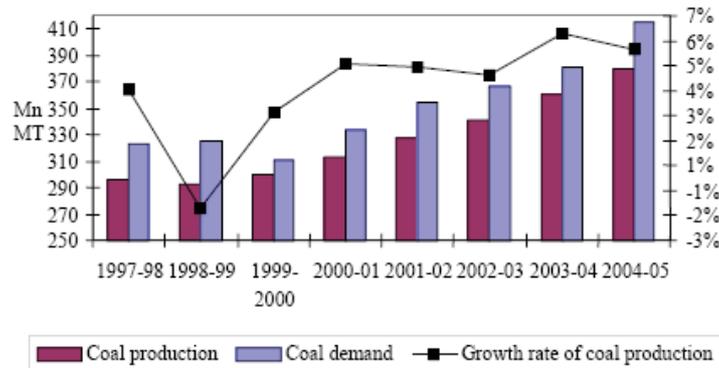
CIL in order to arrive at the realistic long-term demand projection engaged The Energy and Resource Institute (TERI) who has assessed coal demand till 2020-21. After using the econometric approach, establishing the relationship of coal demand with the change in the GDP, and considering the high growth envisaged in future CIL has assessed the coal demand with sustained GDP of 8% for the future period.

## Solar Explosives Limited

The assessed growth in each of the major coal consuming sectors at a sustained GDP growth of 8% between 2006-07 and 2024-25 are as under:

Sector	Growth (CAGR)	Assessed Output (2024-25)
Power (utility)	7.11%	2058 (Budgeted)
Power (captive)	11.17%	753 (Budgeted)
Steel/Hot Melt	5.68%	83MT
Cement	9.18%	765MT

The past figures of coal production of Coal India Limited, the countries largest mining company for coal, and its supply to the power sector can be seen from the following graphs



Coal Production and Growth Rate versus Demand

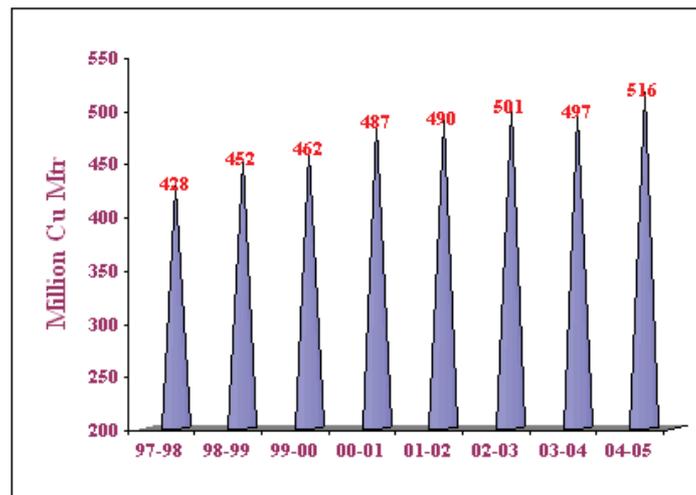
(Source: Coal Shortage: An ICRA Perspective, ICRA Rating Feature, October, 2005)

### Over Burden Removal (Stripping)

It involves the complete removal of non mineral bearing surface strata (overburden) in order to gain access to the resource i.e. to obtain access to the ore one has to remove the overlying waste (overburden). The removal of overburden in open pit mining makes it possible to mine underlying ore.

Once known as "strip" mining, this method of mining involves removing the overburden for scooping out the ore. The volume of overburden removal has been on the rise.

Removal of Overburden by CIL





From the above two charts one can see the gradual growth in the overburden removal along with the production of coal. In fact for every mineral to be mined from the open cast mines the overburden removal is an integrated part of the same. And in order to assess the growth of the Explosives market based on mining the growth in overburden removal has to be taken along with growth of mined product.

In case of coal mining, the current average stripping ratio is 1.92 cubic meter per tonne (cum/t) and is expected to reach a figure of 2.75-3.0 cum/t till 2025 as per the details laid down in Vision 2025 a Ministry of Coal publication. This would suggest an annual growth rate of 2% in the stripping ratio coupled with an 8% growth in the coal mining gives a growth rate of 8-10% in the overburden removal.

### **CIL's PRICING MECHANISM SIGNIFICANT FOR THE INDUSTRY'S HEALTH**

The public sector giant Coal India Limited (CIL) alone accounts for major consumption of the domestic Explosive industry's output, which gives it significant bargaining power. CIL effectively acts as the price setter for most non-traded Explosives.

CIL follows an annual bidding process for price determination and volume allocations. Till 1998-99, CIL awarded regular annual increases in prices (average of 5%-6% over the previous five years) and also distributed the volumes across a large number of bidders. This, coupled with a lenient licensing policy resulted in the proliferation of a number of small size manufacturers in the low-tech Explosive segment. While the established players still dominate the Explosive industry; the low-end segment has witnessed an increasing presence of a number of small players (currently over 30).

During 1999-00, however, CIL applied the L1 (lowest valid price bid) parameter for pricing and volume allocation - resulting in the gain for players with their low bids, becoming the preferred suppliers. Consequently, CIL's prices for Explosives procurement decreased. While this situation adversely impacted the profitability of the manufacturers, it also adversely affected CIL's production schedule besides increasing the cost of ensuring product quality.

Subsequently CIL has introduced a pricing mechanism for the procurement of Explosives that is in line with the vendor grading system followed for World Bank-aided projects. The grading system introduced by CIL incorporates evaluation parameters such as manufacturing infrastructure, random tests of products, distribution systems and delivery performance in the previous year, apart from the bid price. While the aggregate scores earned by the suppliers have determined the volumes allotted to them, the prices have remained the least-bid amounts. This system has been followed with the expectation that players with superior manufacturing and supply systems would be favored over pure price leaders.

### **INFRASTRUCTURAL PROJECTS**

The second most important segment for the Explosives market is the growth in Infrastructural Projects. India offers one of the biggest infrastructure opportunities in the world and there are ambitious plans for expansion and modernization.

#### **Power**

**(Source: Ministry of Power)**

Power is a critical infrastructure for economic development and for improving the quality of life. The achievement of increasing installed power capacity from 1362 MW to over 100,000 MW since independence and electrification of more than 500,000 villages is impressive in absolute terms. However, it is a matter of concern that the annual per capita consumption of India, at about 350 kWh, Kilowatt-hour is among the lowest in the world. Further, people in a large number of villages have no access to electricity. The end users of electricity like households, farmers, commercial establishments and industries are confronted with frequent power cuts, both scheduled and unscheduled. Power cuts, erratic voltage and low or high supply frequency have added to the 'power woes' of the consumer.

The Ministry of Power has set a goal - Mission 2012: Power for All. Studies carried out by Central Electricity Authority indicated that over 60,000 MW generation capacity needs to be added during the 11th Plan to ensure "Power for all by 2012" and another 1,00,000 MW during the 12th Plan to keep pace with the growth in demand for electricity.

## Solar Explosives Limited

The present status of the power sector can be seen from the following figures of Ministry of Power.

(in MW)

	Original target	Units commissioned	Under Execution	Works to be awarded/ under approval	Overall capacity addition now anticipated
Thermal	25417	7188.44	14291.72	1450	22930.16
Hydro	14393	5310	4864.1	0.00	10174.1
Nuclear	1300	590	2030	0.00	2620
<b>Total</b>	<b>41110</b>	<b>13088.44</b>	<b>21185.82</b>	<b>1450</b>	<b>35724.26</b>

### 50,000 MW Hydro Electric Initiatives

The Hon'ble Prime Minister launched the 50,000 MW hydropower initiatives on 24.5.2003. The first part was the preparation of Pre-Feasibility Reports (PFRs) for 162 identified Hydro projects and involved preparation of PFRs by seven agencies covering 16 States in the country. It was to be completed within 18 months i.e. by September, 2004.

The work has been proceeding and is under close monitoring by the CEA and the Ministry of Power. The first 62 PFRs have recently been received and are under scrutiny of CEA. The results have been extremely encouraging and it has been found that there are 21 projects with accumulative capacity of about 10,000 MWs having tariffs around Rs. 1.50 paise per unit. Without waiting for the remaining PFRs to be completed, a decision has been taken to take up detailed project reports (DPRs) for eventual implementation of the more attractive schemes. Accordingly a provision has been sought from the Planning Commission for providing Rs. 150 crores in the year 2004-05 and Rs. 200 crores in the year 2005-06. The DPRs would take about 2 years to prepare and the issues connected with the speedy implementation of DPRs are being addressed.

The huge capacity addition in thermal power is expected to push the demand for coal even further. Demand for Explosives is also expected to come from the hydro electric projects which would require excavations.

### ROAD

(Source: Website of Investment and Trade Promotion Division of the Ministry of External Affairs)

India has 3.3 million kilometers of road network, which is one of the largest in the world. Roads occupy an eminent position in transportation as they carry nearly 65% of freight and 87% of passenger traffic. In India Traffic on roads is growing at a rate of 7-10% per annum while the vehicle population growth for the past few years, is of the order of 12% per annum.

The Indian road network is divided into three main categories:

- National highways (interstate) covering over 58,000 kilometres.
- State highways covering approximately 200,000 kilometres.
- Rural and urban roads covering nearly 3 million kilometres.

The National Highway Development Project (NHDP) has been initiated to upgrade and modernize the highways connecting the four corners of the country coinciding with the four metros, and also the highways that go across the length and breadth of the country. This project will involve upgradation to four/six laning of about 13,000 km of National Highways and is to cost Rs. 54,000 crore. NHDP comprises of the 6000 km long Golden Quadrilateral and the 7000 km long North-South and East-West corridor. Target years for completion of Golden Quadrilateral and the NHDP were set to be 2003 and 2007 respectively. Work on the projects has already started and is at various stages of implementation. In The Golden Quadrilateral project 1063 km has been completed and work on 4129 km is under progress. Out of the total length of the North-South, East-West corridors a 717-km stretch has been completed and work on 706 km is in progress.

The Golden Quadrilateral project alone is likely to generate requirement for cement of 2.5 to 4 million MT, and for steel of 2.5 to 3 lakh Metric Tonne. Thus the same will mean a heavy generation of requirement for Explosive sector not only from infrastructure sector but from cement and steel sector as well as from mining of limestone and iron ore respectively.



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Further there are several ongoing mega projects both for National Highway as well as State Highway which will be generating a demand for the Explosives. Some of these projects are

- World Bank - Third National Highway Project (TNHP)
- World Bank Grand Trunk Road Improvement Project (GTRIP)
- West Bengal Corridor Development Project

#### **Banning of Nitroglycerin Explosives**

NG (Nitroglycerin) in its pure form, is shock-sensitive (i.e., physical shock can cause it to explode) and degrades over time to even more unstable forms. This makes it highly dangerous to transport or use. In this undiluted form it is one of the most powerful high Explosives, comparable to the military Explosives RDX and PETN (which are not used in munitions at full concentration because of their sensitivity) as well as the plastic Explosive C-4.

Govt. of India in the year 2002 decided to restrict/ban the use of Nitroglycerin based Explosives keeping in view the terrorist activities it was used for. NG based Explosives were decided to be phased out from civil and mining activities.

In January 2004 Government of India in their notification number GSR (59E) dated 21-1-2004 prohibited possession, sale and use of NG Explosives with effect from 1-4-2004. In view of the ban imposed by GOI, major consumers like Coal India Limited (CIL), Singareni Collieries Company Limited, (SCCL) and other major organised and trade sector customers stopped using NG Explosives from February 2004. This adversely affected the performance of several Explosives manufacturing companies. However companies which were able to move to production of emulsion Explosives were not much effected.

The same has led to increased demand of emulsion/slurry Explosives.

## Solar Explosives Limited

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### I. BUSINESS OVERVIEW

#### OUR BUSINESS

We are one of the largest manufacturers and suppliers of Explosives and Explosive Accessories in India covering the entire range of products such as Bulk and Cartridge Explosives, Detonators, Detonating Cords, Pentaerythritol Tetranitrate ("PETN"), and Cast Boosters. We have manufacturing facilities strategically located in and around Nagpur spread over a total area of 350 acres. Four out of six of our Explosive manufacturing units are ISO 9001 certified by Det Norske Veritas (DNV) of Netherlands.

Our Company, Solar Explosives Limited (SEL), was incorporated on February 24, 1995. SEL started manufacturing Slurry Explosives in the year 1996 and Detonating Cords in the year 1998. With the success of this unit, we forayed into manufacturing of Detonators through Economic Explosives Limited, non-Explosive intermediaries through Solar Components Private Limited, and Bulk Explosives through Solar Capitals Limited.

We have a licensed capacity of 1,75,000 MT Explosives, which includes Bulk and Cartridge Explosives, 140 million numbers of Detonators, 20 million meters of Detonating Cord, 250 MT of PETN and 60 MT of Cast Boosters.

Our consolidated revenues for FY 2005 were Rs. 13623.33 lakhs out of which the export turnover accounted for Rs. 513.08 lakhs (Rs. 8297.34 lakhs and Rs. 324.23 lakhs respectively for the half year ended September 30, 2005).

We supply to major public and private sector companies like Coal India Limited and its subsidiaries, Steel Authority of India Limited, Singareni Collieries Company Limited, Hindustan Zinc Limited. We also supply to various national hydroelectric projects, cement industry, infrastructure and construction sector, Border Roads Organization etc. Our products are also exported to countries like Indonesia, Malaysia, Sri Lanka, Oman, Jordan, Syria, Lebanon, Ethiopia, Kenya, Uganda, Tanzania, and Nigeria.

We also provide logistics support to our customers and have built up storage magazines near various major consuming points. We also reach out to other actual users across various parts of the country through a trade market network.

The manufacturing units have the latest technology developed in-house with well-equipped Quality Assurance Systems and which ensure high standard of inputs and outgoing products.

#### OUR VISION

To emerge as the premier Explosives and Explosives Accessories manufacturer globally; focusing on delivering innovation diversity, quality in our uniquely customized products and services.

#### COMPANY'S MISSION

- To sustain leadership in designing, developing and assimilating state-of-the-art technology, ensuring competitive advantage.
- To provide innovative technology and services through constant research and development.
- To control product and service costs through reengineering and ongoing improvement in all business processes.
- To ensure high quality delivery of services, offering exemplary technical, safety, administrative and professional excellence.
- To build and enrich a customer-oriented workforce that is diverse and competitive, amalgamating personal goals into company objectives.
- To forge and nurture alliances those are complimentary to growth in global markets.
- To retain our responsive, efficient and effective processes and systems to realize our vision at all times.
- To look forward to the opportunities available for takeovers and acquisitions, both domestic and overseas.



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## **OUR KEY STRENGTHS**

### **Technical manpower**

We have experienced Mining Engineers located at different cities to provide regular and specialized technical service to both domestic as well as international market. The technical service covers different aspects of blasting engineering like fragmentation, improvement in Powder Factor, optimization of blasting parameters, controlling vibration, Flyrock noise level and training customers' blasting crew.

We have professionals with years of experience in Industrial Explosives industry to look after the RD and quality control and production of Explosives, Detonators and Detonating Fuse and other Explosives Accessories.

### **Cost efficient manufacturing**

In order to achieve optimum cost of production we concentrate on the following.

1. Procure raw materials in bulk quantities and enter into long term contracts to get most competitive rates.
2. Backward integration – In house manufacturing of Emulsifiers, Sodium Nitrate, Calcium Nitrate etc.
3. Strict control on usage of raw materials in order to minimize process waste.
4. With continuous R&D replacing costly inputs by equally effective cheaper inputs.
5. Productivity achieved through installation of sophisticated machines and equipment and continuous monitoring for good working conditions.

### **Complete range of products**

These days most customers prefer sourcing the requirements of different types of Explosives and related Accessories from a single supplier in order to reduce transportation cost, assure timely supplies and performance guarantee. Solar Group offers complete range of products to its customers and also has the capability to develop and supply special products as per a customer's specific requirement.

### **Quality products**

Our motto from the very beginning has been safety and quality. The testing of raw materials as well as finished products ensures quality of the products performance.

This has been achieved by employing qualified and experienced personnel and laboratories that have been provided, where all inputs i.e., both raw and packaging materials are tested and only approved inputs are issued for production. Quality Control personnel also check at each level of production (Intermediates) to ensure that approved manufacturing process is strictly followed. Finally finished product is extensively tested before dispatch to the customers resulting in consistency in quality.

We are ISO-9001: 2000 accredited company. All systems and procedures like Quality Assurance, Marketing, Technical Services, Complaints and Quality/Sampling etc. have been implemented as per ISO 9001:2000 format requirements. Regular audits are conducted by the team of DNV, Bombay. Our products confirm to BIS specifications wherever applicable.

### **Experienced management team**

Our management team is hand picked with years of experience in the Industrial Explosives Industry. We have teams for manufacturing, quality control, marketing and technical services.

Before setting up a manufacturing facility our promoters were dealing with Explosives and related Accessories of all major manufacturers in India since 1982. By 1993 they achieved the distinction of being one of the largest Explosives dealers in the country, with major presence in central and western India. This past experience has given them understanding of the trade market to which they currently supply their products.

### **Technology**

The Company manufactures Slurry and Emulsion based Explosives for various applications and geo-mining conditions. The process of manufacturing under elevated temperatures known as "Hot –process", ensures quality of the product like

## Solar Explosives Limited

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gel consistency and longer shelf-life, resulting in performance during application. The technology adopted is indigenous but fine-tuned to the latest, in the industry.

Cast Booster, Detonators, Non-Electric Detonating system and Detonating Fuse are also manufactured with indigenous technology.

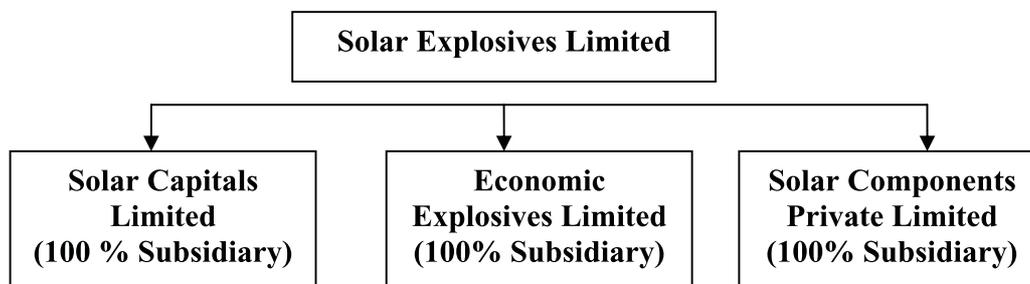
### Strong Dealer Network

The Promoters, prior to the incorporation of SEL were one of the largest dealers of industrial Explosives products in the country, and as such have a understanding of the trade segment of the market. Through this understanding, the company has been able to establish a very strong dealer network countrywide, enabling its products to reach the small consumers easily.

### OUR KEY STRATEGIES

1. Backward integration: We do in-house manufacturing of Emulsifiers, Sodium Nitrate, Calcium Nitrate etc. which protect us from price and supply fluctuations of these raw materials.
2. One-stop-shop: We provide customers entire range of products and also have the capability to develop and supply special products as per a customer's specific requirement. This helps the customers to reduce transportation cost and assure timely supplies.
3. We deploy our staff at customer sites which enables us to understand their requirement and hence provide customer service.
4. The Promoters, prior to the incorporation of Company were one of the largest dealers of industrial Explosives products in the country, and as such have a understanding of the trade segment of the market. This inturn helps the Company to capture a larger share of the market.
5. We have our own fleet of vans which can transport our products to majority of our customers and also procure raw material from our suppliers.

### OUR GROUP STRUCTURE



### SOLAR EXPLOSIVES LIMITED

Solar Explosives Limited is located at Chakdoh (37 kms from Nagpur). This manufacturing facility at Chakdoh is ISO 9001 certified and is set in an area of 150-acre land. This setup has an installed capacity of 80,000 Tonnes per annum for Small and Large Diameter Cartridge Explosives, 50 Million numbers of Detonators, 20 Million Metres of Detonating Fuse and 60 Metric Tonnes of Cast Boosters.

### SOLAR CAPITALS LIMITED

Solar Capitals Limited offers a dedicated, on-site manufacturing facility of bulk Explosives for customers. It has modern bulk explosive manufacturing facilities at Singrauli (in Madhya Pradesh), Chandrapur (in Maharashtra) and Korba (in Chhatisgarh). The present Licensed and Installed capacity is 95,000 Metric Tonnes.



### **ECONOMIC EXPLOSIVES LIMITED**

Economic Explosives Limited is located at Sawanga (40 kms from Nagpur) on a 165 acres of industrial plot. This ISO 9001 certified facility manufactures 90 Million Detonators. The entire range of instantaneous and delay Detonators along with permissible and specialised systems like non-electric shock tube initiating system and chord relays are manufactured at this facility. Solar Industries Limited which on date has no activity is a subsidiary of Economic Explosives Limited.

Economic Explosives limited is in the process of setting up a wind power project of 1.25 MW capacity at a cost of Rs. 6.25 Crores at Dhulia ,Maharashtra. A turnkey order has been placed on M/s Suzlon Energy Limited, Pune. The Company has already made a payment of Rs. 1.56 crores towards this project.

### **SOLAR COMPONENTS PRIVATE LIMITED**

Solar Component Private Limited is located at Khapari (approximately 25 kms from Nagpur). This facility manufactures aluminum tube, copper tube and brass Fuse Head.- these products are used for manufacturing of Detonators. The aggregate manufacturing capacity of this facility is 90 million pieces per annum.

### **OUR MANUFACTURING FACILITIES**

We have six manufacturing units situated near Nagpur, Korba and Singrauli. Out of these six units, five manufacture Explosives and the sixth one manufactures aluminium tube, copper tube and brass fuse head used for manufacturing of detonators.

#### **Details of our manufacturing facilities**

<b>Company</b>	<b>No. of Units</b>	<b>Products</b>
Solar Explosives Limited	One	Cartridge Explosives, Detonators, Detonating Fuse, PETN, Cast Boosters
Solar Capitals Limited	Three	Bulk Explosives
Economic Explosives Limited	One	Detonators
Solar Components Private Limited	One	Aluminium tube, Copper tube and Brass fuse head used for manufacturing of detonators.

## Solar Explosives Limited

### Capacity Utilisation :

Year	Particulars	Capacity			Capacity Utilisation %
		Licensed	Installed	Utilised	
2002-03	Slurry/Emulsion Explosive	80000 T.P.A	80000 T.P.A	18574.136 M.T	23.218
	Electronic Detonators	30 Million Nos	30 Million Nos	1.15925 Million Nos	3.864
	Detonating Fuse	20 Million Mtrs	20 Million Mtrs	0.680225 Million Mtr	3.401
2003-04	Slurry/Emulsion Explosive	80000 T.P.A	80000 T.P.A	20855.158 M.T	26.069
	Electronic Detonators	50 Million Nos	50 Million Nos	3.149505 Million Nos	6.299
	Detonating Fuse	20 Million Mtrs	20 Million Mtrs	2.904725 Million Mtrs	14.524
	PETN	250 M.T	250 M.T	29.273 M.T	11.709
2004-05	Cast Booster	60 M.T	60 M.T	2.71 M.T	4.517
	Slurry/Emulsion Explosive	80000 T.P.A	80000 T.P.A	26739.139 M.T	33.424
	Electronic Detonators	50 Million Nos	50 Million Nos	5.111809 Million Nos	10.224
	Detonating Fuse	20 Million Mtrs	20 Million Mtrs	13.663625 Million Mtrs	68.318
	PETN	250 M.T	250 M.T	163.373 M.T	65.349
	Cast Booster	60 M.T	60 M.T	7.258 M.T	12.097

### Raw Materials

Our basic raw materials are Ammonium Nitrate, other Nitrates, Aluminium powder, Guar Gum, Salt, Emulsifiers, Waxes and Oils etc.

The product specifications vary across clients and so does their composition. The table below gives the list of raw materials and their percentage range in each of the products:

### Raw Material

	Cartridge Explosives		Bulk Explosives (%)
	Slurry Explosives (%)	Emulsion Explosives (%)	
Ammonium Nitrate	60 to 65	75 to 80	70 to 75
Other Nitrates	3 to 5	3 to 5	5 to 7
Aluminium Powder	1 to 5	1 to 5	—
Guar Gum	1 to 1.5	—	—
Salt	10 to 20	10 to 20	—
Emulsifiers	—	3 to 4	2 to 3
Waxes and Oils	—	3 to 5	3 to 5

### Ammonium Nitrate:

Although ammonium nitrate (AN) itself is not an Explosive, it is an oxidiser and its main use is in the commercial Explosives industry, as it is the cheapest source of chemical energy available today. It is used as a major raw material in the manufacture of nitro glycerine, water gels / slurries, emulsions, etc. AN prills can also be used directly as ammonium nitrate fluid oil (ANFO) Explosives after mixing with the requisite quantity / proportion of fuel oil.

This is the most important raw material required for manufacturing of Explosives. It constitutes almost 65 to 70% of any kind of Explosives. The major producers of the same in India are Rastriya Chemical and Fertiliser, Deepak Fertilisers and Chemicals (1,00,000 TPA), Gujarat Narmade Fertiliser Corporation, and National Fertilisers Limited. Besides these the same is easily available through imports especially from Russia, Ukraine and Iran.



### **Other Nitrates**

The other nitrates required by the company are mainly sodium and calcium nitrate. The same are locally available in the market and the company also has in-house facility for manufacturing the same.

### **Aluminum Powder**

The Aluminum Powder is manufactured from Aluminum ingots. The Aluminum Ingots are supplied by Hindalco, Balco, and Nalco. The same is converted into Aluminum powder by local parties.

### **Emulsifiers**

The emulsifiers required in the manufacturing of Explosives are sorbital mono oaliate. The same is manufactured in-house by the company.

### **Waxes and Oils**

The Waxes and oils required for Explosives are imported from China, Japan and Iran. The same are locally available with IOC as well.

### **Electricity**

The required power connection has been taken from the respective electricity boards. However to ensure continuous and economical; un-interrupted powers supply to the plant the company has installed generators at all plant as required. Even for the coming projects the company has planned to installs generators at all the locations.

### **Water**

The company has borewell at Solar Explosives Limited, Economic Explosives Limited and Solar Capitals Limited Chandrapur. However in case of Solar Capitals limited at Korba and Waidhan the company is dependant on the nearby water reservoirs. For the new projects the company has decided to have borewells at all locations so as to avoid any shortage of water.

### **Waste Disposal Facilities**

The company has proper Effluent treatment plants to handle the waster water generated during the process. In the ETP the water is treated and cleaned so as to use the same for plantation and other emergency requirements if arises.

## **OUR PRODUCTS AND SERVICES**

We are one of the largest manufacturers and suppliers of Explosives and Explosive Accessories in India covering the entire range of products such as Bulk and Cartridge Explosives, Detonators, Detonating Cords and Cast Boosters. These products find application in Industries like coal and mineral mining, infrastructure related construction and building demolition and construction.

### **A. EXPLOSIVES**

Basically Explosives are mixtures of Oxidiser (Ammonium Nitrate, Sodium Nitrate Calcium Nitrate Etc), fuel oil (Diesel, Furnace oil), emulsifiers and sensitizers like chemical gassing. In case of Bulk Explosives, the emulsion Matrix is pumped into the bulk Delivery system and sensitizers are added at the user end just before charging into hole.

Incase of cartridge Explosives the sensitizers are mixed in plant and the same is packed in capsule (plastic film) which is then packed in fibre board case. The same is then stored in the properly licensed Explosives magazine (storehouse) only.

The following are the various applications of Bulk and Cartridge Explosives

1. Bulk Explosives: all large opencast mines, including coal, iron ore, limestone etc.
2. Cartridge Explosives: Cartridge Explosives are Explosives packed in individual closed bags or tubes
  - Small diameter Non-Permitted Explosives (Both Slurry and Emulsion) - Used for tunneling, Road construction activity, quarrying, Well sinking, Canals, Hydro Electric Projects and Metalliferous mines etc.

## Solar Explosives Limited

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- Small diameter Permitted Explosives (Both Slurry and Emulsion) - Used for Underground Coal mines
- Large Diameter cartridge Explosives (Both Slurry and Emulsion) - Opencast coal and Metalliferous Iron Ore, Lime stone, Manganese ore mines, for Quarrying etc.

### B. ACCESSORIES

Detonator " means a small tube of aluminium or copper or other materials one end of which is closed and the other left open of the insertion of safety fuse for the purpose of initiating explosion within the tube; or fitted with wires or other device for that purpose and sealed;

Detonator is loaded with a charge of initiating Explosives,. the charge being so designed as to produce an explosion that would communicate to other tube similarly constructed and charged;

- Non-Electric Detonating System (NONEL) - Used with Large Diameter cartridge Explosives. Bulk Explosives in opencast blasting operation and also for tunnel blasting to control noise, ground vibration and fly rock.

Detonating Fuse - means a fuse for igniting charges of other Explosives which burn and does not explode and which does not contain its own means of ignition, and which is of such strength and construction and contains an Explosives in such quantity that the burning of such fuse would not communicate laterally with other like fuse

- Used with Large Diameter cartridge Explosives and Bulk Explosives in opencast blasting operations.
- PETN : It is a very high Explosive "RDX" category. This material forms a compulsory raw material for all types of detonators and detonating fuses.
- Cast Boosters - Is a primer used to initiate non cap sensitive Explosives.

### C. VALUE ADDED SERVICES

Our team of qualified and experienced Mining Engineers provides regular/specialized Technical Services at users end covering the followings.

- Improvement of Powder Factor
- Improvement in fragmentation and muck-pile diggability
- Rationalisation/ Optimisation of blast parameters and cost
- Vibration study and Control of vibrations, fly-rock and noise
- Training of customers blasting personnel.

To accomplish above job we have sufficient number of highly qualified and experienced Mining Engineers posted at HQ Nagpur and at various subsidiaries/areas of M/s Coal India, M/s Steel Authority of India Limited, M/s Hindustan Zinc Limited, M/s National Hydro -Electric Power Corporation etc.

In case of Bulk Explosives our Technical service Engineers accompany, Bulk Delivery System and supervises the complete charging and blasting operations along with monitoring of ground vibrations on Minimet Vibrograph.

### Manufacturing process of Bulk Emulsion Explosives

A) The Process for manufacturer of Emulsion Matrix (Non Explosives) can be broadly classified as under:

i) Preparation of Oxidiser solution:

Liquor of Nitrate salts of specified concentration would be transported in tankers and off loaded into storage tanks. This AN liquor of desired quantity would be pumped into the oxidiser preparation tank where required amount of other oxides and buffering agents are added and thoroughly mixed before transferring to the oxidizer storage tank.

ii) Preparation of Fuel Blend :

Specified quantities fuels and emulsifiers are pumped into the fuel blend tank and mixed thoroughly. An agitator has been provided in the fuel blend tank to ensure proper mixing.



iii) Preparation of Emulsion Matrix :

The oxidiser solution is pumped to the blender, at a pre-determined flowrate. Fuel blend is also pumped to the blender at a corresponding flowrate. The oxidiser droplets (dispersed Phase) are dispersed in the Fuel Blend (continuous phase) leading to the formation of a stabilised emulsion. The emulsion matrix (Non Explosive) from the blender goes to the storage tanks.

iv) Gassing agent solution preparation :

Gassing agent is prepared by dissolving Sodium Nitrite in water.

B) Loading of matrix in Bulk Delivery System:

Emulsion matrix from the storage tanks is pumped into the Bulk Delivery System. Gassing agent is also charged into the gassing agent tank on the delivery system. For doped products, AN Prills are also charged into the bin provided on the Delivery System.

**C) FIELD OPERATIONS**

The Bulk Delivery System now proceeds to the mine site where actual blasting is to be conducted. At mine site the following operations are done in the Bulk Delivery system in order to manufacture explosives ready for use from the non explosives ingredients stored in different bins.

Various pumps, mixers, Augers etc fitted on the Bulk Delivery System are operated by Hydraulic System which in turn are operated by the Bulk Delivery System engine through PTO (Power Take off unit) since no Electric power is available on the truck. Bulk Delivery system is also fitted with different types of instruments and safety devices.

The emulsion matrix and AN prills are fed to a mixer in the predetermined proportion depending upon the type of rock to be blasted and strength of explosive required. The mixed Blend flows through SS Pipe line where Gassing agent solution is injected at a very high pressure through Roto pumps. The GA solution is thoroughly mixed with the emulsion/ AN prill blend in a static mixer provided immediately after Gassing Agent injection point. The explosives thus manufactured in the Bulk Delivery system have to be compulsorily pumped in the bore hole with the help of hose delivery system provided on the Bulk Delivery system. The final product is now an Explosive which can not be stored any where.

The entire operations of Bulk Delivery system are managed by our BDS operator and Field Engineer.

In order to ensure quality, our field engineer have to take samples of final product, check its density and quality, set instruments to measure the quantity being pumped and only after these operations are completed the bore hole charging is started.

**MANUFACTURING PROCESS OF CARTRIDGE EXPLOSIVE**

**A. SMALL DIA EMULSION EXPLOSIVES**

The process of manufacture of small diameter emulsion explosives can be broadly classified under the following headings–

i) Preparation of oxidizer solution

ii) Preparation of Fuel Blend

iii) Emulsification

iv) Cartridging / Packing.

i) Preparation of Oxidiser :

Liquor of Nitrate salts of specified concentration would be transported in tankers and off loaded into storage tanks. This AN liquor of desired quantity would be pumped into the oxidiser preparation tank where required amount of other oxides and buffering agents are added and thoroughly mixed before transferring to the oxidizer storage tank.

ii) Preparation of Fuel Blend :

Pre determined quantity of differenent types of waxes, oil and emulsifiers are charged into a reactor fitted with heating coils these are mixed homogenously and transferred to Fuel blend storage tank.

## Solar Explosives Limited

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### iii) Emulsification :

Oxidiser and fuel blend are pumped via measuring vessels into a blender where emulsification is carried out.

Once the emulsification process is over, the remaining solid ingredients like AN prill and aluminium powder are added to the emulsion matrix and mixed till a homogeneous mass is obtained. This is then dropped into the hopper below the blender.

### iv) Cartridging / Packing :

The emulsion matrix in the hopper is pumped by a roto pump, attached to the hopper, to the top of the KP machine. Just before the emulsion enters the KP machine, gassing agent solution is pumped into the emulsion pipeline before entering the KP machine. These packed cartridges are later packed in approved corrugated boxes.

### v) Waste Disposal :

The plant has been designed to ensure minimum wastage. No regular washing of the plant would be required to be done. Any spillage of explosives that would take place, would be collected and sent for burning. In case it is required to wash the plant for carrying out some maintenance work, provision has been made for a drainage system which is connected to Effluent treatment plant.

## B) MANUFACTURING PROCESS OF SLURRY EXPLOSIVES

### PROCESS DESCRIPTION

The Slurry explosive manufacturing involves basically following steps.

1. Preparation of Mother liquor solution.
2. Mixing.
3. Cartridging & Packing.
4. Testing.

#### Preparation of Mother liquor solution.

The Mother liquor is prepared in a separate building named as "Melt Room". The Mother liquor is prepared by dissolving Solid Ammonium Nitrate or using AN Melt in reaction vessel. The Temperature of this solution is raised to predetermined level. After attaining the required temperature other requisite ingredients for maintaining the PH and stability are added. This solution is known as Mother liquor solution. This solution is transferred to holding tank for storage and use.

#### Mixing

The explosive is Manufactured in a mixing house. The mixing of various ingredients is carried out in specially designed blender. In Ribbon blender, finely Ground Ammonium Nitrate Solids, and part of Sodium Nitrate is mixed properly then Measured quantity of liquor Solution is added from Measuring tank. The mass is mixed at high speed to get homogeneous mixture. After that a dry mix of other nitrates gelling agents and solid fuels is added very carefully at low speed. The speed is increased to get thick (high Viscous) mass. At this stage Cross linking agent is added. Finally Aluminium powder is added at slow speed. On final completion of mixing the viscosity and density is checked. Thus prepared Explosives are dumped in hopper for cartridging.

#### Cartridging & Packing

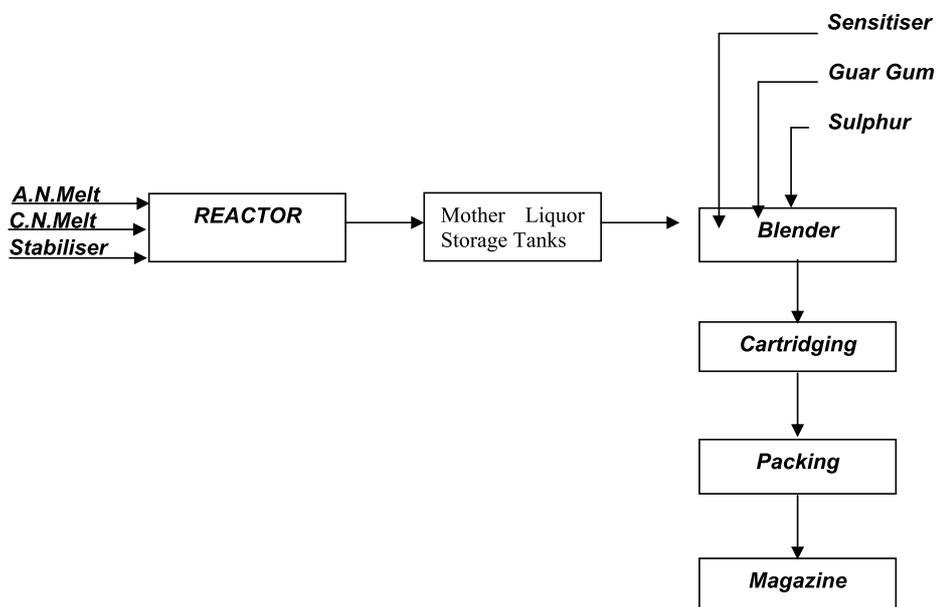
The Explosive Manufactured is packed either in large diameter or small diameter cartridges. The large diameter Explosives is Cartridged in Multilayered Polythene tubes manually.

The small diameter Explosive is cartridged in BMP (Blow Moulded Plastic tubes)/poly sausage film by automatic tube filling Machine.

Cartridged Explosives are packed in corrugated boxes and later these has to be shifted to approved storage godowns ( magazines).



FLOW CHART FOR MANUFACTURE OF SLURRY EXPLOSIVES



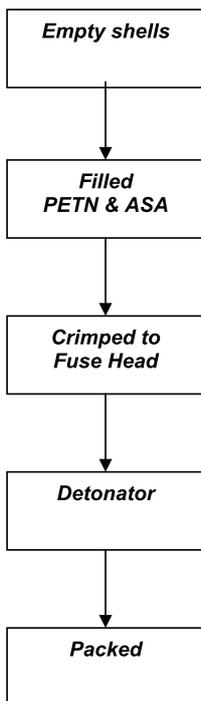
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### 3) Manufacturing process of Detonators

Empty shells of Aluminium or steel of desired size are filled with PETN and ASA compound in pre determined quantities. These are pressed under high pressure to form filled shells.

Fuse Heads are soldered to lead wires and the Fuse Head assembly is crimped to the filled shells to form Detonator. The same are then packed and dispatched.

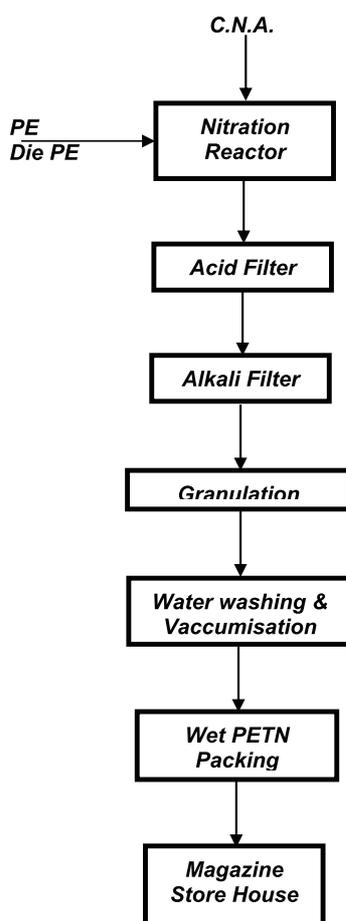




#### 4) MANUFACTURING PROCESS OF PETN

Penta Erithritol is mixed with concentrated Nitric Acid and PETN is manufactured in the process of Nitration, granulation and filtration. Such PETN contains 10 % moisture and is called Wet PETN. Which is stored in a magazine (Wet PETN store)

#### FLOWCHART OF PETN

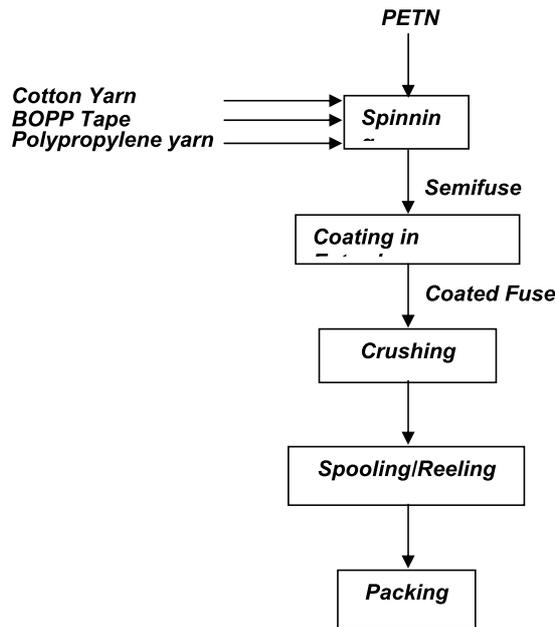


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### 5) MANUFACTURING PROCESS OF DETONATING FUSE

For manufacturing Detonating Fuse first Wet PETN is to be dried in specially constructed stainless steel vessels with hot air (Heated by steam in a heat exchanger). Dry PETN is kept in a hopper and this PETN is filled in BOPP tape having a centre cotton yarn in spinning machines, which are countered with Poly propylene yarn which produces semifuse. The semifuse is coated with PVC compound to get the finished product called Detonating Fuse. The detonating fuse is crushed and reeled on spools. The quantity per spool varies from 100 meters to 375 meters depending upon size of Detonating Fuse and customer's specific requirement. 4 such spools are packed in a Fibre Board case.

#### FLOW CHART FOR MANUFACTURE OF DETONATING FUSE



### 6) MANUFACTURING PROCESS OF CAST (PENTOLITE) BOOSTERS

PETN & TNT are mixed and heated in a steam heating vessel till both are melted and properly mixed. The mother liquid is poured in coir board/PVC container of the required size with one/two central holes for threading the detonating fuse in the field. While cooled cast booster are packed and stored in the magazine.

#### MARKETING AND SELLING ARRANGEMENT

The Explosives market is classified into two groups on the basis of the end-user demand quantity. These are:

- Institutional Market
- Trade Market

#### 1. Institutional Market

Institutional market would comprise the industries or projects such as Mining sector, Cement sector, Irrigation projects, Road and Rail infrastructure projects, Hydro Electric projects, etc. The demand for Explosives from such industries and projects are typically large in nature.

This market is further divided into three segments based on the end-user organisations' procurement methodology:



**i) Open tender system**

The end-user organisations advertise in newspapers inviting tenders for their annual requirement and also intimate vendors who are existing suppliers. Where we are not existing suppliers we respond to paper advertisement or our field officers who liaise with these customers procure the tender papers. Companies like National Mineral Development Corporation Limited, Coal India Limited, Steel Authority of India Limited, Singareni Collieries Company Limited, Manganese Ore (India) Limited, Tata Steel and projects like National Hydroelectric Power Corporation, Director General of Border Roads etc. source their requirements through such a tendering process.

**ii) Limited Tender System**

Where customers go in for limited tender, we have to register ourselves with the organisation which has floated the tender. Customers, in this case, have different criteria for selecting a vendor under this mechanism. For some companies, we first need to provide free trials on the basis of which we get their acceptance for further orders. Our field officers located in proximity of such consumers follow up regularly with them to ensure our participation in such tendering processes.

**iii) Non Tender Market**

In the Non Tender markets many consumers place orders on the basis of vendor reputation and relationship. By virtue of our having a wide range of products, we are considered as a reputed vendor. Moreover, some sectors such as in the mining segments like cement industry, iron ore mining in the private Sector, and in small and medium projects where contractors procure the Explosives on month to month basis would also into this category. In these cases, our field officers consistently maintain relationships with such consumers and provide regular services wherever necessary.

**2. Trade Market**

The Trade markets are operated through a network of traders who in turn sell to small consumers.

In the trade market our officers keep in touch with all major traders personally and offer them a full package of Explosives and Accessories. We have enjoyed strong long-term relationships with many traders and have officers and staff in areas of high trade market demand who follow up with these traders on day to day basis. We consistently strive to increase our relationship network with the other traders.

**Storage and distribution network**

Supplies are made from the manufacturing plants for packaged Explosives and detonators through a wide distribution network (Magazines) reaching out to the major consuming areas. These supplies are operated by our Handling and Forwarding Agents. The Company has one of the best distribution networks with Magazines (warehouses) located at the following places:

- Asansol
- Dhanbad
- Ranchi
- Bilaspur
- Karimnagar
- Sholapur
- Bhilwara

## Solar Explosives Limited

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### Marketing Team

The Company has a qualified marketing organization with focus on individual consumers. Our marketing managers handle the consumer accounts based on the following segregation:

- (1) Coal
- (2) Non-coal
- (3) Trade Segment

Area managers and technical sales officers are located at all major Explosives consumption areas. All our technical sales officers are trained to provide technical services as well project related marketing. The project related business includes setting up of Bulk Explosives plants at various locations where the present and future potential is high and our presence has to be increased.

At present we have the following Bulk Explosives plants at customer specific locations:

- Singrauli (Northern Coalfields Limited)
- Rajura (Western Coal Fields Limited) and
- Dipika (South Eastern Coal Fields Limited)

### Exports

Since last two years we have started exporting our Explosives and Accessories to various African, South East Asian and Middle East countries. The quality standards of our products and the services that we provide have been instrumental in getting international market orders.

The revenue from exports is as follows:

Particulars	FY2004	FY2005	Half Year ending 30 Sept, 2005
Export Revenue (in Rs Lakhs)	38	396.2	289
Growth (%)		942.63%	

Presently, our overseas marketing focus is to get repeat orders from the existing customer base to which we are currently exporting. With the International expansion plans into certain countries in Africa, we have plans to employ marketing managers and executives from amongst the local citizens of those countries. However, we would also utilise the experienced sales personnel from India, who will be responsible for setting up the dealer networks and finalising the marketing tie-ups with institutional buyers in those countries.

### COMPETITIVE ENVIRONMENT

Currently, there are 63 Explosive manufacturers in the country. Of these 31 manufacturers are presently active in Cartridge Explosives, 24 companies manufacture Bulk Explosives, 10 companies manufacture Detonators and 18 companies manufacture Detonating Fuse. These companies are spread over a spectrum in terms of their manufacturing capacity and range of products manufactured by them.

The industry's combined capacity for Bulk Explosives and Cartridge Explosives is 14,50,275 million Tonnes, an aggregate of 878 million Detonators are manufactured per annum in India and the industry's total capacity for Detonating Fuse is 439 million meters in the country.



Some of our contemporaries are:

Competitor	Product range
Indian Explosives Limited	Full range of products.
Gulf Oil Corporation Limited	Full range of products
IBP	Bulk and Cartridge Explosives
Premiere Explosives Group	Complete range of Explosive products
Ideal Explosives Group	Cartridge and Bulk Explosives, full range of Detonators and Nonel Systems
Nav Bharat Group	Bulk and Cartridge Explosives and Detonating Cords
Keltech Energies Limited	Cartridge and Bulk Explosives

### TOP 10 CUSTOMERS

Given below is the list of our major customers:

SI No.	Customer
1	Coal India Limited
2	Singareni Collieries Company Limited (SCCL)
3	Steel Authority of India Limited (SAIL)
4	Director General Border Roads (DGBR)
5	National Hydroelectric Power Corporation (NHPC)
6	Manganese Ore (India) Limited (MOIL)
7	ACC
8	Hindustan Zinc Limited (HZL)
9	Diamond Cement
10	Birla Corporation

### OUR BUSINESS STRATEGY

- Promoting value added products like nonel delays and emulsion based products.
- Set up of site mix system plants so as to cover the requirement of all mining fields.
- Increasing presence in overseas market.
- Focus on R&D for product improvisation ,safety enhancement, process reengineering and new product development.
- To explore all the possible options for Forward and Backward integration.
- Foray into allied industries like drilling and blasting contracts, specialty chemicals and defense.

### HUMAN RESOURCES

#### Human Resource Development Policy

We believe that employees are one of the very important stakeholders and resource, towards the growth of the business and the organisation. Therefore, it takes into account of addressing all the important needs of the employees and pursues all policies with this consideration.

#### Recruitment

Organisation planning is a strategic process pegged to our business plan for the coming years and accordingly the organisational structure is envisaged. Once the structure is framed, the roles are defined and competencies required to discharge the role affectivity are identified and thus the job profile is detailed and defined. Accordingly, the process for sourcing the best available talent is initiated by advertising for the required openings. The candidates are selected on the basis of established process of evaluation and the most suitable candidates are selected.

## Solar Explosives Limited

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For the new project recruitment of personnel would be done at a later stage.

### Training

We lay more emphasis on training and development. The selected candidates are given proper induction. Then job specific training needs of individuals are identified and accordingly in-house or external training programs are arranged.

The experienced personnel and top management provide necessary guidance and on-the-job training in key disciplines such as productivity, application techniques, safety, and quality are conducted.

We pursue the policy of on-going training and development, for all categories of employees so as to project them as future managers. Periodically the employees' performance is reviewed and refresher courses are held to hone their skills.

### Retention

We make efforts for the retention of key personnel. We provide our employees career growth avenues and pursue the policy of giving compensation at par with industry to all employees.

### PROPERTY AND PURCHASE OF PROPERTY

The following is the list of the recent properties acquired / proposed to be acquired by us:

#### I. SOLAR EXPLOSIVES LIMITED

1. We have acquired a property at Mouza - Chakdoh, Tehsil - Katol, P.C. No. 67, District Nagpur of Survey No. 75 on ownership basis, admeasuring 4.30 Hectares on ownership basis. The property has been acquired on April 30, 1996 from Mr.. Satyanarayan Nuwal for a total consideration of Rs. 6,40,000 (Rupees six lakh forty thousand only).
2. We have acquired a property at Mouza – Chakdoh, G.P. Chakdoh, Tehsil Katol, P.C. No.8, District Nagpur of Survey No. 81 on ownership basis, admeasuring 4.15 Hectares. The property has been acquired on April 30, 1996 from Mrs. Indiradevi Nuwal and Mrs. Sohandevi Nuwal through their constituted attorney Manish Nuwal for a total consideration of Rs.6,22,500 (Rupees six lakh twenty two thousand five hundred only).
3. We have acquired a property at Mouza – Chakdoh, Tehsil Katol, P.C. No.53, District Nagpur of Survey No. 82 on ownership basis, admeasuring 2.84 Hectares. The property has been acquired on April 30, 1996 from Mrs. Leeladevi Nuwal for a total consideration of 2,84,000 (Rupees two lakh eighty four thousand only).
4. We have acquired a property at Mouza – Chakdoh, G.P. Chakdoh, Tehsil Katol, P.C. No.67, District Nagpur of Survey No. 83, on ownership basis, admeasuring 1.20 Hectares. The property has been acquired on July 4, 1996 from Nandlal Nuwal through his constituted attorney Manish Nuwal for a total consideration of Rs.1,80,000 (Rupees one lakh eighty thousand only).
5. We have acquired a property at Mouza – Chakdoh, G.P. Chakdoh, Tehsil Katol, P.C. No.67, District Nagpur of Survey No. 83 on ownership basis, admeasuring 3.30 Hectares. The property has been acquired on July 4, 1996 from with Nandlal Nuwal through his constituted attorney Manish Nuwal for a total consideration of Rs. 3,30,000 (Rupees three lakh thirty thousand only).
6. We have acquired a property at Mouza – Chakdoh, G.P. Ringnabodi, P.C. No.67, Khasra No. 78, , Tehsil Katol, District Nagpur of Survey No. 78, on ownership basis, admeasuring 1.58 Hectares. The property has been acquired on April 29, 1997 from Mr. Upasya Dhoney for a total consideration of Rs. Rs.35,100 (Rupees thirty five thousand one hundred only).
7. We have acquired a property at Mouza – Chakdoh, G.P. Ringnabodi, P.C. No.67, Khasra No. 78, Tehsil Katol, District Nagpur of Survey No. 78, on ownership basis, admeasuring 1.58 Hectares. The property has been acquired on April 29, 1997 from Mr. Bhaurao Kaley for a total consideration of Rs.40,860 (Rupees forty thousand eight hundred sixty only).
8. We have acquired a property at Mouza – Bajragaon, P.C. No.53, Tehsil and District Nagpur of Survey No. 37, on ownership basis, admeasuring 4.79 Hectares. The property has been acquired on September 30, 1995 from Mr. Upasya Dhoney for a total consideration of Rs.3,59,250 (Rupees thirty five thousand one hundred only).



9. We have acquired a property at Mouza – Chakdoh, Patwari Halka No. 67, Tehsil Katol, District Nagpur of Khasra No. 40 and Khasra No. 71 on ownership basis, admeasuring 10.60 Hectares and 0.20 Hectares. The property has been acquired on December 28, 1998 from Shyamsundar Fatehpuria Family Trust, Clacutta, through its registered Power-of-Attorney holder Badribisal Bharatia for a total consideration of Rs.12,00,600 (Rupees twelve lakh six hundred only).
10. We have acquired a property at Mouza – Chakdoh, P.H. No.67, Tehsil Katol, District Nagpur of Survey No. 39 on ownership basis, admeasuring 4.08 Hectares. The property has been acquired on May 6, 1999 from Mr. Satyanarayan Nuwal for a total consideration of Rs.6,00,000 (Rupees six lakh only).
11. We have acquired a property at Mouza – Chakdoh, P.H. No.67, Tehsil Katol, District Nagpur of Survey No. 70, on ownership basis, admeasuring 0.88 Hectares. The property has been acquired on August 5, 1999 from Mrs. Asha Sharma for a total consideration of Rs. 3,00,000 (Rupees three lakh only).
12. We have acquired a property at of land and building situate at Mouza – Futala, Zade Layout, City Survey No. 232, Ward No. 68, Khasra No. 11/1 and 11/2, P.H. No. 7, Nagpur of Plot No. 11, on ownership basis, admeasuring 245.88 sq. mtrs and built up area of 82.346 sq. mtrs. The property has been acquired on March 23, 2001 from Mrs. Meena Pandey and Anuj Pandey for a total consideration of Rs.18,00,000 (Rupees eighteen lakh only).
13. We have procured a property at Mouza - Manua, Thana No. 139, Khata No. 72/41, Village Binjhar, Post Marar, Thana Giddi 'A', District Hazaribaug (Jharkhand) of Plot No. 1156, Rakva 1.72 and Plot No. 967, Rakva 52 D, on ownership basis, admeasuring 2.24 Acres. The property has been procured on December 28, 2005 from Mr. Avinash Kumar Singh, Mr. Anil Kumar Singh, Mr. Avdhesh Kumar Singh, Mrs. Manju Singh for a total consideration of Rs. 21,28,000 (Rupees twenty one lakh twenty eight thousand only).
14. We have procured a property at Mouza – Barapukuria, P.S. Asansol (North), Tehsil Asansol and J.L. No. 24, District Burdwan, West Bengal, of Plot Nos. 2 (Part), 2, 2/848, 3 and 5 on ownership basis, admeasuring 4.12 Hectares. The property has been procured on January 17, 2006 from Solar Capitals Limited through its Director Shri Satyanarayan Nandlal Nuwal for a total consideration of Rs.14,26,424 (Rupees fourteen lakh twenty six thousand four hundred twenty four only).
15. We have procured a property at Village Musthyala, Code No. 2008002, Gram Panchayat Musthyala, Mandalam Kamanpur, District Karimnagar, and Sub. District Peddapalli of Survey No. 363 on ownership basis, admeasuring 2.03 Hectares. The property has been procured on January 17, 2006 from Solar Capitals Limited through its Director Shri Satyanarayan Nandlal Nuwal for a total consideration of 2,11,350 (Rupees two lakh eleven thousand three hundred fifty only).
16. We have procured a property at Mouza – Beherapali, P.S Jharsuguda, District Jharsuguda, of Plot Nos. 389/736 to 392, on ownership basis, admeasuring 2.70 Acres. The property has been procured on January 17, 2006 from Solar Capitals Limited through its Director Shri Satyanarayan Nandlal Nuwal for a total consideration of Rs.22,98,633 (Rupees twenty two lakhs ninety eight thousand six hundred thirty three only).
17. Company has also received allotment letter for land at Bokaro

\* In point No. 13, 14, 15 and 16, we have paid an advance of Rs. 32,83,000 (Please refer page 33 of RHP for further details)

## II. ECONOMIC EXPLOSIVES LIMITED

The Company has entered into the following Sale Deeds with various parties through its Director Mr. Kundan Singh Talesra:

1. We have acquired a property at Shiva, Mouza Sawanga Survey No. 205 on ownership basis, admeasuring 1.17 Hectares on ownership basis. The property has been acquired on January 20 1997 from Nasir Sheikh, Sagira Sheikh, Jainuba Mehtaab, Ibrahim Gaffur and Ramzan Gaffur for a total consideration of Rs. 65,000 (Rupees sixty five thousand only).
2. We have acquired a property at Shiva, Mouza Sawanga Gat No. 278 on ownership basis, admeasuring 2.24 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Chandrakant Shah for a total consideration of Rs. 40,000 (Rupees forty thousand only).

## Solar Explosives Limited

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3. We have acquired a property at Shiva, Mouza Sawanga Gat No. 290 on ownership basis, admeasuring 2.40 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah for a total consideration of Rs. 1,36,000 (Rupees one lakh thirty six thousand only).
4. We have acquired a property at Shiva, Mouza Sawanga Gat No. 270/1 on ownership basis, admeasuring 1 Hectare on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah for a total consideration of Rs. 56,000 (Rupees fifty six thousand only).
5. We have acquired a property at Shiva, Mouza Sawanga Gat No. 341 on ownership basis, admeasuring 1.56 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah for a total consideration of Rs. 88,000 (Rupees eighty eight thousand only).
6. We have acquired a property at Shiva, Mouza Sawanga Gat No. 283/1 and Gat No. 283/2 on ownership basis, admeasuring 2.36 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah for a total consideration of Rs. 1,34,000 (Rupees one lakh thirty four thousand only).
7. We have acquired a property at Shiva, Mouza Sawanga Gat No. 284 on ownership basis, admeasuring 1.67 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah for a total consideration of Rs. 95,000 (Rupees ninety five thousand only).
8. We have acquired a property at Shiva, Mouza Sawanga Gat No. 285 on ownership basis, admeasuring 1.67 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah and Bharati Girish Shah for a total consideration of Rs. 76,000 (Rupees seventy six thousand only).
9. We have acquired a property at Shiva, Mouza Sawanga Gat No. 279/1 on ownership basis, admeasuring 2.24 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah and Bharati Girish Shah for a total consideration of Rs. 1,12,000 (Rupees one lakh twelve thousand only).
10. We have acquired a property at Shiva, Mouza Sawanga Gat No. 272 on ownership basis, admeasuring 0.51 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah and Bharati Girish Shah for a total consideration of Rs. 29,000 (Rupees twenty nine thousand only).
11. We have acquired a property at Shiva, Mouza Sawanga Gat No. 274 on ownership basis, admeasuring 0.45 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Sha and Bharati Shah for a total consideration of Rs. 25,000 (Rupees twenty five thousand only).
12. We have acquired a property at Shiva, Mouza Sawanga Survey No. 244 on ownership basis, admeasuring 4.77 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah and Bharati Girish Shah for a total consideration of Rs. 2,70,000 (Rupees two lakh seventy thousand only).
13. We have acquired a property at Shiva, Mouza Sawanga Gat No. 245/1 on ownership basis, admeasuring 0.62 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Narendra Shah for a total consideration of Rs. 35,000 (Rupees thirty five thousand only).
14. We have acquired a property at Shiva, Mouza Sawanga Gat No. 245/2 on ownership basis, admeasuring 5.00 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Shantilal Shah for a total consideration of Rs. 2,84,000 (Rupees two lakhs eighty four thousand only).
15. We have acquired a property at Shiva, Mouza Sawanga Gat No. 286 on ownership basis, admeasuring 4.15 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Chandrakant Shah for a total consideration of Rs. 2,35,000 (Rupees two lakh thirty five thousand only).
16. We have acquired a property at Shiva, Mouza Sawanga Gat No. 292 on ownership basis, admeasuring 1.38 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah and Bharati Girish Shah for a total consideration of Rs. 78,000 (Rupees seventy eight thousand only).
17. We have acquired a property at Shiva, Mouza Sawanga Gat No. 291 on ownership basis, admeasuring 2.47 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Girish Shah and Bharati Girish Shah for a total consideration of Rs. 1,40,000 (Rupees one lakh forty thousand only).



18. We have acquired a property at Shiva, Mouza Sawanga Survey No. 297 on ownership basis, admeasuring 1.13 Hectares on ownership basis. The property has been acquired on January 8, 1997 from Narendra Shah for a total consideration of Rs. 64,200 (Rupees sixty four thousand two hundred only).
19. We have acquired a property at Shiva, Mouza Sawanga Gat No. 271 on ownership basis, admeasuring 1.05 Hectares on ownership basis. The property has been acquired on January 8, 1997 from Narendra Shah for a total consideration of Rs. 60,000 (Rupees sixty thousand only).
20. We have acquired a property at Shiva, Mouza Sawanga Gat No. 294 on ownership basis, admeasuring 1.25 Hectares on ownership basis. The property has been acquired on January 8, 1997 from Narendra Shah for a total consideration of Rs. 71,000 (Rupees seventy one thousand only).
21. We have acquired a property at Shiva, Mouza Sawanga Gat No. 277 on ownership basis, admeasuring 2.99 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Niraj Shah for a total consideration of Rs. 1,70,000 (Rupees one lakh seventy thousand only).
22. We have acquired a property at Shiva, Mouza Sawanga Gat No. 288 on ownership basis, admeasuring 2.04 Hectares on ownership basis. The property has been acquired on January 8, 1997 from Chandan Shah for a total consideration of Rs. 1,16,000 (Rupees one lakh sixteen thousand only).
23. We have acquired a property at Shiva, Mouza Sawanga Gat No. 270/2 on ownership basis, admeasuring 1.78 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Chandrakant Shah for a total consideration of Rs. 35,000 (Rupees thirty five thousand only).
24. We have acquired a property at Shiva, Mouza Sawanga Gat No. 276 on ownership basis, admeasuring 4.37 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Chandrakant Shah for a total consideration of Rs. 2,48,000 (Rupees two lakh forty eight thousand only).
25. We have acquired a property at Shiva, Mouza Sawanga Gat No. 289 on ownership basis, admeasuring 4.46 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Chandan Shah for a total consideration of Rs. 2,53,000 (Rupees two lakhs fifty three thousand only).
26. We have acquired a property at Shiva, Mouza Sawanga Survey No. 265 on ownership basis, admeasuring 1.23 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Vishwasrao Salunkhe for a total consideration of Rs. 40,000 (Rupees forty thousand only).
27. We have acquired a property at Shiva, Mouza Sawanga Gat No. 287 on ownership basis, admeasuring 1.34 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Kamalakar Neulkar for a total consideration of Rs. 63,000 (Rupees sixty three thousand only).
28. We have acquired a property at Shiva, Mouza Sawanga Gat No. 264 on ownership basis, admeasuring 5.66 Hectares on ownership basis. The property has been acquired on January 9, 1997 from Sonabai Damdarey, Sahebrao Dandarey, Anandrao Dandarey, Gulabrao Dandarey, Ajaabrao Dandarey for a total consideration of Rs. 1,32,810 (Rupees one lakh thirty two thousand eight hundred ten only).

### **III. SOLAR CAPITALS LIMITED**

1. We have acquired a property at Village Musthyla, District Karimnagar Survey No. 363 on ownership basis, admeasuring 9.39 Acres on ownership basis. The property has been acquired on March 14, 2002 from Isempelly Erraiah for a total consideration of Rs. 1,65,900 (Rupees one lakh sixty five thousand nine hundred only).
2. We have acquired a property at Mouza – Warur Road, Grampanchayat Warur Road, Talathi Saza Warur Road, Tahsil Rajura, District Chandrapur on ownership basis, admeasuring 36.70 Acres on ownership basis. The property has been acquired on March 27, 2001 from Mr. Satyanarayan Nuwal for a total consideration of Rs. 37,13,000 (Rupees thirty seven lakh thirteen thousand only).
3. We have acquired a property at Mouza Ganiyari, Tehsil Singroli, Zilla Siddhi, Madhya Pradesh of Survey No. 975/2 on ownership basis, admeasuring 0.708 Hectares on ownership basis. The property has been acquired on December 30, 1999 from Vedprakash Singh for a total consideration of Rs. 99,750 (Rupees ninety nine thousand seven hundred fifty only).

## Solar Explosives Limited

4. We have acquired a property at Mouza Ganiyari, Tehsil Singroli, Zilla Siddhi, Madhya Pradesh of Survey No. 975/2 on ownership basis, admeasuring 0.708 Hectares on ownership basis. The property has been acquired on December 30, 1999 from Jaagwali Brijwasi for a total consideration of Rs. 99,750 (Rupees ninety nine thousand seven hundred fifty only).
5. We have acquired a property at Udyog Deep Industrial Area, Waidhan, District Sidhi (Madhya Pradesh) Gat No. 264, admeasuring 5.66 Hectares on a lease basis. The property has been acquired on lease on August 26, 2000 with the Governor of Madhya Pradesh for the term of ninety nine (99) years at the advance rent and premium of Rs. 4,89,000 (Rupees four lakhs eighty nine thousand and sixty only), security amount of Rs.44,103 (Rupees forty four thousand one hundred three only, being three years ground rent) and ground rent of Rs.14,671 (Rupees fourteen thousand six hundred seventy one only).
6. We have acquired a property at Tehsil Katgora, District Korba, Chattisgarh, admeasuring 1.17 Acres on a lease basis. The property has been acquired on October 5, 2004 from Satyanarayan Nuwal for a term of twenty (20) years on advance rent and premium of Rs. Rs. 10,000 (Rupees ten thousand only) being one time premium; Rs. 1000 (Rupees one thousand only) per annum.
7. We have acquired a property at Mouza Beharpali, P.S. Jharsuguda, and District Jharsuguda of Survey Nos. 389/736, 390, 391, 392 admeasuring 2.70 Acres on ownership basis. The property has been acquired on November 16, 2005 from Mr. Upendra Prasad for a total consideration of Rs. 20,65,500 (Rupees twenty lakh sixty five thousand five hundred only).

#### IV. SOLAR COMPONENTS PRIVATE LIMITED

1. We have acquired a property at Khapri, Tehsil Kalmeshwar, District Nagpur Survey No. 40/1, admeasuring 0.81 Hectares on ownership basis. The property has been acquired on November 11, 1997 for a total consideration of Rs. 2,00,000 (Rupees two lakh only).
2. We have acquired a property at Khapri, Tehsil Kalmeshwar, District Nagpur survey No. 40/2 on ownership basis, admeasuring 0.77 Hectares on ownership basis. The property has been acquired on November 11, 1997 for a total consideration of Rs. 1,90,000 (Rupees one lakh ninety thousand only).

#### INSURANCE COVER TAKEN BY THE COMPANY

##### I) SOLAR EXPLOSIVES LIMITED

The Company has availed of the following insurance policies:

Type of Policy and Insurance Perils	Sum Insured (Rs.)	Premium (Rs.)
Civil, Plant and Machinery at Factory	30,23,51,000	17,08,097
On Stock of Explosives, Raw Materials, Intermediates, consumables and finished goods	5,00,00,000	3,08,560
Inventory of input and FG at Factory and at Job Worker	1,05,00,000	48,736
Loss of Profit	9,50,00,000	5,36,835
Labour Including Contact Labour	1,02,10,000	5,72,950
Managers and Supervisors	2,62,80,000	51,503
Public Liability	150,00,000	62,301
Public Liability- Export Dock	60,00,000	46,069
Compact Policy - Administrative Head Office	1,39,55,000	30, 210



## II) ECONOMIC EXPLOSIVES LIMITED

Economic Explosives Limited has availed of the following insurance policies:

Type of Policy and Insurance Perils	Sum Insured (Rs.)	Premium (Rs.)
Civil, Plant and Machinery at Factory	11,73,88,000	5,32,484
Worker and Supervisors Quarters	1,15,00,000	7,604
Labour including contract labour	76,00,000	4,59,203
Manager and Supervisors	1,75,00,000	34,342
Public Liability	60,00,000	61,452
Public Liability – Export Dock	1,50,00,000	46,055
Inventory of Finished Goods at Depot	30,00,000	20,729
Fixed Asset at other Location	3,50,000	1,003
raw material, stocks in process, packaging material, finished and semi finished goods etc.	3,12,50,000	1,82,932
Loss of Gross Profit	13,00,00,000	7,20,285

## III) SOLAR CAPITALS LIMITED

Solar Capitals Limited has availed of the following insurance policies:

Type of Policy and Insurance Perils	Sum Insured (Rs.)	Premium (Rs.)
Std. Fire – Covering Civil Plant and Machinery at Waidhan	20,238,928	54643
Std. Fire – Covering Civil Plant and Machinery at Warur Road	12,362,979	33378
Std. Fire – Covering Civil Plant and Machinery at Korba	7,000,000	18128
Std. Fire – Inventory of Input and Finished Goods at all Plants	25,000,000	87940
Labourers – including contract labourers – Waidhan	1,620,000	53825
Labourers – including contract labourers – Warur Road	4,75,000	31407
Labourers – including contract labourers – Korba	800,000	26850
Manager and Supervisors – Waidhan	7,400,000	14064
Manager and Supervisors – Warur Road	4,800,000	8587
Manager and Supervisors – Head Office	1,000,000	2795
Public Liability	*15,000,000	46055

\*Any one accident Rs.50,00,000 (Rupees fifty lakhs only)

## KEY MAN INSURANCE

A key man life Insurance policy (the “Policy”) has been taken in the name of Mr. Satyanarayan Nuwal for an amount of Rs.50,00,000 (Rupees fifty lakhs). The Policy bearing no. 971302324 has been taken for a period of fifteen years commencing from March 27, 2001 up to March 27, 2016. A premium of Rs.2,84,817 (Rupees two lakhs eight four thousand eight hundred seventeen only five only) is payable. Mr. Satyanarayan Nuwal has nominated the Company as its nominee under Section 39 of the Insurance Act, 1938,

A key man life Insurance policy has been taken in the name of Mr. Satyanarayan Nuwal for an amount of Rs.50,00,000 (Rupees fifty lakhs). The Policy bearing no. 971193059 has been taken for a period of twenty years commencing from March 28, 2000 up to March 28, 2020. A premium of Rs.1,07,375 (Rupees one lakh seven thousand three hundred seventy five only) is payable. Mr. Satyanarayan Nuwal has nominated the Company as its nominee under Section 39 of the Insurance Act, 1938,

A key man life Insurance policy has been taken in the name of Mr. Manish Nuwal for an amount of Rs.1,00,00,000 (Rupees one crore). The Policy bearing no. 974442809 has been taken for a period of fifteen years commencing from December 29, 2003 up to December 28, 2018. A premium of Rs.1,71,625 (Rupees one lakh seventy-one thousand six hundred twenty five only) is payable on the 18th day of each quarter i.e. March, June, September and December.

## **Solar Explosives Limited**

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Mr. Manish Nuwal has nominated the Company as its nominee under Section 39 of the Insurance Act, 1938.

A key man life Insurance policy has been taken in the name of Mr. Kailash Chandra Nuwal for an amount of Rs.50,00,000 (Rupees fifty lakhs). The Policy bearing no. 971302323 has been taken for a period of fifteen years commencing from March 27, 2001 up to March 27, 2016. A premium of Rs.2,66,255 (Rupees two lakhs sixty six thousand two hundred fifty five only five only) is payable. Mr. Kailash Chandra Nuwal has nominated Economic Explosives Limited as its nominee under Section 39 of the Insurance Act, 1938.

A key man life Insurance policy has been taken in the name of Mr. Kailash Chandra Nuwal for an amount of Rs.50,00,000 (Rupees fifty lakhs). The Policy bearing no. 971483256 has been taken for a period of ten years commencing from October 15, 2001 up to October 15, 2011. A premium of Rs.443062 (Rupees four lakhs forty three thousand sixty two only) is payable. Mr. Kailash Chandra Nuwal has nominated Economic Explosives Limited as its nominee under Section 39 of the Insurance Act, 1938

### **IRDA Directive**

Circular dated April 27, 2005 (IRDA/LIFE/006/2005-06) stipulates that it has been decided that only Term Insurance Policy will henceforth be issued as 'Keyman Insurance Cover'. Circular dated January 30, 2006 (036/IRDA/LIFE/JAN-06) requires all insurers to ensure that where the premium for the insurance on the life of an employee is paid by the employer or where the premium on the life of a partner is paid by another partner or by the partnership firm, the scope of cover is not wider than term assurance. However, in the instant case, since the 'Keyman Insurance Policies' have been taken prior to the issuance of the two afore-cited circulars, the circulars will have no bearing on the 'Keyman Insurance Policies' availed by the Company for its key employees.

### **VEHICLE INSURANCE**

Solar Capitals Limited has availed of the following insurance policies in respect of the Bulk Delivery Systems (Chassis and Body):

Any one claim up to Rs.7,50,000 (Rupees seven lakhs fifty thousand only)

#### **IV) SOLAR COMPONENTS PRIVATE LIMITED**

Solar Components Private Limited has availed of the following insurance policies:

Type of Policy and Insurance Perils

Std. Fire – Covering Civil Plant, Machinery and Stock at Village Khapri, Taluka Kalmeshwar, Nagpur

Std. Fire – Covering Civil Plant, Machinery with Accessories and electrical fittings at MIDC, Hingna, Nagpur

Workmen's compensation (General) at Engineering work shop at Village Khapri, Tauka Kalmana, Nagpur. Covers 90 Employees.

Group Personal Accident covering 17 employees



### III. KEY INDUSTRY REGULATIONS

Any Person proposing to engage in the manufacturing, trading, selling, etc., of Industrial Explosives including but not limited to detonating fuses, safety fuses, gun powder is required to obtain an 'Industrial License' from the Department of Industrial Policy Promotion, Ministry of Commerce Industry, Government of India.

Upon receipt of such an approval, the Person proposing to set up an Explosives Unit is required to approach the Chief Controller of Explosives, the regulatory authority regulating the manufacture, possession, sale, transportation, exportation and importation of explosives.

Simultaneously, the Person proposing to set up the Explosive Unit is required to approach the Gram Panchayats' to obtain their No Objection Certificate for purpose of setting up the proposed Explosive Unit.

Further, the Chief Controller of Explosives has classified different categories of Explosives, and accordingly, any Person desirous of manufacturing, trading, selling, storing, possessing, using etc. of explosives must apply to the Chief Controller of Explosives for obtaining a 'License' from the under the provisions of the Explosives Act, 1884 (the "Act") and the Explosives Rules, 1983 (the "Rules").

The Rules stipulate that the License must be accompanied by the following details:

- a. Plans of the proposed building and the site drawn to scale;
- b. A description of situation, character and construction of all mound, buildings (production, non-production, stores, administrative, etc.) and safety distance to be observed by each building;
- c. A description of process/work to be carried out in each building or part thereof;
- d. A description of plant and equipment and its location provided in each building or part thereof;
- e. A description of explosives and ingredients thereof, whether wholly or partially mixed that will be present in any building or machine at any one time;
- f. A description of maximum number of employees to be employed in each building;
- g. Prescribed scrutiny fee;
- h. Name and address of directors

Once the Chief Controller of Explosives is satisfied that the stipulated requisites have been met, he will use the necessary licence for the manufacturing, trading, selling, storing, possessing, using etc., as the case may be. Every License issued by the Chief Controller of Explosives contains certain conditions to be satisfied by the Licensee on an ongoing basis, for instance the quantity of Explosives stored at the premises at any given point in time should not exceed a maximum number.

In the event, the terms and conditions stipulated in the License are not complied with then the Controller of Explosives may either cancel or not renew the License.

The Rules not only stipulate the requisites for manufacturing, trading, selling, storing, possessing, using etc. of explosives, but also set out the method of Packing, Marking, Transport, etc. It also stipulates that Explosives should be sold to only those Person who are licensed to possess, use, etc. explosives.

In addition to the above compliance, since the Explosives Unit will be generating affluent waste, it will also have to comply with the provisions of The Water (Protection and Control of Pollution) Act, 1974, the Water (Prevention and Control of Pollution) Rules 1995, The Air (Prevention and control of Pollution) Act, 1981, the Air (Prevention and Control of Pollution) Rules, 1995 and The Hazardous Wastes (Management and Handling) Rules, 1989 (and Amendment Rules, 2000).

For setting up of an overseas Explosive Unit, the laws of the relevant country of incorporation will have to be complied with.

## Solar Explosives Limited

### IV. HISTORY AND CORPORATE STRUCTURE OF OUR GROUP

#### Overview

The journey of “Solar” Group started in the year 1984 when a proprietary firm, Solar Explosives, was formed by Mr.Satyanarayan Nuwal for trading in Explosives. In this year one of the largest Indian Explosive manufacturing company awarded its first consignment agency to Solar Explosives. In the year 1985 Economic Explosives, another proprietary firm, was formed at Sholapur for trading of Explosives and Accessories made by other companies. During the year 1991, they became one of the largest dealers of detonators and Explosives manufactured by other reputed companies.

The company, “Solar Explosives Limited”, was incorporated in the year 1995 by Satyanarayan Nuwal, Nandlal Nuwal and Kailashchandra Nuwal. The date of incorporation and date of commencement of business was 24<sup>th</sup> February, 1995 and 27<sup>th</sup> February 1995 respectively.

By the year 1996, Solar established trade network as well as Institutional market.

In 1997 the promoters started manufacturing Detonators under Economic Explosives Limited. Also in 1997 the promoters started manufacturing non Explosive component required for manufacturing detonators, under Solar Components Private Limited. In the year 2000, the promoters, under Solar Capitals Limited, started manufacturing Bulk Explosives.

On account of administrative purpose, the registered office of the Company was changed from Dhakate Building, Fawara Chowk, Gandhi Bagh, Nagpur- 440 002, to its current address 11, Zade Layout, Bharat Nagar, Nagpur – 440 033 with effect from June 10, 2004.

In September 2005, Solar Explosives Limited acquired all the shares from the promoters of Economic Explosives Limited, Solar Capitals Limited and Solar Component Limited by swapping their holding with the shares of Solar Explosives Limited to make the three companies its wholly owned subsidiaries.

Year	Key Events, Milestones and Achievements
1984	Solar Explosives started trading of Explosives and Accessories at Chandrapur and received consignment agency from leading manufacturing company.
1985	Established Economic Explosives at Sholapur for trading of Explosives and Accessories made by various companies.
1996	Solar Explosives Limited started production with License capacity of 6000MT.
1997	Incorporation and Commencement of Solar Component Private Limited.
1998	Economic Explosives Limited started production with License capacity of 30 Mn.Nos Detonators.
2000	Started Bulk Plant of Solar Capitals Limited in Waidhan with capacity 6000MT.
2001	Imported first Cartridge Pack Machine from USA for cartridge Explosives. Started Bulk Plant of Solar Capitals Limited in Chandrapur with capacity of 7750MT.
2004	Imported the first of its kind high efficiency Cartridge Pack Machine Introduction of PETN in Solar Explosives Limited. Introduction of Cast Boosters in Solar Explosives Limited. Executed the first export order of Solar Explosives Limited.
2005	Started Production at Solar Capitals Limited, Korba with license of 6000MT.

Products of Solar Explosive Limited accepted in the Export market and executed order worth 10 times of the last years order.

#### Our Main Objects

The main objects as contained in our Memorandum of Association are:



- A) To produce, manufacture, buy, import, sell, transport, distribute, export, deal in and dispose of all kind of Explosives and Accessories.
- B) To purchase, sale, import, export, distribute, transport, deal in and dispose of all kinds of material that are either major raw material or component and ancillary material or packing material or any other material that becomes the part and parcel of Explosives and Accessories.

### Changes in the Memorandum of Association

Since its incorporation, the following changes have been effected to the Memorandum of Association:

Sr. No.	Date of Shareholder Approval	Authorised Capital
1.	July 15, 1996	The Authorised Capital of the Company was increased from Rs.5,00,000 comprising of 50,000 Equity Shares of Rs. 10/- each to Rs.1,00,00,000 comprising of 10,00,000 Equity Shares of Rs.10/- each
2.	November 16, 1998	The Authorised Capital of the Company was increased from Rs.1,00,00,000 comprising of 10,00,000 Equity Shares of Rs.10/- each to Rs.2,00,00,000 comprising of 20,00,000 Equity Shares of Rs.10/- each
3.	June 08, 1999	The Authorised Capital of the Company was increased from Rs.2,00,00,000 comprising of 20,00,000 Equity Shares of Rs.10/- each to Rs.4,00,00,000 comprising of 40,00,000 Equity Shares of Rs.10/- each
4.	June 28, 2002	The Objects Clauses of the Company was amended to include the following:  "To purchase, sale, import, export, distribute, transport, deal in and dispose of all kinds of material that are either major raw material or component and ancillary material or packing material or any other material that becomes the part and parcel of Explosives and Accessories"
5.	July 05, 2005	The Authorised Capital of the Company was increased from Rs.4,00,00,000 comprising of 40,00,000 Equity Shares of Rs.10/- each to Rs.10,00,00,000 comprising of 1,00,00,000 Equity Shares of Rs.10/- each
6.	September 21, 2005	The Authorised Capital of the Company was increased from Rs.10,00,00,000 comprising of 1,00,00,000 Equity Shares of Rs.10/- each to Rs.20,00,00,000 comprising of 2,00,00,000 Equity Shares of Rs.10/- each

### Subsidiaries of the Company

The Company has three subsidiaries, the details of which are as follows:

#### 1) Economic Explosives Limited

Solar Group forayed into manufacturing of Explosive initiating systems by setting up Economic Explosives Limited (EEL) at village Sawanga 40 kms. from Nagpur, on a 165 acres of sprawling industrial plot. The entire range of instantaneous and delay detonators, along with permissible detonators and specialized systems like non-electric shock tube initiating system and cord relays, are manufactured at this facility.

EEL has become a 100% owned subsidiary of Solar Explosives Limited with effect from September 25, 2005 subsequent to a share purchase agreement between the promoters of EEL and Solar Explosives Limited

Company has got an ISO 9001 certification for its activities since 1999.

Date of Incorporation : August 16, 1995

Date of Commencement of Business : October 30, 1995

Nature of Activity : To manufacture, distribute and export all the kinds of Explosives and Explosives Accessories.

## Solar Explosives Limited

### Board of Directors

The Members of Board of Economic Explosives Limited are :

- a. Mr.Satyanarayan Nuwal Chairman
- b. Mr.Kailashchandra Nuwal
- c. Mr.Chatragadda Bensam

### Shareholding Pattern

The company is a 100% wholly owned subsidiary of Solar Explosives Limited i.e. all the shares of the company are owned by Solar Explosives Limited.

### Financials

(Rs.in lakhs)

	Half Year ending	As at for year ending			
	30.9.05	31.3.05	31.3.04	31.3.03	31.3.02
Sales	1935.10	3241.76	2537.15	1840.33	1705.26
Other Income	61.54	4.91	1.27	1.66	9.06
Total Income	1996.64	3246.67	2538.42	1841.99	1714.32
PBT	526.88	736.80	434.01	280.60	266.36
PAT	402.46	535.64	312.75	200.13	218.09
Capital	480.00	235.00	235.00	235.00	235.00
Net Worth	2239.97	1568.97	1111.83	825.42	713.93
No. of shares	48.00	23.50	23.50	23.50	23.50
NAV	46.67	66.73	47.31	35.12	30.38

### 2) Solar Capitals Limited

Solar Capitals Limited (SCL) an independent company was formed as a dedicated, on-site manufacturing facility for bulk Explosives for customers. Currently the company has modern and advanced bulk Explosive plants at Singrauli (Madhya Pradesh), Chandrapur (Maharashtra) and Korba (Chhatisgarh).

The system is based on plant manufacturing of the Emulsion Matrix, which is non-Explosive. This guarantees complete quality assurance and tailor-made product to suit varying geo-mining conditions for best efficiency and performance. The tailor-made Matrix is then transferred to the BDSs and carried to the mine bench for down-the-hole charging.

SCL has become a 100% owned subsidiary of Solar Explosives Limited with effect from September 25, 2005 subsequent to a share purchase agreement between the promoters of SCL and Solar Explosives Limited

Date of Incorporation	:	August 16 1995
Date of Commencement of Business	:	October 27, 1995
Nature of Activity	:	Manufacture Explosives and Explosive formulations

### Board of Directors

The following persons are on the Board of Solar Capital Limited

- Mr. Satyanarayan Nuwal – Chairman
- Mr. Rahul Nuwal
- Mr. Rahul Kumar Guha
- Mr. K S Rao



### Shareholding Pattern

The company is a 100% wholly owned subsidiary of Solar Explosives Limited i.e. all the shares of the company are owned by Solar Explosives Limited.

### Financials

(Rs.in lakhs)

	Half Year ending	As at for year ending			
	30.9.05	31.3.05	31.3.04	31.3.03	31.3.02
Sales	1728.45	2724.14	2217.34	1540.23	360.31
Other Income	14.53	36.35	20.41	4.44	0.30
Total Income	1742.98	2760.49	2237.75	1544.67	360.61
PBT	218.15	200.68	152.37	123.26	29.70
PAT	186.66	170.80	134.50	81.75	29.70
Capital	600.00	300.00	300.00	300.00	195.38
Net Worth	1206.45	707.48	536.39	401.21	128.32
No. of Shares	60.00	30.00	30.00	30.00	19.54
NAV	20.11	23.58	17.88	13.37	6.57

### 3) Solar Components Private Limited

Solar Components Private Limited was set up in the year 1998 for manufacturing of Aluminum Tube, Copper Tube and Brass Fuse Head with Capital expenditure of Rs. 1.25 crore. The products manufactured are used for manufacturing of Detonators. The unit is a part of total Backward Integration for manufacture of Detonators.

During the last two years, company has expanded its manufacturing capacity from 30 Million Per Annum to 90 Million Per Annum. The total Capital Expenditure made by the end of the year 2002-03 was Rs. 2.25 crore.

Date of Incorporation : June 13 1997

Date of Commencement of Business : Not applicable as Private Limited Company

Nature of Activity : The Company manufactures the following products Aluminum Shells and Fuse Head Frame/Combs

### Board of Directors

The following persons are the on the Board of Solar Components Private Limited

- Mr. Satyanarayan Nuwal – Chairman
- Ms. Leeladevi Nuwal
- Ms. Indiradevi Nuwal

## Solar Explosives Limited

### Shareholding Pattern

The company is a 100% wholly owned subsidiary of Solar Explosives Limited i.e. all the shares of the company are owned by Solar Explosives Limited.

### Financials

(Rs.in lakhs)

	Half Year ending	As at for year ending			
	30.9.05	31.3.05	31.3.04	31.3.03	31.3.02
Sales	352.02	708.24	522.79	402.32	374.98
Other Income	14.14	1.29	9.62	2.30	1.51
Total Income	366.16	709.53	532.41	404.62	376.49
PBT	53.88	98.85	80.09	73.92	72.25
PAT	39.07	72.50	59.15	54.34	55.99
Capital	82.00	40.00	40.00	40.00	40.00
Net Worth	413.00	330.00	265.02	210.41	163.90
No. of Shares	8.20	4.00	4.00	4.00	4.00
NAV	50.37	82.69	66.26	52.60	40.98

### Share Purchase Agreement

1. The Company (therein the "Purchaser") has entered into a Share Purchase Agreement (the "Agreement") dated September 24, 2005 with Mr. Satyanarayan Nuwal and other shareholders (therein the "Sellers") to purchase 23,50,000 shares of Economic Explosives Limited and against which the Company issued 10,87,250 equity shares to the Sellers.
2. The Company (therein the "Purchaser") has entered into a Share Purchase Agreement (the "Agreement") dated September 24, 2005 with Mr. Satyanarayan Nuwal and other shareholders (therein the "Sellers") to purchase 4,00,000 shares of Solar Components Private Limited and against which the Company issued 2,10,825 equity shares to the Sellers.
3. The Company (therein the "Purchaser") has entered into a Share Purchase Agreement (the "Agreement") dated September 24, 2005 with Mr. Satyanarayan Nuwal and other shareholders (therein the "Sellers") to purchase 24,30,000 shares of Solar Capitals Limited and against which the Company issued 3,81,450 equity shares to the Sellers.

### Other Agreements

#### Memorandum of Understanding with IBP Company Limited

We desired to expand our business in other related fields and to foray into marketing Industrial Explosives and Explosives Accessories product through IBP in agreed customer segments under a marketing arrangement with IBP. Thus, we entered into a Memorandum of Understanding dated October 01, 2005 with IBP which is engaged in the business of manufacture and marketing of Industrial Explosives and Explosives Accessories.

### Financial Partners

The Company does not have any financial partners.

### Strategic Partner

The Company does not have any strategic partners



### III. MANAGEMENT

#### Board of Directors

As per the Articles of Association, the Company must have a minimum of 2 and a maximum of 12 Directors. As on 25th November, 2005 the Company had ten (10) Directors out of which five are Whole-time Directors, and the other five are independent directors. The five Whole-time Directors have been allocated the following designations and responsibilities:

Mr. Satyanarayan Nandlal Nuwal, Chairman, is responsible to the Board for the overall performance of the Group.

Mr. Kailashchandra Nandlal Nuwal, Whole-time Director, is responsible for the sales and marketing in the Trade Market.

Mr. Manish Satyanarayan Nuwal, Chief Commercial Officer (CCO), is responsible for finance, purchase, and new projects of the Group.

Mr. Kundansingh K Talesra, Chief Executive Officer (CEO), is responsible for the Production, New Projects and R & D of the Group.

Mr. Roomie Dara Vakil, Chief Marketing Officer (CMO), is responsible for the marketing, both domestic and overseas, of the Group.

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

Name Designation, Father's name, Address and Occupation	Date of Appointment and Term	Qualifications	Age (yrs)	Other Directorships
<b>Mr. Satyanarayan Nandlal Nuwal</b> Chairman S/o Nandlal Nuwal 37, Kachipura, Ramdaspath, Nagpur -440 010 Occupation: Business	First Date of Appointment: 24th February, 1995  Term: 31st March, 2006	SSC	53	Economic Explosives Limited Solar Capitals Limited Solar Components Private Limited Solar Industries Limited Solar Processors (B) Limited Mahakal Projects Private Limited Mahakal Infrastructure Private Limited
<b>Mr. Kailashchandra Nandlal Nuwal</b> Director S/o Nandlal Nuwal 37, Kachipura, Ramdaspath, Nagpur -440 010. Occupation: Business	Date of Appointment: 25th October 2005  Term: 30th November 2008	B.Com	48	Economic Explosives Limited Solar Industries Limited Solar Synthetics Private Limited Solar Processors (B) Limited
<b>Mr. Manish Nuwal</b> Director S/o Satyanarayan Nuwal 37, Kachipura, Ramdaspath, Nagpur -440 010. Occupation: Business	Date of Appointment: 6th December 2004  Term: 5th December, 2007	C.A	31	Solar Industries Limited
<b>Mr. Kundansingh K Talesra</b> Director S/o Kanhiyalal Talesra 206, Jagat Towers, Amravati Road, Tilak Nagar, Nagpur -440 010. Occupation: Service	Date of Appointment: 15th September 2000  Term: 31st March, 2006	Diploma in Mining Engineering	61	NIL

## Solar Explosives Limited

Name Designation, Father's name, Address and Occupation	Date of Appointment and Term	Qualifications	Age (yrs)	Other Directorships
<b>Mr.Roomie Dara Vakil</b> Director S/o Dara Vakil C-23, Vikrampuri , Secunderabad – 9. Occupation:Service	Date of Appointment: 25th October 2005  Term: 30th November, 2008	MSc Mining Geology  MA, IAS(1964)	62  65	NIL  NIL
<b>Mr. Ramesh.Chandra Tripathi</b> S/o Late Harish Chandra Tripathi A-1055, Indira Nagar Lekhraj Marg Lucknow 226016	Date of Appointment: 25th October 2005 Term: Retires by rotation			
<b>Mr. Anant Sagar Awasthi</b> Independent Director S/o Late Sh.Bholanath Awasthi E-17, G K III New Delhi -110 048.	Date of Appointment: 25th October 2005 Term: Retires by rotation	MA,LLB,IAS	65	NIL
<b>Dr. Jai Prakash Agrawal</b> S/o Bishambar Dayal Agrawal Flat No.4, Jal Tarang, 42, Anand Park Aundh Pune 411 007. Occupation:Consultant	Date of Appointment: 25th November 2005  Term: Retires by rotation	MSc;Ph.D; C Chem FRSC (UK)	61	NIL
<b>Dr.R. Srinivasan</b> Independent Director S/o Ragvachari C-6-1, Lloyds Garden Appa Saheb Marathe Marg Prabhadevi Mumbai 400 025 Occupation:Consultant	Date of Appointment: 25th October 2005  Term: Retires by rotation	Ph.D; CAIIB; FIIBF	74	Beeyu Overseas Limited Elder Pharmaceuticals Limited Mcleod Russel India Limited Graphite India Limited Goldiam International Limited Hi Tech Pharmaceuticals Private Limited JM Financial Asset Management Private Limited Store Perform Technologies India Private Limited Shalimar Paints Limited Williamson Magor Co. Limited Nayamode Solutions Private Limited Snow-cem Cements Private Limited
<b>Mr.Jagoba Fakuji Salve</b> S/o Fakuji Salve 3, Nehru Nagar, Nagpur 440 015 SICOM	Date of Appointment: 25th November 2005 Term: Retires by rotation	B.E.(Electrical)	53	NIL



## Brief Profile of the Directors

**Mr. Satyanarayan Nandlal Nuwal**, Chairman of Solar Explosives Limited, aged 53 yrs, hails from Bhilwara (Rajasthan). He started his carrier with trading activity in the field of Explosives and Explosive Accessories and went on to set up the manufacturing facilities. Within a decade, he made Solar Group a known name in the Explosives industry. He is also the Chairman of Economic Explosives Limited, Solar Components Private Limited and Solar Capitals Limited

**Mr. Kailashchandra Nandlal Nuwal**, aged 48 yrs, is the younger brother of Mr. Satyanarayan Nandlal Nuwal and has been associated with the Groups' ventures. His knowledge of market trends has helped the Group retain its leadership position.

**Mr. Manish Satyanarayan Nuwal**, aged 31 yrs, son of Mr. Satyanarayan Nandlal Nuwal, is a qualified Chartered Accountant and brings with him professional, financial and management skills. After completion of his studies, he joined his family business in 1999. He is looking after finance, overseas project, purchase and marketing functions of the Company. He is also working in the capacity of Chief Commercial Officer for the Company and its subsidiaries.

**Mr. Kundansingh K Talesra**, aged 61 years, has spent more than 40 Years in Explosive Industry in various fields like technical service, commercial service, development of new products, sales planning, erection and commissioning of greenfield projects and accounts and administration. For the past 10 years he has been associated with Solar Explosives Limited, responsible for planning, erection, commissioning and there after regular production, quality, administration etc.

**Mr. Roomie Dara Vakil**, aged 62 years, is a Post Graduate in Mining (Geology) from the Osmania University. He joined IDL Industries Limited (now known as Gulf Oil Corporation Limited) in the year 1967 and has held various positions in marketing in its Explosives division. He rose to the level of GM (Marketing) in 1992 and finally as Vice-President (Marketing) in 1996 looking after all aspects of marketing Explosives, Blast Initiation Systems and field technical services. He was head of the corporate personnel department for 3 years from 1986 to 1989 and Chief Executive of the Bitumen Emulsion Division of IDL Industries Limited at Delhi for the period of 2 years from 1989 to 1991.

He was Secretary of Explosives Manufacturers' Association of India for 3 years and finally elected as Chairman of the Explosives Manufacturers Association of India for the period 1997 – 2001. When the Development Panel had been upgraded to Development Council, he was co-opted as a member representing the interest of Manufacturers of Explosives. Currently he is the Chief Marketing Officer at our Company, managing the domestic and international marketing functions.

**Mr. Ramesh Chandra Tripathi**, aged 65 years, is a Masters in Arts and an officer of the Indian Administrative Services (IAS) of the 1964 batch. Apart from being the Secretary – General, Rajya Sabha, Parliament of India, in the year 2002, he has held various posts in the capacity of Collector, District Magistrate, Secretary and Principal Secretary. He has been associated with various government departments like Ministry of Information & Broadcasting, Ministry of HRD, Planning Commission of India, and Ministry of Parliament Affairs in different capacities.

**Mr. Anant Sagar Awasthi**, aged 65 years, is an MA, LLB and an IAS Officer of the batch of 1965. At the start of his career as an IAS Officer he started with the position as an Assistant Commissioner Sales Tax. At the time of his retirement in the year 2001 he was Director (Higher Education / Special Secretary Education, Government of Delhi. During his career he has held several posts in the capacity of Joint Director in Departments like Industries, Social Welfare, Food and Civil etc. He also held positions like Director Personnel MCD, Director Public Grievances, Senior General Manager, Delhi State Civil Supply Corporation and S.D.M., Delhi.

**Dr. Jai Prakash Agrawal**, aged 61 years, is an MSc; Ph.D; C Chem FRSC (UK). He is a Research Fellow of Council for Scientific and Industrial Research and was awarded Ph.D for his research on primary Explosives. After a brief stint as Junior Scientific Officer in the Directorate of Inspection he joined High Energy Materials Research Laboratory (HEMRL) of the Defense Research Development Organization (DRDO) as senior scientific officer in 1974 and rose to the level of Deputy Director.

In 1990, he was posted as Joint Director in HEMRL and later he was Associate Director HEMRL till 2002. From 2002 till his retirement in June 2004 he was the Director of Materials at the DRDO. During his carrier with DRDO he has worked on many research projects involving Explosives, propellants and other energetic material.

In May 2005, the Department of Science and Technology, GoI, has conferred on him the status of Emeritus Scientist. He has been invited to participate in various seminars and conferences internationally. He has presented many papers on international levels relation to Propellants and other energetic materials.

## Solar Explosives Limited

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He has over 147 publications in national and international journals of repute.

**Dr. R. Srinivasan**, aged 74 years, holds a Doctorate in Banking and Finance from the University of Bombay. He is also a Fellow of the Institute of Banking and Finance apart from being a Certified Associate of the Institute. He has over 43 years of experience in Banks and was Chairman of three different banks at New Delhi, Kolkata and Mumbai. He retired as Chairman and Managing Director of Bank of India, Mumbai.

**Mr. Jagoba Fakruji Salve**, aged 53 years, is a B.E. (Electrical). He has over 27 years of experience in project financing; project promotion; loan recovery and various related aspects. Actively associated with various aspects of industrial development; member of number of industries associations and organisations connected with industrial activities. Presently he is working as a Regional Manager, SICOM Limited, Nagpur.

### **Borrowing Powers of the Board**

By an ordinary resolution at the EGM held on September 21, 2005, the Board of Directors under section 293 (1) (d) of the Companies Act, 1956 has been authorized to borrow from time to time any sum or sums of money on such terms and conditions and with or without security as the Board of Directors may think fit together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's banker in the ordinary course of business) may exceed the aggregate for the time being of the Paid-Up Capital and Free Reserves of the Company, that is to say, Reserves not set apart for any specific purpose, provided that the total amount/moneys so borrowed shall not at any time exceed the limit of Rs. 200 Crores.

### **Compensation of Our Directors**

#### **Mr. Satyanarayan Nandlal Nuwal, Chairman**

*Salary – Rs.75000 –1,35,000-1,35,000/- per month.*

(For the financial year 2003-04, 2004-05, 2005-06 Rs. 75,000/-, 1,35,000/ and Rs. 1,35,000/- respectively)

*Commission – Commission on the net profit of the Company for each financial year not exceeding 0.1 % of the Company's Net Turnover.*

*Perquisites – Perquisites shall be restricted to an amount equal to the annual salary or 3,00,000/- per annum whichever is less. Perquisites are classified into following three categories.*

#### *Housing*

In case of unfurnished accommodation, hire by the Company, such expenditure not exceeding 60% of the salary over and above 10% payable by the Director.

In case the Director is provided accommodation owned by the Company, the Company shall deduct 10% of the salary of the Director.

In case the Company provides no accommodation, the Director shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above. The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962, subject to ceiling of 10% of the salary of the Director.

Other facilities include Medical Reimbursement, Leave Travel Concession, Personal Accident Insurance, Club Fees, Provident Fund Contribution, Pension/Superannuating Benefits, Gratuity Benefits, car, telephone and leave benefits.

#### **Mr. Kundansingh K. Talesra, Whole-time Director**

*Salary – Rs.20,000 – 30,000 –40,000/— per month.*

(For the financial years 2003-04, 2004-05 and 2005-06 Rs. 20,000/-, Rs. 30,000/- and Rs. 40,000/- respectively)

*Commission – Commission on the net profit of the Company for each financial year not exceeding 0.1 % of the Company's Net Turnover.*

*Perquisites – Perquisites shall be restricted to an amount equal to the annual salary or 3,00,000/- per annum whichever is less. Perquisites are classified into following three categories.*



*Housing –*

In case of unfurnished accommodation, hire by the Company, such expenditure not exceeding 60% of the salary over and above 10% payable by the Director.

In case the Director is provided accommodation owned by the Company, the Company shall deduct 10% of the salary of the Director.

In case the Company provides no accommodation, the Director shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above. The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962, subject to ceiling of 10% of the salary of the Director.

Other facilities include Medical Reimbursement, Leave Travel Concession, Personal Accident Insurance, Club Fees, Provident Fund Contribution, Pension/Superannuating Benefits, Gratuity Benefits, car, telephone and leave benefits.

**Mr. Kailashchandra Nandlal Nuwal**, Whole-time Director

*Salary* - in the scale of Rs.1,05,000 – 30,000 – 1,65,000/— per month.

(For the year 2005-2006, 2006-2007 and 2007-2008 Rs.1,05,000/-, 1,35,000/- – 1,65,000/- per month)

*Commission* – Commission on the net profit of the Company for each financial year not exceeding 0.5 % of the Company's Net Turnover.

*Perquisites* – Perquisites shall be restricted to an amount equal to the annual salary or 3,00,000/- per annum whichever is less. Perquisites are classified into following three categories.

*Housing*

In case of unfurnished accommodation, hire by the Company, such expenditure not exceeding 60% of the salary over and above 10% payable by the Director.

In case the Director is provided accommodation owned by the Company, the Company shall deduct 10% of the salary of the Director.

In case the Company provides no accommodation, the Director shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above. The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962, subject to ceiling of 10% of the salary of the Director.

Other facilities include Medical Reimbursement, Leave Travel Concession, Personal Accident Insurance, Club Fees, Provident Fund Contribution, Pension/Superannuating Benefits, Gratuity Benefits, Car Telephone and Leave benefits.

**Mr. Manish Satyanarayan Nuwal**, Whole-time Director

*Salary* – Rs.40000 – 1,25,000 – 1,50,000/- per month.

(For the year 2004-2005, 2005-2006 and 2006-2007 Rs. 40,000/-, 1,25,000/- and 1,50,000/-)

*Commission* – Commission on the net profit of the Company for each financial year not exceeding 0.2 % of the Company's Net Turnover.

*Perquisites* – Perquisites shall be restricted to an amount equal to the annual salary or 3,00,000/- per annum whichever is less. Perquisites are classified into following three categories.

*Housing*

- a. In case of unfurnished accommodation, hire by the Company, such expenditure not exceeding 60% of the salary over and above 10% payable by the Director.
- b. In case the Director is provided accommodation owned by the Company, the Company shall deduct 10% of the salary of the Director.

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- c. In case the Company provides no accommodation, the Director shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above. The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962, subject to ceiling of 10% of the salary of the Director.

Other facilities include Medical Reimbursement, Leave Travel Concession, Personal Accident Insurance, Club Fees, Provident Fund Contribution, Pension/Superannuating Benefits, Gratuity Benefits, Car Telephone and Leave benefits.

**Mr. Rommie Dara Vakil**, Whole-time Director

*Salary* – Rs. 70,000 /- per month.

*Perquisites* – Perquisites shall be restricted to an amount equal to the annual salary or 3,00,000/- per annum whichever is less. Perquisites are classified into following three categories.

### *Housing*

- a. In case of unfurnished accommodation, hire by the Company, such expenditure not exceeding 60% of the salary over and above 10% payable by the Director.
- b. In case the Director is provided accommodation owned by the Company, the Company shall deduct 10% of the salary of the Director.
- c. In case the Company provides no accommodation, the Director shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above. The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962, subject to ceiling of 10% of the salary of the Director.

Other facilities include Medical Reimbursement, Leave Travel Concession, Personal Accident Insurance, Club Fees, Provident Fund Contribution, Pension/Superannuating Benefits, Gratuity Benefits, Car Telephone and Leave benefits.

### **Sitting Fees**

The company does not pay sitting fees to any of the directors in the company.

### **CORPORATE GOVERNANCE**

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

The Company has undertaken steps to comply with SEBI guidelines on Corporate Governance to the extent set forth below.

### **Audit Committee**

An Audit Committee has been constituted on 26th of November 2005 .The Audit Committee consists of two Independent Directors and one Whole-time Director.

- Mr.Jagoba Fakruji Salve
- Mr.Manish Satyanarayan Nuwal
- Dr. R Srinivasan

### **Remuneration Committee**

**A Remuneration Committee was constituted on 26th of November 2005. The Remuneration Committee consists of three Independent Directors.**

- Mr. Jagoba Fakruji Salve
- Dr. R Srinivasan
- Dr.Jai Prakash Agrawal



The Committee has been formed to decide and approve the terms and conditions for appointment of Executive Directors of the Company and remuneration payable to other Directors and Executives of the Company and other matters related thereto.

#### **Shareholders / Investor Grievance and Share Transfer Committee**

A Shareholders / Investor Grievance and Share Transfer Committee were constituted on 26th November 2005. The same comprises of :

- Mr. Kailashchandra Nandlal Nuwal
- Mr. Manish Satyanarayan Nuwal
- Mr. Kundansingh K Talesra

#### **Board Procedure**

As per the section 285 of the Companies Act the Company has held Board meetings as per the provisions of the Companies Act 1956 and has maintained minutes in respect thereof.

#### **Shareholding of Directors in the Company**

The details of the shareholding of Directors in the Company is as under.

<b>Sr. No.</b>	<b>Name of the Directors</b>	<b>Number of Equity Shares</b>
1	Satyanarayan Nandlal Nuwal	2662000
2.	Kailashchandra Nandlal Nuwal	2609125
3.	Manish Satyanarayan Nuwal	860813
	<b>TOTAL</b>	<b>6131938</b>

The Articles does not provide for qualification shares.

#### **Interest of Directors**

Except as stated in "Related Party Transactions" on page 114 of this Red Herring Prospectus, and to the extent of shareholding in the Company, the Directors do not have any other interest in the business. The Directors are interested to the extent of shares allotted to them. Except to the extent of their compensation as mentioned on page 86 of this Red Herring Prospectus, and their shareholding or shareholding of companies they represent, the Directors, other than the Promoters who are also Directors, do not have any other interest in the Company

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

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

The Articles of Association provide that the Directors and officers shall be indemnified by the Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in such proceeding.

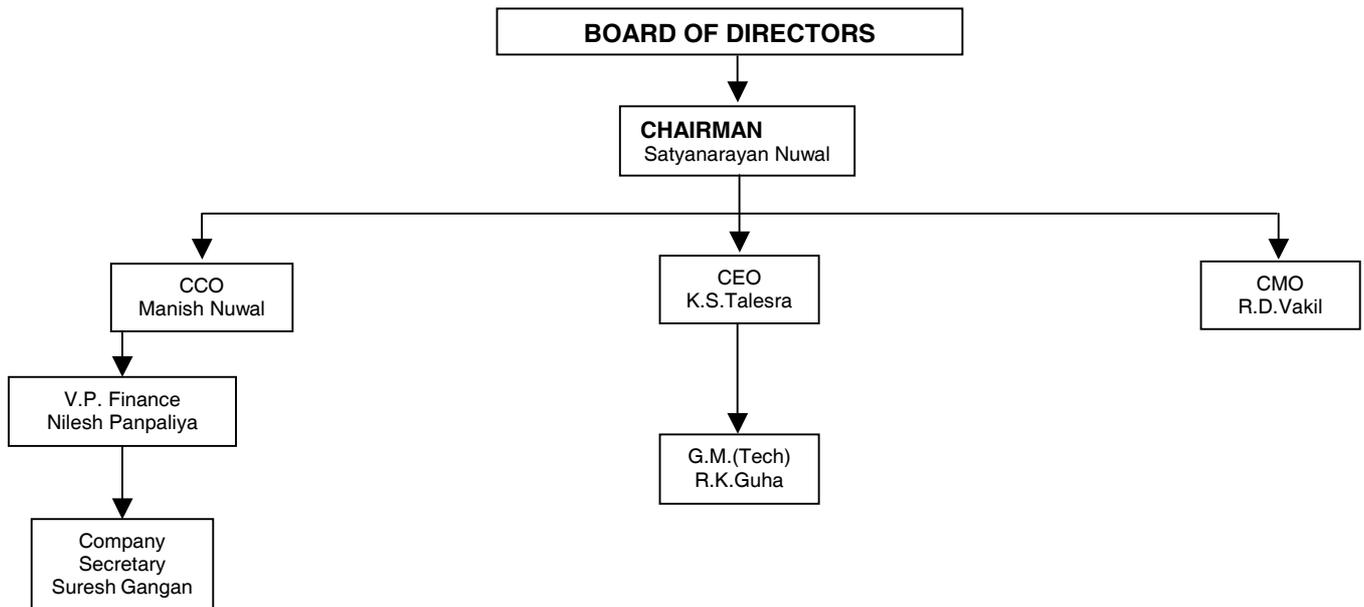
## Solar Explosives Limited

### Changes in our Board of Directors during the last three years

The following changes have taken place in the Board of Directors of the Company during the last three years.

Name of Director	Date of Appointment/ Resignation	Reason for Change
Mr.Nandal Nuwal	Inception - 6.12.2004	Retired
Mr.Kailashchandra Nandlal Nuwal	25th October 2005	Appointment
Mr.Manish Satyanarayan Nuwal	6th December 2004	Appointment
Mr.Roomie Dara Vakil	25th October 2005	Appointment
Dr.R Srinivasan	25th October 2005	Appointment
Mr.Anant Sagar Awasthi	25th October 2005	Appointment
Mr.Ramesh Chandra Tripathi	25th October 2005	Appointment
Dr.Jai Prakash Agrawal	25th November 2005	Appointment
Mr. Jagoba Fakruji Salve	25th November 2005	Appointment

### Management Organization Structure





### Key Managerial Personnel

The details of our Key Managerial Personnel are as follows:

Name	Designation and Functional Area	Qualification	Exp. (years)	Date of appoint.	Details of Previous employment
Rahul Kumar Guha	GM (Tech)	B.Sc B.Tech	38	1 August 1999	ICI Explosives for 32 years
Nilesh Panpaliya	VP (Finance)	B.E. ,M.M.S	10	1 September, 2005	Bajaj Steel Industries limited
Suresh Gangan	Company Secretary	B.com,AICWA, ACS	24 years	1 November, 2005	Photoquip India limited

**Mr. Rahul Kumar Guha**, aged 64 years, is a B.Sc., B.Tech. Having 38 years of experience in the field of Explosives, he has been associated with the Company since 1st August 1999 in the capacity of General Manager (Tech). He is Responsible for all Technical aspects including R&D for new product development, Quality Assurance, plant troubleshooting and all the matter relating to safety, health and environment.

He has worked with ICI for 32 years starting as Shift Manger (Detonator Plant) and rose to level of Business Manager for Safety, Health and Environment before joining Solar Group. During his tenure in ICI apart from Detonator plant he has worked in their high Explosive division, safety fuse division, and for 18 years in R&D division in various capacities. His gross salary is Rs. 2,04,000 per annum.

**Mr. Nilesh Panpaliya – Vice President (Finance)** – 35 years of age, is a B.E. (Electronics) and M.M.S. (Finance), and has experience of over 10 years in the Finance function in various fields like car finance, industrial finance, merchant banking and management consultancy service. Before joining Solar Explosives Limited, he had worked with Anagram Finance Limited, Rathi Global Finance Limited and Bajaj Steel Industries Limited. He has varied experience in financial service sector as well as management consultancy services to companies like Cosmo Films Limited, Ester Industries Limited, Emami Industries Limited, Anil Industries Limited etc.

Since 1<sup>st</sup> September 2005 has been associated with the Company in the capacity of Vice President (Finance). His gross salary is 7.5 Lakhs Per annum

**Mr. Suresh Gangan** - 50 years of age, is a B.Com, AICWA, ACS, and has experience of 24 years in the finance, accounts and Income Tax etc.. Before joining Solar Explosives Limited, he had worked with Photoquip India Limited, Pan Asia Limited and its group of companies, Bright Brothers Limited etc.

Since 1<sup>st</sup> November 2005 has been associated with the Company in the capacity of Company Secretary. His gross salary is 1.8 Lakhs Per annum

### Shareholding of Key Managerial Personnel

The Key Managerial Personnel do not have any shareholding in the Company as on the date of filing of RHP.

### Bonus and/or profit sharing plan for the Key Managerial Personnel

There is no profit sharing plan to the key managerial personnel. As for the Bonus, same is given as per the Bonus given to other employees of the Company.

### Changes in Key Managerial Personnel

The changes in Key Managerial Personnel during the last three years are as follows:

Name	Date of joining	Date of Resignation	Designation	Reason
Mr. Suresh Gangan	1 <sup>st</sup> November, 2005		CS	Appointment
Mr. Nilesh Panpaliya	1 <sup>st</sup> September, 2005		Vice President (Finance) and Compliance Officer	Appointment

## **Solar Explosives Limited**

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### **Interest of Directors and Key Managerial Personnel**

Except as stated mentioned in Related Party transactionse in this Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Directors or Key Managerial Personnel except the normal remuneration for services rendered as Directors, officers or employees.

### **Employee Stock Option Scheme**

The Company does not have any Employee Stock Option Scheme as on date.

### **Payment or Benefit to Officers of the Company (non salary related)**

The Company has made no payments or benefits to its officers besides their salary

### **Sales or Purchase between companies in promoter group**

**There has been no sale or purchase between the group companies except as stated in “Related party transactions in the auditor’s report of this RHP”.**



## I. PROMOTERS

The details of the promoters of the company is as under:



**Mr. Satyanarayan Nandlal Nuwal**, aged 53 years is the Chairman of Solar Explosives Limited He hails from Bhilwara (Rajasthan) and started his carrier with trading activity in the field of Explosives and Explosive Accessories.

PAN No.: AAUPN0199B

Bank Account Nos.: Bank of India, S.B. A/c. No. 74

Passport No.: A7809956

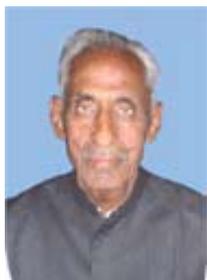


**Mr. Kailashchandra Nandlal Nuwal**, aged 48 yrs, is working in the capacity of Whole-time Director with Solar Explosives Limited. He has been involved with the day to day operations of the company since inception. At present looks after the trade market of the company.

His PAN No.: AAUPN0201E

Bank Account Nos.: Bank of India, S.B. A/c. No. 78 ,

Passport No.: B1229255



**Mr. Nandlal Nuwal**, aged 73 years, started his career as a Nayab Tahsildar in Bhilwara District of Rajasthan and retired there from in the year 1982. Since then he is involved in the business of Solar Group. He was a Director in Solar Explosives Limited till 2004.

His PAN No.: AAUPN0202H

Bank Account Nos.: Bank of India, S.B. A/c. No.77

Passport No. A8441832



**Mr Manish Satyanarayan Nuwal**, aged 31 yrs, is a qualified Chartered Accountant and brings with him professional, financial and management skills. Since 1999 he is looking after Finance, Purchase Marketing Departments of the Group with special emphasis on exports.

PAN No.: AAZPN3399J

Bank Account Nos.: Bank of India, S.B. A/c. No. 75

Passport No.: F3280203



**Ms. Indiradevi Nuwal**, aged 40 years, is a B.Com graduate. She is wife of Mr. Kailashchandra Nandlal Nuwal. She is also a Director in Solar Components Private Limited

PAN No.: AAUPN0200F

Bank Account Nos.: Bank of India, S.B. A/c. No. 81 ,

Passport No.: B 1228916

## Solar Explosives Limited

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**Ms. Sohandevi Nuwal**, aged 69 years, is wife of Mr..Nandlal Nuwal. She is a Housewife.

PAN No.: AAYPN5004F

Bank Account Nos.: Bank of India, S.B. A/c. No. 80

Passport No.: Not Available



**Ms. Leeladevi Nuwal**, aged 51 years, is wife of Mr. Satyanarayan Nandlal Nuwal. She is one of the Directors in Solar Components Private Limited

PAN No.: AAUPN0203G

Bank Account Nos.: Bank of India, S.B. A/c. No. 79

Passport No.: F3280492



**Ms. Seema Nuwal**, aged 28 years, is wife of Mr.Manish Nuwal. She is a Housewife.

PAN No.: ACIPN9828P

Bank Account Nos.: Bank of India, S.B. A/c. No. 76

Passport No. F3284444



**Mr. Rahul Nuwal**, aged 19 years, is son of Mr. Kailashchandra Nuwal, He is one of the Directors in Solar Capitals Limited

Driving License No.: RJ06/DLC/05/20362

Bank Account No.: Bank of Rajasthan (Bhilwara) S.B. A/c. No. 0010101438872

Mr. Satyanarayan  
Nuwal (HUF)

PAN No.: AACHS6439R

Bank Account Nos.: Bank of India, S.B. A/c. No. 84

Mr. Kailashchandra  
Nuwal (HUF)

PAN No.: AABHK2285C

Bank Account Nos.: Bank of India, S.B. A/c No.82

Mr. Nandlal Nuwal  
(HUF)

PAN No.: AAAHN7299C

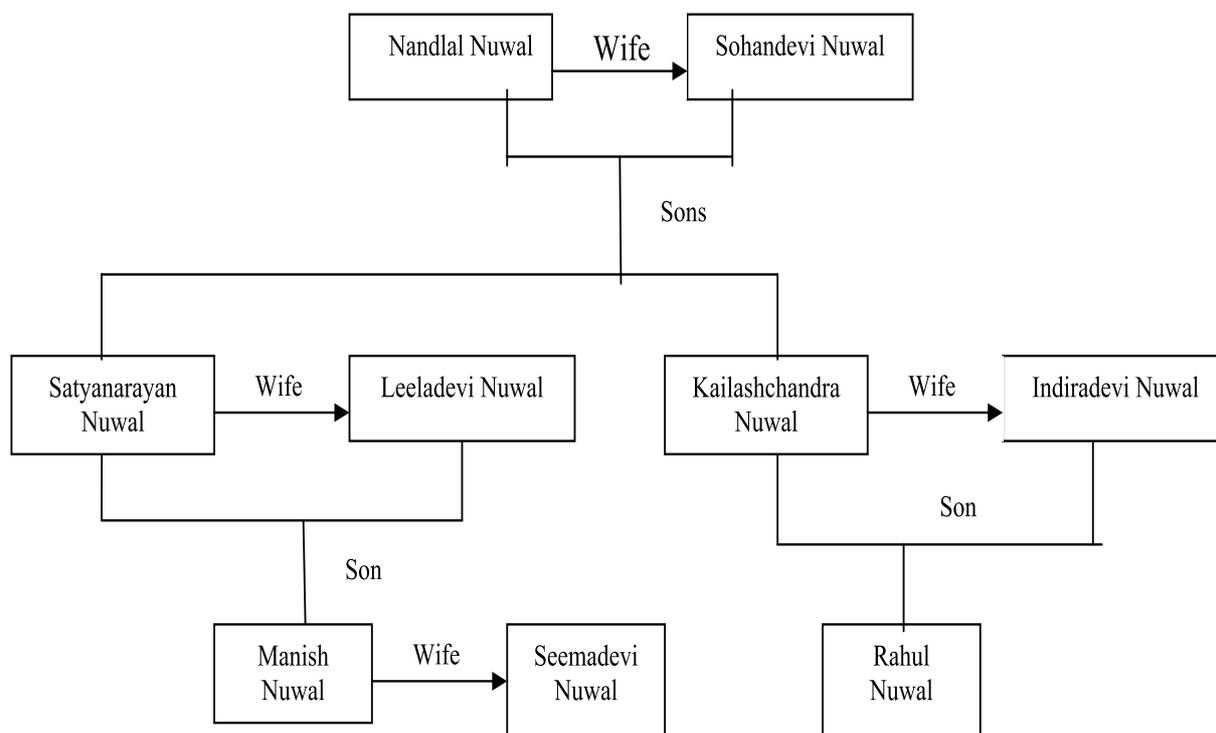
Bank Account Nos.: Bank of India, S.B. A/c. No.83

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



### Relationship between the Promoters, Directors and Key Managerial Personnel

The chart below explains the relationship between the Promoters and Promoter Directors. Apart from this there is no relationship between the Promoters, Directors and Key Managerial Personnel.



### Common Pursuits

There are no common pursuits in the business of the Company and other Companies promoted by the Promoter other than as described in the Red Herring Prospectus.

### Interests of Promoters

The Promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arising from their holding directorship in the company.

The Promoters are not interested in any property acquired by SEL within two years from the date of the Red Herring Prospectus except as stated under the section on Business on page 54 of this Red Herring Prospectus.

The Promoters are not interested in any loan or advance given by the Company, neither are they beneficiary of any such loans or advances, except as disclosed in the Auditors Report.

## Solar Explosives Limited

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### Related Party Transactions

The details of related party transactions please refer to the Financial Statement on page 114 of the RHP.

### CURRENCY OF PRESENTATION

In this Red Herring Prospectus all references to “Rupees” and “Rs” are to the legal currency of India, all references to “USD” and “\$” are to the legal currency of The United States of America.

### DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders upon their discretion and will depend on a number of factors, including but not limited to, our earnings, capital requirements and overall financial condition. Dividends paid by our Company during the last five years are presented below:

Particulars	FY2005	FY2004	FY2003	FY2002	FY2001
Face value of Equity shares (Rs. per share)	10	10	10	10	10
Dividend (Rs. In Lakhs)	52.35	34.90	NIL	35.85	NIL
Dividend rate	15%	10%	NIL	15%	NIL
Dividend Tax (Rs. in Lakhs)	6.84	4.47	NIL	39.51	NIL

However the dividends paid in the past are not necessarily indicative of our dividend amounts, if any, or our dividend policy, in the future.



## AUDITORS' REPORT

The Board of Directors  
**Solar Explosives Limited**  
11, Zade Layout, Bharat Nagar  
Nagpur - 440 033

Dear Sirs,

- A) We have examined the annexed financial information of Solar Explosives Limited (“the Company”) for the five financial years ended March 31, 2001, 2002, 2003, 2004, 2005 and for the half year ended September 30, 2005 being the last date to which the accounts of the Company have been made up and audited by us. The financial information has been approved by the Board of Directors of the Company for the purpose of disclosure in the Offer Document being issued by the Company in connection with the public issue of Equity Shares in the Company (referred to as ‘the issue’) in accordance with the requirements of
- i) Part II of Schedule VI of 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 10, 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 Letter dated 25.08.05 requesting us to carry out work in connection with the Offer Document as aforesaid.
- B) We report that the Assets and Liabilities of the Company as at March 31, 2001, 2002, 2003, 2004, 2005 and as at September 30<sup>th</sup> 2005 are as set out in Annexure I to this report are in our opinion, appropriate and are subject to the Significant accounting Policies appearing in Annexure IV of this report.
- C) We report that the profits of the Company for the Financial years ended March 31, 2001, 2002, 2003, 2004, 2005 and for the Half year ended September 30, 2005 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 and regroupings are, in our opinion, appropriate and are subject to the Significant accounting Policies appearing in Annexure IV of this report.
- D) We report that the Cash Flows from Financial Statements of the Company for the Financial Year ended March 31, 2001, 2002, 2003, 2004, 2005 and for the Half year ended September 30 2005 are as set out in Annexure III to this report after making such adjustments and regrouping are, in our opinion, appropriate and are subject to the Significant accounting Policies appearing in Annexure IV of this report.
- E) We have also examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer Document: -
- i) Details of Operational Income as appearing in Annexure V to this report;
  - ii) Details of Other Income as appearing in Annexure VI to this report;
  - iii) Statement of Dividends paid for the last five years as appearing in Annexure VII to this report;
  - iv) Accounting Ratios as appearing in Annexure VIII to this report;
  - v) Details of Sundry Debtors as appearing in Annexure IX to this report;
  - vi) Details of Loans and Advances as appearing in Annexure X to this report;
  - vii) Details of Unsecured Loans as appearing in Annexure XI to this report;
  - viii) Details of Secured Loans as appearing in Annexure XII to this report;
  - ix) Capitalisation Statement as at 30<sup>th</sup> September 2005 and 31<sup>st</sup> March, 2005 as appearing in Annexure XIII to this report;

## Solar Explosives Limited

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- x) Statement of Tax Shelter as appearing in Annexure XIV to this report;
- xi) Details of Related Party Transactions as appearing in Annexure XV to this report;
- xii) Details of Contingent Liabilities as appearing in Annexure XVI to this report;
- xiii) Details of Earning Per Share as appearing in Annexure XVII to this report;
- xiv) Details of Deferred Tax Liability as appearing in Annexure XVIII to this report.

**In our opinion the above financial information of the Company as stated in Para B, C, D and E read with Significant Accounting Policies enclosed in Annexure III to this report, after making adjustments/restatements and re-grouping as considered appropriate and subject to certain matters as stated in Notes to the Accounts enclosed in Annexure IV to this report, has been prepared in accordance with Part II of Schedule VI of the Companies Act, 1956 and the SEBI Guidelines.**

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

Thanking You,

Yours Faithfully

For **Gandhi Rathi Co.**  
Chartered Accountants

**C.N.RATHI**  
(Partner)  
Membership No. 39895

Place : Nagpur

Date : 24.10.05



Annexure-I

**SOLAR EXPLOSIVES LTD.**  
**Statement of Assets and Liabilities**

(Rs In Lakhs)

	As at 30.09.05	As at 31.03.05	As at 31.03.04	As at 31.03.03	As at 31.03.02	As at 31.03.01
<b>(A) FIXED ASSETS:</b>						
Gross Block	4152.97	4085.44	2772.58	2493.12	1633.05	927.13
Less: Depreciation	571.27	479.85	323.97	208.38	125.39	84.32
<b>Net Block</b>	<b>3581.70</b>	<b>3605.59</b>	<b>2448.61</b>	<b>2284.74</b>	<b>1507.66</b>	<b>842.81</b>
Add: Capital work in progress	65.64	26.55	156.05	68.45	2.69	—
<b>Total</b>	<b>3647.34</b>	<b>3632.14</b>	<b>2604.66</b>	<b>2353.19</b>	<b>1510.35</b>	<b>842.81</b>
Less: Revaluation Reserve	—	—	—	—	—	—
Net Block (after adj. of Revaluation Reserve)	3647.34	3632.14	2604.66	2353.19	1510.35	842.81
<b>(B) Investments</b>	<b>2291.94</b>	<b>105.75</b>	<b>87.00</b>	<b>82.00</b>	<b>64.00</b>	<b>65.00</b>
<b>(C) Current Assets, Loans Advances</b>						
Inventories	1175.99	839.10	391.19	338.35	221.78	215.81
Sundry debtors	2924.02	1037.12	1057.41	829.79	583.14	456.09
Cash & Bank Balances	165.55	159.57	473.45	108.85	19.10	13.99
Loans Advances	565.09	487.19	511.46	516.7	1009.53	365.68
<b>TOTAL</b>	<b>4830.65</b>	<b>2522.98</b>	<b>2433.51</b>	<b>1793.69</b>	<b>1833.55</b>	<b>1051.57</b>
<b>(D) Liabilities Provisions</b>						
Secured Loans	1810.65	1679.66	1746.42	1474.52	1331.00	512.05
Unsecured Loans	1214.26	627.90	516.33	370.12	257.57	176.72
Current liabilities Provisions	2575.90	827.44	500.01	426.48	389.32	169.17
13% Cumulative Redeemable Preference shares	—	—	—	—	—	—
Deferred Tax liability	368.69	398.23	295.97	225.47	—	—
<b>Total</b>	<b>5969.50</b>	<b>3533.23</b>	<b>3058.73</b>	<b>2496.59</b>	<b>1977.89</b>	<b>857.94</b>
<b>(E) Net Worth (A+B+C-D)</b>	<b>4800.43</b>	<b>2727.64</b>	<b>2066.44</b>	<b>1732.29</b>	<b>1430.01</b>	<b>1101.44</b>
<b>(F) Represented by:</b>						
<b>Paid-up share capital</b>						
Equity Shares	1292.38	349.00	349.00	349.00	239.00	239.00
Reserves Surplus	3512.53	2379.02	1718.04	1384.09	1191.66	863.22
Less: Revaluation reserve	—	—	—	—	—	—
Reserve surplus after adjustment of Revaluation Reserve	3512.53	2379.02	1718.04	1384.09	1191.66	863.22
<b>Total</b>	<b>4804.91</b>	<b>2728.02</b>	<b>2067.04</b>	<b>1733.09</b>	<b>1430.66</b>	<b>1102.22</b>
(G) Misc. expenditure to the extent not written off	4.48	0.38	0.60	0.80	0.65	0.78
(H) Net worth (F-G)	4800.43	2727.64	2066.44	1732.29	1430.01	1101.44

## Solar Explosives Limited

### SOLAR EXPLOSIVES LTD STATEMENT OF PROFIT AND LOSS

#### Annexure-II

(Rs In Lakhs)

Particulars	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Income:</b>						
<b>Sales</b>						
- Manufactured Goods	3657.46	7895.26	5045.37	3993.09	3826.96	3252.98
- Traded Goods	1440.29	676.79	284.38	15.96	23.35	31.21
	<b>5097.75</b>	<b>8572.05</b>	<b>5329.75</b>	<b>4009.05</b>	<b>3850.31</b>	<b>3284.19</b>
Excise Duty	417.52	1060.92	643.28	506.63	484.34	407.19
Net Sales	<b>4680.23</b>	<b>7511.13</b>	<b>4686.47</b>	<b>3502.42</b>	<b>3365.97</b>	<b>2877.00</b>
Increase (Decrease) in Stock	-8.93	133.47	50.78	21.23	1.11	12.68
Other Income	189.63	245.16	233.22	113.03	93.82	34.57
<b>TOTAL</b>	<b>4860.93</b>	<b>7889.76</b>	<b>4970.47</b>	<b>3636.68</b>	<b>3460.90</b>	<b>2924.25</b>
<b>Expenditure</b>						
Material Consumed	3374.10	5207.40	3248.61	2206.45	2156.86	1904.03
Manufacturing Expenses	117.69	293.65	161.25	141.12	102.40	90.53
Employees Emoluments	127.52	243.97	183.63	133.07	102.42	78.01
Administrative Other Expenses	54.22	116.62	82.58	86.00	79.56	70.44
Financial Charges	89.14	116.32	196.50	151.48	91.56	81.75
Selling and Distribution Expenses	380.26	891.70	521.23	415.89	476.75	309.59
Depreciation	91.42	155.88	116.14	83.38	41.07	34.52
<b>TOTAL EXPENSES</b>	<b>4234.35</b>	<b>7025.54</b>	<b>4509.94</b>	<b>3217.39</b>	<b>3050.62</b>	<b>2568.87</b>
Profit before Tax other Adjustments	<b>626.58</b>	<b>864.22</b>	<b>460.53</b>	<b>419.29</b>	<b>410.28</b>	<b>355.38</b>
Prior Period Adjustment						
Provision for Current Tax	80.05	41.76	16.71	16.39	42.33	24.68
Provision for Fringe Benefit Tax	3.42	0.00	0.00	0.00	0.00	0.00
Provison For Deferred Tax	27.35	102.26	70.50	102.68	0.00	0.00
<b>Profit after Tax (A)</b>	<b>515.76</b>	<b>720.20</b>	<b>373.32</b>	<b>300.22</b>	<b>367.95</b>	<b>330.70</b>
Brought Forward Profit from Previous Year	583.16	422.15	288.20	287.98	259.54	128.84
<b>Profit Available For Appropriation</b>	<b>1098.92</b>	<b>1142.35</b>	<b>661.52</b>	<b>588.20</b>	<b>627.49</b>	<b>459.54</b>
Transferred to General Reserve	—	500.00	200.00	300.00	300.00	200.00
Transferred to Capital Redemption Reserve	—	—	—	—	—	—
Proposed / Interim Dividend on Equity Shares	—	52.35	34.90	—	35.85	—
Proposed / Interim Dividend on Preference Shares	—	—	—	—	—	—
Tax on Dividend on Equity Shares	—	6.84	4.47	—	3.66	—
Tax on Dividend on Preference Shares	—	—	—	—	—	—
Balance carried to Balance Sheet	<b>1098.92</b>	<b>583.16</b>	<b>422.15</b>	<b>288.20</b>	<b>287.98</b>	<b>259.54</b>


**ANNEXURE-III**
**CASH FLOW STATEMENT FOR THE YEAR ENDED**
**(Rs.in Lakhs)**

<b>PARTICULARS</b>	<b>30.09.05</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>	<b>31.03.02</b>	<b>31.03.01</b>
<b>A. Cash Flow From Operating Activities</b>						
Net Profit Before Tax	626.58	864.22	460.53	419.29	410.28	355.38
Adjustments for :						
Depreciation	91.42	155.88	116.14	83.38	41.07	34.52
Interest Expense	89.14	116.32	196.50	151.48	91.56	81.75
Preliminary Exps. W/o	0.10	0.22	0.20	0.21	0.13	0.14
<b>Operating Profit before working Capital Changes</b>	<b>807.24</b>	<b>1136.64</b>	<b>773.37</b>	<b>654.36</b>	<b>543.04</b>	<b>471.79</b>
Decrease in Sundry Debtors	-1886.90	20.29	-227.62	-246.65	-127.05	31.13
Increase in Inventories	-336.89	-447.91	-52.84	-116.57	-5.97	-2.38
Decrease in Loans Advances	-77.90	24.27	5.24	492.83	-643.85	-287.33
Increase in Sundry Creditors	1748.46	327.43	73.53	37.16	220.15	-61.97
<b>Cash Generated from Operations</b>	<b>254.01</b>	<b>1060.72</b>	<b>571.68</b>	<b>821.13</b>	<b>-13.68</b>	<b>151.24</b>
Interest	-89.14	-116.32	-196.50	-151.48	-91.56	-81.75
Deferred Income Tax (Net)	29.54	-102.26	-70.50	-225.47		
Fringe benefit tax	-3.42					
Income Taxes Paid	-80.05	-41.79	-16.71	-16.39	-42.33	-24.68
<b>Net Cash from Operating Activities</b>	<b>110.94</b>	<b>800.35</b>	<b>287.97</b>	<b>427.79</b>	<b>-147.57</b>	<b>44.81</b>
<b>B. Cash Flow From Investing Activities</b>						
Purchase of Fixed Assets (Net)	106.62	1183.36	367.61	926.22	708.61	70.43
Proposed Dividend + Tax		59.19	39.37		39.51	
Increase in preliminary Exp	4.20			0.36		
Investment	2186.19	18.75	5.00	18.00	-1.00	65.00
<b>Net Cash Used In Investing Activities</b>	<b>2297.01</b>	<b>1261.30</b>	<b>411.98</b>	<b>944.58</b>	<b>747.12</b>	<b>135.43</b>
<b>C. Cash Flow From Financing Activities</b>						
Cash Credit Activities	335.34	-124.95	166.08	97.73	38.63	76.40
Increase in unsecured Loans	586.36	111.57	146.21	112.55	80.85	-286.98
Deferred Tax	-29.54	102.26	70.50	225.47		
Issue Of Share Capital	943.38			110.00		
Share premium Recd	1336.28			15.00		
Sales Tax Deferment						358.68
Issue Of Bonus Shares	-775.42					
Increase in Secured Loans	-204.35	58.19	105.82	45.79	780.32	-69.83
<b>Net Cash from Financing Activities</b>	<b>2192.05</b>	<b>147.07</b>	<b>488.61</b>	<b>606.54</b>	<b>899.80</b>	<b>78.27</b>
<b>Net Increase in Cash Cash equivalents (A+C-B)</b>	<b>5.98</b>	<b>-313.88</b>	<b>364.60</b>	<b>89.75</b>	<b>5.11</b>	<b>-12.35</b>
Cash Cash equivalents at beginning of period	159.57	473.45	108.85	19.10	13.99	26.34
Cash Cash equivalents at end of period	165.55	159.57	473.45	108.85	19.10	13.99
	<b>5.98</b>	<b>-313.88</b>	<b>364.60</b>	<b>89.75</b>	<b>5.11</b>	<b>-12.35</b>

## Solar Explosives Limited

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### ANNEXURE IV

#### Statement of Significant Accounting Policies forming part of Accounts for the period ended 30<sup>th</sup> September 2005

##### 1. Accounting Convention

The financial Statements are prepared on the accrual basis under the historical cost convention, in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act 1956.

##### 2. Fixed Assets / Depreciation

Fixed Assets are stated at cost less accumulated depreciation

Depreciation for the year is computed on the straight line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956

##### 3. Revenue Recognition

Revenue from Sales of product is recognised when the products are dispatched against the orders from customers in accordance with the contract terms.

Sales are stated inclusive of excise duty and sales tax.

##### 4. Investments

Investments are stated at cost.

##### 5. Inventories

Finished goods, traded items, raw material, packing material and work-in-process are valued at the lower of cost or net realisable value. Cost includes an appropriate portion of manufacturing overheads, where applicable. Excise duty on finished goods produced is included in the value of finished goods inventory.

##### 6. Foreign Currency Transactions

- Foreign Currency transactions are accounted for at the rate prevailing on the date of transaction.
- All monetary foreign currency balances are converted at the exchange rates prevailing at the date of the balance sheet.
- The amount of exchange difference of Rs.1.61 Lakhs was included in the profit and loss account.

##### 7. Borrowing Cost

Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. All other borrowing cost are charged to revenue.

##### 8. Contingent Liability

- i) Sales Tax Deferment as on 30<sup>th</sup> September 2005 is Rs.2450.93 Lakhs (includes Sales Tax Collection Rs196.98 Lakhs, Setoff Rs.3.82 Lakhs) against which Company has provided Rs. 688.39 Lakhs at NPV basis.
- ii) The demand has been raised by Sales Tax Officer, Nagpur for Sales Tax of Rs.49.90 Lakhs for F.Y.1999-2000. The Company has preferred an appeal with Asst. Commissioner of Sales Tax Appeals, Nagpur Matter is yet to be decided.
- iii) Counter guarantees given to bank against guarantees given by them on behalf of the company of Rs. 496 Lakhs /-
- iv) Excise department has issued Show Cause Notice, which purports to impose duty on finished goods used for in-house testing of Rs.0.63 Lakhs related to period 2004-2005 for which the company has filed reply before Dy. Commissioner.



- v) Excise Department has raised demand of Excise duty of Rs.12.55 Lakhs. The matter has been decided by Commissioner Appeal in Company's favour, further department has made an appeal with CESTAT against order of Comm. (Appeal) and matter is yet to be decided.

PERIOD	AMOUNT IN Rs. LAKHS
Upto Mar'99	3.09
Apr'099 to Sep'00	4.93
Oct'00 to Sep'01	4.53

#### 9. Taxation

- Provision is made for both current deferred taxes. Current tax is provided on the taxable income using the applicable tax rate tax laws.
- The Deferred tax for timing differences is accounted for using the tax rates laws that have been enacted or substantively enacted by the balance sheet date and is accrued with Accounting Standard 22-"Accounting for taxes on income" issued by the ICAI which includes current and deferred taxes.
- Deferred tax Assets arising from timing differences are recognised only on the consideration of prudence and are reviewed at each Balance Sheet date.

#### 10. Earning Per Share

Basic earning per share has been reported as per Accounting Standards – 20 relating to "Earning per share" which have been computed by dividing net profit after tax by the weighted average no of shares outstanding for the period (for details see Annexure no.XVII on Page No.115 of this RHP)

A. C.I.F. Value of Imports	(Rs in Lakhs)
Capital Goods	0.40
<b>B. Earning in Foreign Exchange</b>	
Export of Goods calculated on FOB basis	289.83
<b>C. Expenditure in Foreign Currency</b>	
On account of Interest on FCNR (Term) Loan	47.49

12. Related party disclosures as required as per AS-18 on ' Related Parties disclosures' issued by the Institute of Chartered Accountants of India, are below:-

1. Holding Company	:	NIL
2. Subsidiaries	:	Economic Explosives Limited Solar Capitals Limited Solar Components Private Limited
3. Fellow Subsidiaries	:	Solar Industries Limited
4. Associates	:	<ul style="list-style-type: none"> <li>● Solar Synthetics Private Limited</li> <li>● Solar Processors Limited</li> <li>● Commercial Sales Corporation</li> <li>● Solar Explosives Transport.</li> <li>● Mahakal Infrastructure Private Limited</li> <li>● Mahakal Project Private Limited</li> </ul>
5. Key Management Personnel	:	a) Shri.S.N.Nuwal b) Shri M.S.Nuwal c) Shri K.S.Talesra

## Solar Explosives Limited

Rs in Lakhs

Particulars	Subsidiaries	Fellow Subsidiary	Associates	Key Management Personnel	Total
Sale of Goods	444.24	—	63.36	—	507.60
Purchase of Materials	187.27	—	0.18	—	187.45
Services Received	135.51	—	2.79	—	138.30
Services Rendered	10.37	—	24.57	—	34.94
Advances given	—	—	13.32	—	13.32
Advances taken	345.20	—	160.00	—	505.20
Finance Cost	4.62	—	—	—	4.62
Remuneration	—	—	—	17.70	17.70
Net Balance outstanding as on 30.09.2005	Cr. 287.66	—	Cr. 3.92	—	Cr. 291.58

13. As regards the Accounting Standard 17 'Segment Reporting' there is neither more than one business segment nor more than one geographical segment, segment information as per AS-17 is not required to be disclosed.
14. As regards the Accounting Standards 25 'Interim financial reporting' the Company is neither required by any statute nor has elected to prepare and present an interim financial report.
15. During the period Sales Tax collection (Deferrment) Rs.196.98 Lakhs added to Sales Account.
16. Sales Tax (Maharashtra) debited to Profit Loss Account Rs.64.47 Lakhs, which was Sales Tax provision at NPV basis.
17. **PAYMENT MADE TO AUDITORS:**
- |                       |                  |
|-----------------------|------------------|
| i) As Audit fees      | : Rs. 0.66 Lakhs |
| ii) Financial matters | : Rs. 0.37 Lakhs |
18. As information required as per section 217 (2A) of the Companies Act, 1956 none of the employee drawing remuneration more than Rs.24.00 Lakhs Per annum where employed throughout the year.  
And none of the employee drawing remuneration more than Rs. 2.00 Lakhs per month if employed for part of the year.
19. Sundry Creditors for goods and expenses include dues to Small Scale Industrial Undertakings aggregating to Rs. 65.63 Lakhs The names of Small Scale Industrial Undertakings (to the extent of information available with the management) to whom the Company owes a sum exceeding Rs. 1.00 Lakhs each.  
M/s. Solar Components Private Limited, OVN Solar Cables Private Limited, Rudraksha Allied Chemicals Private Limited, Rudraksha Chemicals Minerals, Hiral Packaging, Bharat Solar Cable,  
**None of the aforesaid outstanding are due for payment as at 30<sup>th</sup> September 2005 as per the agreed terms.**
20. Some of the customers and suppliers accounts are pending for confirmation/reconciliation and the same have been taken as per the balances appearing in the books. any differences arising on account of such reconciliations, which are not likely to be material, will be accounted for as and when these reconciliations are completed.
21. All known liabilities have been taken into consideration.
22. Loans and advances have to be confirmed and reconciled.
23. The previous years figures have been regrouped/reclassified where necessary, to confirm to the current year's presentation.
24. **Employee retirement benefits**  
Contributions to provident fund are deposited with the appropriate authorities and charged to the profit and loss account. No provision for Gratuity has been made in the books of accounts.
25. **Preliminary Expenses**  
Preliminary expenses to be w/off over a period of 5 years.



## Notes to statement of Assets & Liabilities and Profit and Loss Account

### 1. Change in Accounting Policies

The Assets & Liabilities and Profit Loss Account of the company for the financial year ended March 31, 2001, 2002, 2003, 2004, 2005 and Half year ended September 30, 2005 have been prepared after making such adjustments and regrouping as required. There are no changes made in the Accounting policies during last 5 1/2 years.

### Annexure – V

#### Details of Operational Income

(Rs. In Lakhs)

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FINANCIAL YEAR ENDED AT				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Slurry / Emulsion Explosives	3024.01	6783.22	4823.14	3931.54	3734.32	2822.68
Detonators	343.47	698.93	182.75	60.39	91.52	428.85
Exports	288.06	396.21	38.05	Nil	Nil	Nil
Trade Export	1.77	68.75	6.68	Nil	Nil	Nil
Ammonium Nitrate, Others	1438.52	608.04	277.70	15.96	23.35	31.21
Scrap Sale	1.92	16.90	1.43	1.16	1.12	1.45
<b>TOTAL</b>	<b>5097.75</b>	<b>8572.05</b>	<b>5329.75</b>	<b>4009.05</b>	<b>3850.31</b>	<b>3284.19</b>

## Solar Explosives Limited

### Annexure – VI

Details of Other Income

(Rs. In Lakhs)

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FINANCIAL YEAR ENDED AT					REMARKS
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01	
Interest	26.33	41.54	30.06	61.16	35.49	33.41	Recurring
Interest on F.D.R.	2.98	7.68	7.42	6.76	2.61	Nil	Recurring
Interest On MSEB Deposit	Nil	0.12	0.09	0.17	Nil	Nil	Recurring
Interest on SICOM Deposit	Nil	Nil	Nil	0.14	Nil	Nil	Non-Recurring
Interest on I.T. Refund	Nil	0.15	2.25	Nil	1.45	Nil	Non-Recurring
Sales Tax Refund	31.64	Nil	Nil	Nil	Nil	Nil	Non-Recurring
Sales Tax Set-Off	3.83	Nil	Nil	Nil	Nil	Nil	Recurring
Transportation Receipts	13.92	14.00	41.36	5.75	0.78	Nil	Recurring
Foreign Exchange Fluctuation ( Net )	1.61	38.44	Nil	Nil	Nil	Nil	Non-Recurring
Commission	Nil	Nil	4.66	Nil	Nil	Nil	Non-Recurring
Jobwork Charges	109.32	143.23	147.38	39.05	52.74	1.16	Recurring
Misc. Others	Nil	Nil	Nil	Nil	0.75	Nil	Non-Recurring
<b>TOTAL</b>	<b>189.63</b>	<b>245.16</b>	<b>233.22</b>	<b>113.03</b>	<b>93.82</b>	<b>34.57</b>	

### Annexure-VII

Statement of Dividend Paid for last 5 years

S. N.	FINANCIAL YEAR	DIVIDEND PAID	
		%	Rs. In Lakhs
01	01.04.05 TO 30.09.05	Nil	Nil
02	2004 - 2005	15%	52.35
03	2003 - 2004	10%	34.90
04	2002 - 2003	Nil	Nil
05	2001 - 2002	15%	35.85
06	2000 - 2001	Nil	Nil



### Annexure-VIII

#### Mandatory Accounting Ratios

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FINANCIAL YEAR ENDED AT				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Earning Per Share (Rs.)	4.56	8.25	4.28	3.66	6.16	5.53
Return on Net Worth ( % )	13.70%	30.05%	19.66%	18.99%	29.07%	43.70%
Net Asset Value Per Share (Rs.)	37.14	78.16	59.21	49.64	59.83	46.09

### Annexure – IX

#### Statement of Sundry Debtors

##### a) Age-wise Analysis of Sundry Debtors Rs. in Lakhs

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FINANCIAL YEAR ENDED AT				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Upto 180 days	2719.28	867.00	904.50	806.85	571.35	456.09
Greater than 180 days	204.74	170.12	152.91	22.94	11.79	NIL
<i>Less : Considered Doubtful</i>						
Considered Good						
<b>Total</b>	<b>2924.02</b>	<b>1037.12</b>	<b>1057.41</b>	<b>829.79</b>	<b>583.14</b>	<b>456.09</b>

##### b) Details of the Related Party Debtors (included in above)

Rs. in Lakhs.

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FINANCIAL YEAR ENDED AT				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Commercial Sales Corporation, Solapur	Nil	2.11	192.51	136.60	5.46	83.54
Economic Explosives Limited	Nil	Nil	28.54	8.11	Nil	Nil
Solar Capitals Limited	390.32	Nil	Nil	Nil	Nil	8.22
<b>Total</b>	<b>390.32</b>	<b>2.11</b>	<b>221.05</b>	<b>144.71</b>	<b>5.46</b>	<b>91.76</b>

## Solar Explosives Limited

### Annexure – X

Details of Loans and Advances

(Rs. In Lakhs)

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FINANCIAL YEAR ENDED AT				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Advances to Suppliers	105.98	48.45	102.05	61.02	69.75	25.32
Advances for Fixed Assets	8.08	53.29	101.80	7.34	24.66	Nil
Advances to Employees	0.68	0.35	0.61	0.36	0.39	1.48
Balance with Excise Authorities	47.63	50.58	37.05	30.35	42.63	27.34
Advance Income Tax	Nil	2.81	34.98	32.84	0.53	10.05
Security Other Deposits	196.24	30.69	22.96	10.57	6.80	1.82
Prepaid Expenses	28.14	13.75	1.36	0.87	0.90	1.25
Loans Advances to Others	97.39	190.00	33.00	Nil	Nil	Nil
Other Debit Balances	19.51	7.54	6.93	8.06	17.41	7.59
Sales Tax	Nil	1.00	Nil	Nil	Nil	3.84
Truck Travelling Advances	6.69	1.37	3.10	2.93	0.59	Nil
Controller of Defence Accounts - Navy	5.00	Nil	5.00	Nil	Nil	Nil
<b>TOTAL 'A'</b>	<b>515.34</b>	<b>399.83</b>	<b>348.84</b>	<b>154.34</b>	<b>163.66</b>	<b>78.69</b>

Details of Loans and Advances to related parties

(Rs. In Lakhs)

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FINANCIAL YEAR ENDED AT				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Commercial Sales Corporation	13.33	45.41	99.80	362.36	199.99	Nil
Solar Explosives - Transport	33.67	41.95	62.82	Nil	Nil	Nil
Solar Capitals Limited	2.75	Nil	Nil	Nil	645.88	255.29
Economic Explosives Limited	Nil	Nil	Nil	Nil	Nil	31.70
<b>TOTAL 'B'</b>	<b>49.75</b>	<b>87.36</b>	<b>162.62</b>	<b>362.36</b>	<b>845.87</b>	<b>286.99</b>
<b>TOTAL A+B</b>	<b>565.09</b>	<b>487.18</b>	<b>511.46</b>	<b>516.70</b>	<b>1009.53</b>	<b>365.68</b>



**ANNEXURE – XI**  
**SOLAR EXPLOSIVES LIMITED**  
**DETAILS OF UNSECURED LOANS**

(Rs. In Lakhs)

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FINANCIAL YEAR ENDED AT				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Sales Tax Deferment	688.39	627.90	516.33	370.12	257.57	176.72
Economic Explosives Limited	153.59	Nil	Nil	Nil	Nil	Nil
Solar Capitals Limited	372.28	Nil	Nil	Nil	Nil	Nil
<b>TOTAL</b>	<b>1214.26</b>	<b>627.90</b>	<b>516.33</b>	<b>370.12</b>	<b>257.57</b>	<b>176.72</b>

**Annexure-XII**

**Details of Secured Loans outstanding as on 30.09.2005 (Rs. In Lakhs)**

Particulars of Loan	Bank	Nature of Loan	Sanctioned Amount	Amount Outstanding	Rate of Interest P.A. (%)	Repayment of Terms	Principal Securities Offered
1. Term Loan from Banks	State Bank of India	FCNRB Term Loan	USD18.5 Lakhs	Rs554.72 Lakhs	1.15% (LIBOR)+ 3.5% = 4.65%	36 quarterly installments and balance by bullet payment. Interest shall be paid separately as and when due.	Factory land and building, plant and machinery and collateral security.
2. Term Loan from Banks	State Bank of India	FCNRB Term Loan	USD10 Lakhs	Rs276.77 Lakhs	1.15% (LIBOR)+ 4.25% = 5.40%	52 quarterly installments. Interest shall be paid separately as and when due.	Factory land and building, plant and machinery and collateral security.
3. Term Loan from Banks	State Bank of India	Term Loan	Rs12.50 Lakhs	Rs12.32 Lakhs	11.25%	36 quarterly installments. Interest shall be paid separately as and when due.	Factory land and building, plant and machinery and collateral security.
4. Corporate Loan	State Bank of India	Corporate Loan	Rs400 Lakhs	Rs347.50 Lakhs	1.50 Below SBAR (10.25%) = 8.75%	36 quarterly installments. Interest shall be paid separately as and when due.	Factory land and building, plant and machinery and collateral security.

## Solar Explosives Limited

Particulars of Loan	Bank	Nature of Loan	Sanctioned Amount	Amount Outstanding	Rate of Interest P.A. (%)	Repayment of Terms	Principal Securities Offered
5. Working Capital Loan	State Bank of India	Cash Credit	Rs800 Lakhs	Rs618.20 Lakhs	1.50% Over SBI PLR (10.25%) =11.75%	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables, and other current assets. Charge on fixed assets of the Company.
6. Car Loan	Kotak Mahindra	Vehicle Loan	Rs4.17 Lakhs	Rs1.12 Lakhs	Flat @ 3.5%	36 monthly installments.	Hypothecation of Car
7. Export Packing Credit	State Bank of India	EPC loan	Rs100 Lakhs	Nil	Upto 180 days = 7.1%, Above 180 days = 8.75%, Beyond 270 days = Cash Credit Rates	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets.
8. Stand-by Line of Credit	State Bank of India	CC	Rs150 Lakhs	Nil	Additional interest of 1% on CC Limit	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables, and other current assets. Charge on fixed asset of the Company
9. Non Fund Based Facility	State Bank of India	Bank Guarantee Limit	Rs600 Lakhs	Rs496 Lakhs	Bank Standard Rate from time to time	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets.
10. Non Fund Based Facility	State Bank of India	LC Limit	Rs350 Lakh and Rs 1500 Lakhs adhoc for 6 months	Rs136 Lakhs	Bank Standard Rate from time to time	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets.



(Rs. In Lakhs)

Particulars	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
TERM LOAN FROM SICOM LTD	0.00	0.00	0.00	1143.64	1146.65	401.55
S.B.I TERM LOAN	1191.33	1394.97	1286.94	0.00	0.00	0.00
CASH CREDIT LIMIT FROM S.B.I	618.20	282.86	407.82	241.74	144.01	105.38
VEHICLE LOAN						
KOTAK MAHINDERA PRIMUS LTD	1.12	1.83	3.19	0.00	0.00	0.00
ORIENTAL BANK OF COMM.	0.00	0.00	1.28	2.41	3.37	0.00
CITICORP LTD	0.00	0.00	47.19	86.73	35.62	0.00
ICICI BANK LTD	0.00	0.00	0.00	0.00	1.35	5.12
<b>TOTAL</b>	<b>1810.65</b>	<b>1679.66</b>	<b>1746.42</b>	<b>1474.52</b>	<b>1331.00</b>	<b>512.05</b>

#### Annexure – XIII

Capitalization statement

(Rs. In Lakhs)

PARTICULARS	AS AT 30.09.05	AS AT 31.03.05	Post Issue
<b>Borrowings :</b>			
Short Term Debt	618.20	282.86	
Long Term Debt	1192.45	1396.80	
<b>Total Debt</b>	<b>1810.65</b>	<b>1679.66</b>	
<b>Shareholders' Funds :</b>			
Share Capital	1292.38	349.00	
Reserves Surplus	3512.53	2379.02	
<b>Total Shareholders' Funds</b>	<b>4804.91</b>	<b>2728.02</b>	
<b>Long Term Debt / Equity Ratio</b>	<b>0.25</b>	<b>0.51</b>	

## Solar Explosives Limited

### ANNEXURE XIV

### TAX SHELTER STATEMENT

### SOLAR EXPLOSIVES LIMITED

(Rs. In Lakhs)

PARTICULARS CALCULATION OF MAT	FINANCIAL YEAR ENDED AT		
	31.03.2005	31.03.2004	31.03.2003
Profit or Loss before tax as per Audited Accounts	864.22	460.53	419.29
Less : Sales Tax collection / Deferment	535.05	389.34	323.76
Add : Sales Tax Provision	193.58	146.21	112.55
Book Profit	522.75	217.40	208.08
Tax Rate (MAT)	7.50%	7.50%	7.50%
Tax Amount	39.22	16.30	15.61
Surcharge	0.98	0.41	0.78
Education Cess @ 2%	0.80	0.00	0.00
Add : Interest u/s 234 B	0.32	0.00	0.00
Add : Interest u/s 234 C	0.44	0.00	0.00
<b>Tax Payable</b>	<b>41.76</b>	<b>16.71</b>	<b>16.39</b>

PARTICULARS CALCULATION OF TAX	FINANCIAL YEAR ENDED AT		
	30.09.2005	31.03.2002	31.03.2001
Net Profit as per Audited Profit Loss Account	626.58	410.28	355.38
Less : Sales Tax Collection	193.16	353.31	0.00
Less : Sales Tax Deferment	0.00	0.00	203.31
<b>Sub-Total</b>	<b>433.43</b>	<b>56.96</b>	<b>152.07</b>
Add : Sales Tax Provision	64.31	180.77	0.00
<b>Book Profit</b>	<b>497.74</b>	<b>237.73</b>	<b>152.07</b>
<b>ADD :</b>			
Depreciation provided in Books	91.42	41.07	34.52
Donations	1.78	0.59	1.51
<b>Sub-Total</b>	<b>93.20</b>	<b>41.66</b>	<b>36.03</b>
<b>Sub-Total</b>	<b>590.94</b>	<b>279.39</b>	<b>188.09</b>
<b>LESS :</b>			
Depreciation as per Income-tax Act	172.66	161.06	98.71
Brought forward losses (Unabsorbed Deprn )			
- For A.Y. 2003 - 2004	78.49	0.00	0.00
- For A.Y. 2004 - 2005	56.28	0.00	0.00



PARTICULARS CALCULATION OF TAX	FINANCIAL YEAR ENDED AT		
	30.09.2005	31.03.2002	31.03.2001
Deductions under chapter VI A			
- Donation u/s 80 G	0.13	0.30	0.50
- Donation u/s 35 AC	1.52	0.00	0.00
- Donation u/s 35 (ii)	0.00	0.00	0.64
- U/s 80 IB @ 30%	0.00	0.00	26.47
- Disallowed Exp u/s 35 (ii)	44.03	0.00	0.00
<b>Sub-Total</b>	<b>353.12</b>	<b>161.35</b>	<b>126.32</b>
<b>Total Income / (Net Loss C/F)</b>	<b>237.82</b>	<b>118.04</b>	<b>61.77</b>
<b>Total Income - Rounded Off</b>	<b>237.82</b>	<b>118.04</b>	<b>61.77</b>
<b>Book Profit / Total Income</b>	<b>237.82</b>	<b>118.04</b>	<b>61.77</b>
<b>Tax Rate</b>	<b>30.00%</b>	<b>35.00%</b>	<b>35.00%</b>
Tax Amount	71.35	41.31	21.62
Add : Surcharge	7.13	0.83	2.81
Add : Education Cess @ 2%	1.57	0.00	0.00
<b>Tax Payable</b>	<b>80.05</b>	<b>42.14</b>	<b>24.43</b>
Add : Interest u/s 234 C	0.00	0.19	0.25
<b>Total Tax Payable</b>	<b>80.05</b>	<b>42.33</b>	<b>24.68</b>

## Solar Explosives Limited

### ANNEXURE XV

#### Related Party Transactions

Rs. In Lakhs

Description	Relation	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	30-09-2005
Sales of goods	Associates, Relatives of Key Management Personnel	899.07	1013.16	766.61	502.64	813.35	507.58
Purchases of Material	Associates	263.86	53.73	40.84	163.59	462.92	187.46
Services Rendered	Associates, Relatives of Key Management Personnel	16.61	52.64	117.53	72.14	88.52	34.94
Services Received	Associates, Relatives of Key Management Personnel	1.16	53.52	44.41	187.34	158.23	138.29
Finance Cost Received	Associates, Relatives of Key Management Personnel	2.93	35.14	61.16	30.05	11.61	4.62
Finance Cost Paid	Associates, Relatives of Key Management Personnel	—	—	—	1.52	0.89	—
Remuneration	Key Management Personnel	28.3	25.95	26.95	25.83	45.90	17.7
Outstanding Payable	Associates, Relatives of Key Management Personnel	—	1.68	507.06	—	—	55.77
Outstanding Receivable	Associates, Relatives of Key Management Personnel	378.74	851.33	2.25	383.67	89.46	339.52



## ANNEXURE XVI

### DETAILS OF CONTINGENT LIABILITIES

PARTICULARS	HALF YEAR ENDED AT 30.09.2005	FINANCIAL YEAR ENDED AT (Rs. In Lakhs)				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Sales Tax Deferment (Unsecured Loan)	2450.94	2257.78	1808.64	1361.93	744.96	556.60
Central Excise Duty	13.18	58.34	8.03	8.03	8.03	Nil
Sales Tax	49.90	49.90	49.90	49.90	Nil	Nil
Guarantees given by bank On behalf of the Company	495.95	134.52	Nil	Nil	Nil	Nil
<b>TOTAL</b>	<b>3009.97</b>	<b>2500.54</b>	<b>1866.57</b>	<b>1419.86</b>	<b>752.99</b>	<b>556.60</b>

## ANNEXURE XVII

### DETAILS OF EARNING PER SHARE

(Rs.In Lakhs)

PARTICULARS		HALF YEAR ENDED AT 30.09.05	FINANCIAL YEAR ENDED AT				
			31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Net Profit as per Profit and Loss Account for computation of EPS	Rs.	515.76	720.20	373.32	300.22	367.94	330.70
Number of Shares		129.23	34.90	34.90	34.90	23.90	23.90
Weighted Average number of Equity Shares outstanding during the period.	No.	112.99	87.25	87.25	82.02	59.75	59.75
Basic Earning per share of face value of Rs. 10	Rs.	<b>4.56</b>	<b>8.25</b>	<b>4.28</b>	<b>3.66</b>	<b>6.16</b>	<b>5.53</b>

During the half year ended 30.09.05, Company has issued bonus shares in proportion of 1:1.5. We are reporting from 31<sup>st</sup> March 01 to 30<sup>th</sup> Sept.05, so our earliest reporting period is ended on 31.03.01. We have given the effects of bonus share to the existing share holders of each year accordingly we have taken the weighted average no in respective year.

The company has issued 16.79 Lakhs equity shares by way of swapping the shares of subsidiary companies on 25.09.05, So we have considered holding of shares for 6 days for calculation of E.P.S.

## ANNEXURE XVIII

### DEFERRED TAX LIABILITIES

(Rs.in Lakhs)

PARTICULARS	HALF YEAR ENDED AT 30.09.2005	FINANCIAL YEAR ENDED AT		
		31.03.2005	31.03.2004	31.03.2003
Depreciation	(29.54)	102.26	70.50	225.47
Net Deferred Tax Liability	(29.54)	102.26	70.50	225.47

## **Solar Explosives Limited**

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### **SECTION V: AUDITOR'S REPORT**

#### **Consolidated Financials of Solar Explosives Limited and Financials of its subsidiaries**

**The Board of Directors  
Solar Explosives Limited  
11, Zade Layout, Bharat Nagar,  
Nagpur – 440 033.**

Dear Sirs,

As required by Part II of Schedule II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the Guidelines') issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992, we have examined the financial information contained in the statements annexed to this report, which is proposed to be included in the Offer Document for the proposed public issue of Solar Explosives Limited ("the Company") and we report that:

1. We have audited the 'Statement of Profit Loss' of Economic Explosives Limited, a wholly-owned subsidiary of the Company, for the financial year ended 31<sup>st</sup> March 2001, 2002, 2003, 2004, 2005 and half year ended 30<sup>th</sup> September 2005, the 'Statement of Assets and Liabilities' of the said subsidiary as at 31<sup>st</sup> March 2001, 2002, 2003, 2004, 2005 and 30<sup>th</sup> September 2005 as enclosed in Annexures I to II and confirm that these statements reflect the profits and the assets and liabilities of the said subsidiary for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said subsidiary for the relevant periods.

2. We have audited the 'Statement of Profit Loss' of Solar Capitals Limited, a wholly-owned subsidiary of the Company, for the financial year ended 31<sup>st</sup> March 2001, 2002, 2003, 2004, 2005 half year ended 30<sup>th</sup> September 2005, the 'Statement of Assets and Liabilities' of the said subsidiary as at 31<sup>st</sup> March 2001, 2002, 2003, 2004, 2005 and 30<sup>th</sup> September 2005 as enclosed in Annexures III to IV and confirm that these statements reflect the profits and the assets and liabilities of the said subsidiary for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said subsidiary for the relevant periods.

3. We have audited the 'Statement of Profit Loss' of Solar Components Private Limited, a wholly-owned subsidiary of the Company, for the financial year ended 31<sup>st</sup> March 2001, 2002, 2003, 2004, 2005 and half year ended 30<sup>th</sup> September 2005, the 'Statement of Assets and Liabilities' of the said subsidiary as at 31<sup>st</sup> March 2001, 2002, 2003, 2004, 2005 and 30<sup>th</sup> September 2005 as enclosed in Annexures V to VI and confirm that these statements reflect the profits and the assets and liabilities of the said subsidiary for each of the relevant periods as extracted from the Profit and Loss Accounts and the Balance Sheets of the said subsidiary for the relevant periods.

4. We have examined the 'Statement of Consolidated Profit loss of the Company, its subsidiaries for the half year ended 30<sup>th</sup> September 2005, the 'Statement of Consolidated Assets and Liabilities of the Group as at 30<sup>th</sup> September 2005, and the Cash Flow Statement for the half year ended 30<sup>th</sup> September 2005 ' The Significant Accounting Policies' and Notes to the Consolidated Accounts', adopted by the Group for each of the said periods enclosed in Annexures VII to XI and report that:

(a) These statements reflect the profits, assets and liabilities and cash flows of the group as extracted from the Consolidated Profit and Loss Accounts for the half year ended 30<sup>th</sup> September 2005, the Consolidated Balance Sheets as at 30<sup>th</sup> September 2005 audited by us for the limited purpose of inclusion in the Offer Document, after making therein the adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the DIP Guidelines and such regroupings as we considered necessary. These statements include amounts relating to above-mentioned Subsidiaries, which have been consolidated on the basis of accounts audited by us.

(b) The above financial statements have been drawn up by the Company in compliance with the Guidelines and in accordance with the requirement of clause B of Part II of Schedule VI of the Companies Act, 1956 as amended from time to time.

5. We have also examined the following financial information relating to the Group and as approved by the Board of directors for the purpose of inclusion in the Offer Document: -

- i) Details of Operational income as appearing in Annexure XII to this report;



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- ii) Details of Other income as appearing in Annexure XIII to this report;
  - iii) Statement of dividends paid for the last five years as appearing in Annexure XIV to this report;
  - iv) Accounting Ratios as appearing in Annexure XV to this report;
  - v) Details of sundry debtors as appearing in Annexure XVI to this report;
  - vi) Details of loans and advances as appearing in Annexure XVII to this report;
  - vii) Details of unsecured loans as appearing in Annexure XVIII to this report;
  - viii) Details of secured loans as appearing in Annexure XIX to this report;
  - xi) Capitalisation Statement as at 30th September 2005 and 31st March, 2005 as appearing in Annexure XX to this report
  - x) Details of Related Party Transactions as appearing in Annexure XXI to this report;
  - xi) Details of contingent liabilities as appearing in Annexure XXII to this report;
  - xii) Details of Earning per shares as appearing in Annexure XXIII to this report;

This report is intended solely for your information for inclusion in the Offer Document and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

**For Gandhi Rathi Co.  
Chartered Accountants**

**C.N. Rathi  
(Partner)  
Membership No. 39895**

**Place: Nagpur  
Date: 24.10.05**

## Solar Explosives Limited

### Annexure 1 ECONOMIC EXPLOSIVES LIMITED STATEMENT OF ASSETS LIABILITIES

Rs. In Lakhs

PARTICULARS	HALF YEAR ENDED AT 30.09.05	BALANCE SHEET AS AT				
		31.03.05	31.03.04	31.03.03	31.03. 02	31.03. 01
<b>SOURCES OF FUNDS</b>						
<b>1 SHARE-HOLDERS' FUNDS</b>						
i Share Capital	480.00	235.00	235.00	235.00	235.00	235.00
ii Reserves Surplus	1761.26	1334.57	878.69	592.64	481.28	287.06
<b>TOTAL ( 1 )</b>	<b>2241.26</b>	<b>1569.57</b>	<b>1113.69</b>	<b>827.64</b>	<b>716.28</b>	<b>522.06</b>
<b>2 LOAN FUNDS</b>						
i Secured	267.00	580.34	761.18	513.98	571.55	467.57
ii Unsecured	0.00	0.00	0.00	100.00	0.00	0.00
<b>TOTAL ( 2 )</b>	<b>267.00</b>	<b>580.34</b>	<b>761.18</b>	<b>613.98</b>	<b>571.55</b>	<b>467.57</b>
<b>3 DEFERRED TAX LIABILITY ( 3 )</b>	<b>155.40</b>	<b>174.40</b>	<b>145.57</b>	<b>112.39</b>	<b>0.00</b>	<b>0.00</b>
<b>GRAND TOTAL ( 1+2+3 )</b>	<b>2663.66</b>	<b>2324.31</b>	<b>2020.44</b>	<b>1554.01</b>	<b>1287.83</b>	<b>989.63</b>
<b>APPLICATION OF FUNDS</b>						
<b>4 FIXED ASSETS</b>						
a Gross Block	1586.19	1579.52	1553.38	1104.10	1059.75	912.00
b Less : Depreciation	286.26	254.26	192.00	141.53	99.27	57.52
c Net Block	1299.93	1325.26	1361.38	962.57	960.48	854.48
d Capital Work-in-Progress	0.00	0.00	2.90	23.59	0.00	0.00
<b>Net Fixed Assets ( 4 )</b>	<b>1299.93</b>	<b>1325.26</b>	<b>1364.28</b>	<b>986.16</b>	<b>960.48</b>	<b>854.48</b>
<b>5 INVESTMENTS ( 5 )</b>	<b>42.70</b>	<b>85.70</b>	<b>55.00</b>	<b>55.00</b>	<b>33.00</b>	<b>30.00</b>
<b>6 CURRENT ASSETS, LOANS ADVANCES</b>						
i Inventories	333.62	372.57	225.13	212.23	178.43	59.79
ii Trade Debtors	690.87	408.56	537.37	372.68	201.43	117.75
iii Cash & Bank Balances	66.96	26.49	26.31	58.32	6.12	1.42
iv Loans Advances	661.12	524.90	113.14	59.71	29.96	39.52
	<b>1752.57</b>	<b>1332.52</b>	<b>901.95</b>	<b>702.94</b>	<b>415.94</b>	<b>218.48</b>
Less : Current Liabilities Provisions	432.84	420.65	302.64	192.31	123.94	116.00
<b>Net Current Assets ( 6 )</b>	<b>1319.73</b>	<b>911.87</b>	<b>599.31</b>	<b>510.63</b>	<b>292.00</b>	<b>102.48</b>
<b>7 MISCELLANEOUS EXPENDITURE</b>						
Preliminary Expenses (To the extent not written off)	1.30	1.48	1.85	2.22	2.35	2.67
<b>( 7 )</b>	<b>1.30</b>	<b>1.48</b>	<b>1.85</b>	<b>2.22</b>	<b>2.35</b>	<b>2.67</b>
<b>GRAND TOTAL (4+5+6+7)</b>	<b>2663.66</b>	<b>2324.31</b>	<b>2020.44</b>	<b>1554.01</b>	<b>1287.83</b>	<b>989.63</b>

\* The increase in paid-up capital as on 30.09.2005 is on account of issue of shares for cash to the holding company.



Annexure - II

(Rs. In Lakhs)

**ECONOMIC EXPLOSIVES LIMITED  
STATEMENT OF PROFIT AND LOSS**

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FOR THE YEAR ENDED ON				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>INCOME</b>						
Sales	1935.10	3241.77	2537.15	1840.33	1705.27	1332.24
Other Income	61.54	4.91	1.27	1.66	9.07	0.00
<b>TOTAL</b>	<b>1996.64</b>	<b>3246.68</b>	<b>2538.42</b>	<b>1841.99</b>	<b>1714.34</b>	<b>1332.24</b>
<b>EXPENDITURE</b>						
Operating Expenses	1177.20	1893.08	1634.54	1182.32	1095.54	797.60
Excise Duty	234.93	506.07	330.77	256.39	234.14	183.76
Depreciation	32.00	62.26	50.47	42.39	41.75	26.26
Interest Finance Charges	25.63	48.46	88.63	80.29	76.54	70.23
<b>TOTAL</b>	<b>1469.76</b>	<b>2509.87</b>	<b>2104.41</b>	<b>1561.39</b>	<b>1447.97</b>	<b>1077.85</b>
<b>Profit before Taxation</b>	<b>526.88</b>	<b>736.81</b>	<b>434.01</b>	<b>280.60</b>	<b>266.37</b>	<b>254.39</b>
Provision for tax						
Current Tax	117.43	172.33	88.08	56.85	48.27	31.52
Deferred Tax	5.22	28.83	33.18	23.62	0.00	0.00
Fringe Benefit Tax	1.76					
	124.41	201.16	121.26	80.47	48.27	31.52
<b>Profit after Taxation</b>	<b>402.47</b>	<b>535.65</b>	<b>312.75</b>	<b>200.13</b>	<b>218.10</b>	<b>222.87</b>
Balance brought forward	<b>358.54</b>	<b>202.65</b>	<b>116.41</b>	<b>116.28</b>	<b>137.06</b>	<b>64.19</b>
Balance available for						
Appropriation	<b>761.01</b>	<b>738.30</b>	<b>429.16</b>	<b>316.41</b>	<b>355.16</b>	<b>287.06</b>
<b>APPROPRIATION</b>						
Proposed Dividend on Equity Shares	0.00	70.50	23.50	0.00	35.25	0.00
Tax on Proposed Dividend	0.00	9.26	3.01	0.00	3.63	0.00
Transfer to General Reserve	0.00	300.00	200.00	200.00	200.00	150.00
Balance Carried Forward to Balance Sheet	761.01	358.54	202.65	116.41	116.28	137.06
<b>TOTAL</b>	<b>761.01</b>	<b>738.30</b>	<b>429.16</b>	<b>316.41</b>	<b>355.16</b>	<b>287.06</b>

## Solar Explosives Limited

### Annexure III

#### SOLAR CAPITALS LIMITED STATEMENT OF ASSETS LIABILITIES

Rs. In Lakhs

PARTICULARS	HALF YEAR ENDED AT 30.09.05	BALANCE SHEET AS AT				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>SOURCES OF FUNDS</b>						
<b>1 SHARE-HOLDERS' FUNDS</b>						
I Share Capital	600.00	300.00	300.00	300.00	195.38	150.38
ii Reserves Surplus	607.48	409.25	238.45	103.95	27.83	0.00
<b>TOTAL ( 1 )</b>	<b>1207.48</b>	<b>709.25</b>	<b>538.45</b>	<b>403.95</b>	<b>223.21</b>	<b>150.38</b>
<b>2 LOAN FUNDS</b>						
I Secured	552.44	648.67	734.18	723.15	29.46	0.00
ii Unsecured	321.67	238.08	224.55	86.68	677.24	268.11
<b>TOTAL ( 2 )</b>	<b>874.11</b>	<b>886.75</b>	<b>958.73</b>	<b>809.83</b>	<b>706.70</b>	<b>268.11</b>
<b>3 DEFERRED TAX LIABILITY ( 3 )</b>	<b>81.12</b>	<b>80.95</b>	<b>65.02</b>	<b>47.15</b>	<b>0.00</b>	<b>0.00</b>
<b>GRAND TOTAL ( 1+2+3 )</b>	<b>2162.71</b>	<b>1676.95</b>	<b>1562.20</b>	<b>1260.93</b>	<b>929.91</b>	<b>418.49</b>
<b>APPLICATION OF FUNDS</b>						
<b>4 FIXED ASSETS</b>						
A Gross Block	1327.08	1186.92	1178.50	922.08	487.09	331.59
B Less : Depreciation	152.09	126.16	75.56	34.30	4.74	0.00
C Net Block	1174.99	1060.76	1102.94	887.78	482.35	331.59
D Capital Work-in-Progress	0.00	27.62	6.57	5.85	74.34	0.00
<b>Net Fixed Assets ( 4 )</b>	<b>1174.99</b>	<b>1088.38</b>	<b>1109.51</b>	<b>893.63</b>	<b>556.69</b>	<b>331.59</b>
<b>5 INVESTMENTS ( 5 )</b>	<b>6.25</b>	<b>6.25</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>6 CURRENT ASSETS, LOANS ADVANCES</b>						
I Inventories	239.00	102.63	126.27	79.13	64.20	11.12
ii Trade Debtors	396.35	385.17	255.76	221.26	143.87	0.00
lii Cash & Bank Balances	142.28	49.35	38.72	7.68	61.27	2.47
iv Loans Advances	468.08	152.00	88.84	84.12	136.17	73.86
	<b>1245.71</b>	<b>689.15</b>	<b>509.59</b>	<b>392.19</b>	<b>405.51</b>	<b>87.45</b>
Less : Current Liabilities Provisions	265.27	108.60	58.96	27.63	127.18	37.33
<b>Net Current Assets ( 6 )</b>	<b>980.44</b>	<b>580.55</b>	<b>450.63</b>	<b>364.56</b>	<b>278.33</b>	<b>50.12</b>
<b>7 MISCELLANEOUS EXPENDITURE</b>						
Profit Loss Account	0.00	0.00	0.00	0.00	0.00	1.88
Preliminary Expenses	1.03	1.37	2.06	2.74	2.43	2.43
Pre-operative Expenses	0.00	0.40	0.00	0.00	92.46	32.47
( To the extent not written off )						
<b>( 7 )</b>	<b>1.03</b>	<b>1.77</b>	<b>2.06</b>	<b>2.74</b>	<b>94.89</b>	<b>36.78</b>
<b>GRAND TOTAL ( 4+5+6+7 )</b>	<b>2162.71</b>	<b>1676.95</b>	<b>1562.20</b>	<b>1260.93</b>	<b>929.91</b>	<b>418.49</b>

\* The increase in paid-up capital as on 30.09.2005 is on account of issue of shares for cash to the holding company.



Annexure – IV

(Rs. In Lakhs)

**SOLAR CAPITALS LIMITED**  
**STATEMENT OF PROFIT AND LOSS**

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FOR THE YEAR ENDED ON				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>INCOME</b>						
Sales	1728.46	2724.15	2217.35	1540.23	360.31	0.00
Other Income	14.53	36.36	20.42	4.45	0.30	0.00
<b>TOTAL</b>	<b>1742.99</b>	<b>2760.51</b>	<b>2237.77</b>	<b>1544.68</b>	<b>360.61</b>	<b>0.00</b>
<b>EXPENDITURE</b>						
Operating Expenses	1168.47	2066.34	1649.38	1109.76	267.57	0.00
Excise Duty	269.18	361.92	286.62	201.32	47.43	0.00
Depreciation	25.93	50.60	41.26	29.57	4.73	0.00
Interest Finance Charges	61.26	80.96	108.14	80.76	11.17	0.00
<b>TOTAL</b>	<b>1524.84</b>	<b>2559.82</b>	<b>2085.40</b>	<b>1421.41</b>	<b>330.90</b>	<b>0.00</b>
<b>Profit before Taxation</b>	<b>218.15</b>	<b>200.69</b>	<b>152.37</b>	<b>123.27</b>	<b>29.71</b>	<b>0.00</b>
Provision for tax						
Current Tax	18.36	13.96	0.00	0.00	0.00	0.00
Deferred Tax	11.74	15.93	17.87	41.51	0.00	0.00
Fringe Benefit Tax	1.39					
	<b>31.49</b>	<b>29.89</b>	<b>17.87</b>	<b>41.51</b>	<b>0.00</b>	<b>0.00</b>
<b>Profit after Taxation</b>	<b>186.66</b>	<b>170.80</b>	<b>134.50</b>	<b>81.76</b>	<b>29.71</b>	<b>0.00</b>
Balance brought forward	0.00	0.00	0.00	0.00	-1.88	0.00
Balance available for appropriation	<b>186.66</b>	<b>170.80</b>	<b>134.50</b>	<b>81.76</b>	<b>27.83</b>	<b>0.00</b>
<b>APPROPRIATION</b>						
Proposed Dividend on Equity Shares	0.00	0.00	0.00	0.00	0.00	0.00
Tax on Proposed Dividend	0.00	0.00	0.00	0.00	0.00	0.00
Transfer to General Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Balance Carried Forward to Balance Sheet	186.66	170.80	134.50	81.76	27.83	0.00
<b>TOTAL</b>	<b>186.66</b>	<b>170.80</b>	<b>134.50</b>	<b>81.76</b>	<b>27.83</b>	<b>0.00</b>

## Solar Explosives Limited

### Annexure V

#### SOLAR COMPONENTS PRIVATE LIMITED STATEMENT OF ASSETS LIABILITIES

Rs. In Lakhs

PARTICULARS	HALF YEAR ENDED AT 30.09.05	BALANCE SHEET AS AT				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>SOURCES OF FUNDS</b>						
<b>1 SHARE-HOLDERS' FUNDS</b>						
I Share Capital	82.00	40.00	40.00	40.00	40.00	40.00
ii Reserves Surplus	331.06	290.83	225.12	170.54	124.05	59.51
<b>TOTAL ( 1 )</b>	<b>413.06</b>	<b>330.83</b>	<b>265.12</b>	<b>210.54</b>	<b>164.05</b>	<b>99.51</b>
<b>2 LOAN FUNDS</b>						
I Secured	0.00	45.83	8.78	77.88	56.39	82.35
ii Unsecured	6.46	0.00	0.00	0.00	0.00	0.00
<b>TOTAL ( 2 )</b>	<b>6.46</b>	<b>45.83</b>	<b>8.78</b>	<b>77.88</b>	<b>56.39</b>	<b>82.35</b>
<b>3 DEFERRED TAX LIABILITY ( 3 )</b>	<b>12.78</b>	<b>13.85</b>	<b>11.66</b>	<b>10.84</b>	0.00	0.00
<b>GRAND TOTAL (1+2+3)</b>	<b>432.30</b>	<b>390.51</b>	<b>285.56</b>	<b>299.26</b>	<b>220.44</b>	<b>181.86</b>
<b>APPLICATION OF FUNDS</b>						
<b>4 FIXED ASSETS</b>						
A Gross Block	299.32	277.24	250.35	225.04	222.87	196.68
B Less : Depreciation	133.80	122.98	103.37	86.49	68.00	49.77
C Net Block	165.52	154.26	146.98	138.55	154.87	146.91
D Capital Work-in-Progress	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net Fixed Assets ( 4 )</b>	<b>165.52</b>	<b>154.26</b>	<b>146.98</b>	<b>138.55</b>	<b>154.87</b>	<b>146.91</b>
<b>5 INVESTMENTS ( 5 )</b>	<b>5.00</b>	<b>22.00</b>	<b>5.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>6 CURRENT ASSETS, LOANS ADVANCES</b>						
I Inventories	121.99	99.44	89.66	105.85	82.12	34.41
ii Trade Debtors	7.77	146.16	53.65	58.19	41.66	19.09
iii Cash & Bank Balances	0.42	0.35	0.91	0.49	0.49	0.44
iv Loans Advances	197.36	11.06	15.86	5.13	7.22	5.67
	<b>327.54</b>	<b>257.01</b>	<b>160.08</b>	<b>169.66</b>	<b>131.49</b>	<b>59.61</b>
Less : Current Liabilities Provisions	65.82	42.84	26.60	9.08	66.07	24.84
<b>Net Current Assets ( 6 )</b>	<b>261.72</b>	<b>214.17</b>	<b>133.48</b>	<b>160.58</b>	<b>65.42</b>	<b>34.77</b>
<b>7 MISCELLANEOUS EXPENDITURE</b>						
Preliminary Expenses	0.06	0.08	0.10	0.13	0.15	0.18
<b>( 7 )</b>	<b>0.06</b>	<b>0.08</b>	<b>0.10</b>	<b>0.13</b>	<b>0.15</b>	<b>0.18</b>
<b>GRAND TOTAL (4+5+6+7)</b>	<b>432.30</b>	<b>390.51</b>	<b>285.56</b>	<b>299.26</b>	<b>220.44</b>	<b>181.86</b>

\* The increase in paid-up capital as on 30.09.2005 is on account of issue of shares for cash to the holding company.



ANNEXURE VI

SOLAR COMPONENTS PRIVATE LIMITED  
STATEMENT OF PROFIT AND LOSS

PARTICULARS	HALF YEAR ENDED AT 30.09.05	FOR THE YEAR ENDED ON				
		31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>INCOME</b>						
Sales	352.03	708.25	522.80	402.32	374.98	263.25
Other Income	14.14	1.29	9.62	2.30	1.51	1.39
<b>TOTAL</b>	<b>366.17</b>	<b>709.54</b>	<b>532.42</b>	<b>404.62</b>	<b>376.49</b>	<b>264.64</b>
<b>EXPENDITURE</b>						
Operating Expenses	247.36	478.67	355.07	306.89	275.72	163.23
Excise Duty	50.86	110.57	72.54	0.00	0.00	0.00
Depreciation	10.83	19.61	16.88	18.49	18.23	26.84
Interest Finance Charges	3.23	1.84	7.83	5.32	10.29	11.94
<b>TOTAL</b>	<b>312.28</b>	<b>610.69</b>	<b>452.32</b>	<b>330.70</b>	<b>304.24</b>	<b>202.01</b>
<b>Profit before Taxation</b>	<b>53.89</b>	<b>98.85</b>	<b>80.10</b>	<b>73.92</b>	<b>72.25</b>	<b>62.63</b>
Provision for tax						
Current Tax	14.63	24.16	20.12	18.47	16.26	14.93
Deferred Tax	0.07	2.19	0.82	1.11	0.00	0.00
Fringe Benefit Tax	0.11	0.00	0.00	0.00		
	<b>14.81</b>	<b>26.35</b>	<b>20.94</b>	<b>19.58</b>	<b>16.26</b>	<b>14.93</b>
<b>Profit after Taxation</b>	<b>39.08</b>	<b>72.50</b>	<b>59.16</b>	<b>54.34</b>	<b>55.99</b>	<b>47.70</b>
Balance brought forward	85.80	120.08	65.43	61.09	59.51	11.81
Balance available for appropriation	<b>124.88</b>	<b>192.58</b>	<b>124.59</b>	<b>115.43</b>	<b>115.50</b>	<b>59.51</b>
<b>APPROPRIATION</b>						
Proposed Dividend on Equity Shares	0.00	6.00	4.00	0.00	4.00	0.00
Tax on Proposed Dividend	0.00	0.78	0.51	0.00	0.41	0.00
Transfer to General Reserve	0.00	100.00	0.00	50.00	50.00	0.00
Balance Carried Forward to Balance Sheet	124.88	85.80	120.08	65.43	61.09	59.51
<b>TOTAL</b>	<b>124.88</b>	<b>192.58</b>	<b>124.59</b>	<b>115.43</b>	<b>115.50</b>	<b>59.51</b>

## Solar Explosives Limited

### Annexure VII

#### SOLAR EXPLOSIVES LIMITED, (Consolidated) STATEMENT OF ASSETS AND LIABILITIES

(Rs. In Lakhs)

	<b>Audited 30/09/2005</b>
<b>(A) FIXED ASSETS:</b>	
Gross Block	7365.55
Less: Depreciation	1143.40
<b>Net Block</b>	<b>6222.15</b>
Add: Capital work in progress	65.64
<b>TOTAL</b>	<b>6287.79</b>
Less: Revaluation Reserve	0.00
<b>Net Block (after adjustment of Revaluation Reserve)</b>	<b>6287.79</b>
<b>(B) Investments</b>	<b>97.72</b>
<b>( C ) Current Assets, Loans Advances</b>	
Inventories	1870.60
Sundry debtors	3515.75
Cash & Bank Balances	375.22
Loans Advances	1525.82
<b>TOTAL</b>	<b>7287.39</b>
<b>(D) Liabilities Provisions</b>	
Secured Loans	2630.09
Unsecured Loans	1016.51
Current liabilities Provisions	2996.63
13% Cumulative Redeemable Preference shares	0.00
Deferred Tax liability	617.99
<b>TOTAL</b>	<b>7261.22</b>
<b>(E) Net Worth (A+B+C-D)</b>	<b>6411.68</b>
<b>(F) Represented by:</b>	
<b>Paid-up share capital</b>	
Equity Shares	1292.38
Reserves Surplus	5126.17
Less: Revaluation reserve	0.00
Reserve surplus after adjustment of Revaluation Reserve	5126.17
<b>TOTAL</b>	<b>6418.55</b>
(G) Misc. expenditure to the extent not written off	6.87
<b>(H) Net worth (F-G)</b>	<b>6411.68</b>



Annexure VIII

**SOLAR EXPLOSIVES LTD (Consolidated)  
STATEMENT OF PROFIT AND LOSS**

(Rs In Lakhs)

<b>Particulars</b>	<b>30.09.05</b>
<b>Income:</b>	
<b>Sales</b>	
Manufactured goods	7145.19
Traded goods	1022.81
<b>Total Turnover</b>	<b>8168.00</b>
Less: Excise Duty	972.49
<b>Net Sales</b>	<b>7195.51</b>
Increase (Decrease) in Stock	-88.76
Other Income	129.34
<b>TOTAL</b>	<b>7236.09</b>
<b>Expenditure</b>	
Material Consumed	4114.45
Manufacturing Expenses	339.18
Employees Emoluments	252.08
Administrative Expenses	115.30
Financial Charges	161.34
Selling and Distribution Expenses	668.06
Depreciation	160.16
<b>TOTAL EXPENSES</b>	<b>5810.57</b>
<b>Profit before Tax other Adjustments</b>	<b>1425.52</b>
Prior Period Adjustment	
Provision for Current Tax	230.47
Provision for Fringe Benefit Tax	6.69
Provison For Deferred Tax	44.38
<b>Profit after Tax (A)</b>	<b>1143.98</b>
Carried Forward Profit from Previous Year	0.00
Profit Available For Appropriation	1143.98
Transferred to General Reserve	0.00
Transferred to Capital Redemption Reserve	0.00
Proposed / Interim Dividend on Equity Shares	0.00
Proposed / Interim Dividend on Preference Shares	0.00
Tax on Dividend on Equity Shares	0.00
Tax on Dividend on Preference Shares	0.00
<b>Balance carried to Balance Sheet</b>	<b>1143.98</b>

## Solar Explosives Limited

### Annexure IX

**SOLAR EXPLOSIVES LTD. (CONSOLIDATED)**  
**CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2005**

(Rs. In Lakhs)

PARTICULARS	Half Year Ended 30.09.2005
<b>A. Cash Flow From Operating Activities</b>	
Net Profit Before Tax	1425.52
Adjustments for :	
Depreciation	160.16
Interest Expense	161.34
Preliminary Exps. W/o	0.64
<b>Operating Profit before working Capital Changes</b>	<b>1747.66</b>
Increase in Sundry Debtors	-3515.75
Increase in Inventories	-1870.60
Increase in Loans Advances	-1525.82
Increase in Sundry Creditors	2996.63
<b>Cash Generated from Operations</b>	<b>-2167.88</b>
Interest	161.34
Deferred Income Tax	44.38
Income Taxes Paid	230.47
Fringe benefits tax	6.69
<b>Net Cash from Operating Activities</b>	<b>-2610.76</b>
<b>B. Cash Flow From Investing Activities</b>	
Increase in Misc. Expenditure	-7.51
Increase in Fixed Assets	-6447.95
Investment	-97.72
<b>Net Cash from Investing Activities</b>	<b>-6553.18</b>
<b>C. Cash Flow From Financing Activities</b>	
Accumulated Deferred Tax Liability	573.61
Capital Reserve Of Subsidiary Co.	1583.63
Accumulated Profit Of Parent Co	1772.70
Cash Credit Activities	898.17
Deferred Tax	44.38
Issue Of Share Capital	1292.38
State Capital Incentive	50.00
Share Premium Recd	575.86
Increase in Unsecured Loans	1016.51
Increase in Secured Loans	1731.92
<b>Net Cash from Financing Activities</b>	<b>9539.16</b>
Net Increase in Cash Cash equivalents	375.22
Cash Cash equivalents at beginning of period	0.00
Cash Cash equivalents at end of period	375.22
	<b>375.22</b>



## **Annexure X**

### **Significant Accounting Policies**

#### **1. Basis of preparation of financials statements**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in India for the half year ended 30<sup>th</sup> September 2005, on the basis, the consolidation procedure has been effected on 25<sup>th</sup> September 2005.

#### **2. Principles of consolidation**

The consolidated financial statements of the company include financial statements of its wholly-owned subsidiaries, and where Solar Explosives Limited is able to exercise control over the operating and financial policies of the companies. All material inter-company accounts and transactions are eliminated on consolidation.

The investment includes Rs. 72 Lakhs invested in Solar Industries Limited For Sponge Iron Plant which is 97% of its total equity, although we have not considered this company as subsidiary for consolidation as the management has taken the decision for not to go in Sponge Iron field and it is intended to be disposed off in near future that satisfies the condition at A.S.21 for exclusion of subsidiary from consolidation.

The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intragroup balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21- "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- b) The difference between the costs of investment in the subsidiaries is less than the parents portion of Equity of the subsidiary at the date on which investment in subsidiary is made, has been recognised in the financial statements as Capital Reserve. The subsidiarisation is effected on 25<sup>th</sup> September, 2005, the financial statements have been prepared as of 30<sup>th</sup> September 2005. Hence, profits upto 30<sup>th</sup> September, 2005 have been considered as Capital Reserve.
- c) Cash, cash equivalents and short term investment : the company considers all highly liquid investment with banks in the shape of fixed deposits to be cash equivalents. Cash cash equivalents currently consist of cash and cash on deposit with banks.
- d) Foreign Currency Transactions :

The functional and reporting currency of the company the Indian Rupees. The translation of the US Dollar into Indian Rupee is perform for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue and expense accounts using a monthly simple average exchange rate for the respective period. The gains or losses resulting from such translation are reported in other comprehensive income/expense.

#### **1. Effects of Consolidation:**

As a result of consolidation, the following are the eliminations as a result of intra group transactions in the half-year ended 30<sup>th</sup> September 2005.

## Solar Explosives Limited

Intra Group Elimination

i) Transactions relating to Half year ended 30.09.2005 are as follows:

(Rs in Lakhs)

Name of Subsidiaries	Half Year Ended 30.09.2005					
	Sale of Goods	Purchase of Material	Services received	Services rendered	Finance Cost Recd.	Finance Cost Paid
Economic Explosives Limited	162.86	339.72		109.32	4.62	
Solar Capitals Limited	4.09	418.30	10.37	12.90		13.28
Solar Components Private Limited	334.12					

(Rs in Lakhs)

Name of Subsidiaries	Half Year Ended 30.09.2005		
	Creditors	Debtors	Advances
Economic Explosives Limited	13.67	113.15	153.59
Solar Capitals Limited	168.38		150.20
Solar Components Private Limited	-	7.76	45.00

#### 4. Business acquisitions:

The Company has neither acquired any business undertaking nor acquired any assets and liabilities of any undertaking.

#### 5. Subsidiaries

The financial statements of the following subsidiary companies have been consolidated as per Accounting Standard-21 on "Consolidated Financial Statements" issued by Institute of Chartered Accountants of India.

##### Proportion of ownership interest (%)

Name of the Subsidiary	Half Year Ended At 30.09.2005
<b>Subsidiary Co.</b>	
Economic Explosives Limited	100%
Solar Capitals Limited	100%
Solar Components Private Limited	100%

#### 6. Uniform Accounting Policies

The consolidated financial statements have been prepared on the basis of the accounting policies adopted by the individual entities, as indicated under financial statements of respective companies. Due to Subsidiarisation Process which has taken place on September 25, 2005, Solar Explosives Limited has become Parent Company and Economic Explosives Limited, Solar Capitals Limited as well as Solar Components Private Limited have become the Wholly-Owned Subsidiary Companies of Solar Explosives Limited.

Solar Explosives Limited, Economic Explosives Limited and Solar Capitals Limited have been providing Depreciation in books on Straight Line Method since inception.

Whereas Solar Components Private Limited, a Wholly-Owned Subsidiary of Solar Explosives Limited, has provided Depreciation in books on Written Down Value Method since inception.



As the Subsidiarisation Process has taken place on September 25, 2005 the net difference arising out due to Change in Depreciation Method would be of Rs. 00.15 Lakhs on Consolidated Statements as of September 30, 2005 and hence the Net Profit would have been higher by Rs. 00.15 Lakhs and net block of fixed assets would correspondingly have been higher by that amount.

## Annexure XI

### Notes to the Account

#### 1. Description of Business

Solar Explosives Limited, a explosives manufacturing company together with its subsidiaries, is engaged in manufacturing in various explosives products such as Slurry emulsion base explosives, bulk explosives, detonators, detonating fuse, PETN and accessories required for the above product.

#### 2. Deferred Tax

The Deferred Tax Calculations are as under:

(Rs in Lakhs)

	Half year Ended At 30.09.2005
Deferred Tax Liabilities	
Depreciation	617.99
Net Deferred Tax Liability	617.99

#### 3. Earnings per share

Basic earning per share has been reported as per Accounting Standards – 20 relating to “Earning per share” which have been computed by dividing net profit after tax by the weighted average no of shares outstanding for the period (for details see Annexure no.XXI on Page No. 136 of the RHP)

##### 1. Segmental Information :

As regards the accounting standard 17 ‘Segment Reporting’ there is neither more than one business segment nor more than one business segment nor more than one geographical segment, segment information as per AS-17 is not required to be disclosed.

## Annexure XII

### Details of Operational Income

(Rs. In Lakhs)

Particulars	Half year Ended on 30.09.2005
<b>Manufacturing Sales</b>	<b>7145.19</b>
In India	6823.55
Export	321.64
<b>Trade Sales</b>	<b>1022.81</b>
In India	1020.22
Export	2.59
<b>Total</b>	<b>8168.00</b>

## Solar Explosives Limited

### Annexure XIII

#### Details of Other Income

( Rs in Lakhs)

Particulars	Half year Ended on 30.09.2005	Remarks
Interest	43.47	Recurring
Gain on sale of Shares	44.93	Recurring
Sales Tax Set-Off	38.30	Non-Recurring
Transportation Receipts	1.03	Non-Recurring
Foreign Exchange Fluctuation (Net)	1.61	Non-Recurring
<b>Total</b>	<b>129.34</b>	

### Annexure XIV

#### Statement of Dividends paid half year ended as on 30.09.05

Year	Dividend Paid %
Half year ended 30.09.05	NIL

### Annexure XV

#### Mandatory Accounting Ratios

	Half year Ended At 30.09.05
Earning Per Share (Rs.)	10.12
Return on Net Worth (%)	15.26%
Net Asset Value per share (Rs.)	49.61

Note on return on Net worth:- The return on net worth as on 30.09.05 has been computed on the profits of the half year.

#### Notes:

- Earnings per share** (after extra ordinary items) = Adjusted Net Profit after Tax and extra ordinary items / No. of Shares. (Parent Subsidiary Company)  
The company has issued 16.79 Lakhs equity shares by way of swapping the shares of subsidiary companies on 25.09.05, So we have considered holding of shares for 6 days for calculation of E.P.S.
- Return on Net Worth (%)** = Adjusted profit after Tax and extra ordinary items / Average adjusted Net Worth.
- Net Asset value per share** = Adjusted Net Worth / No. of shares outstanding at the year end.
- Net Worth** = Share Capital + Reserves Surplus (excluding revaluation reserves) - Miscellaneous expenditure to the extent not written off.



## Annexure XVI Statement of Sundry Debtors

### a. Age-wise Analysis of Sundry Debtors

(Rs. in Lakhs)

As at	Half year ended At 30.09.05
Upto 180 days	3223.32
Greater than 180 days	292.43
Less: Considered Doubtful	—
Considered Good	292.43
<b>Total</b>	<b>3515.75</b>

### b. Details of the Related Party Debtors

(Rs in Lakhs)

	Half year Ended At 30.09.2005
Commercial Sales Corpn.	13.97
<b>Total</b>	<b>13.97</b>

## Annexure XVII

### Details of Loans and Advances

(Rs. In Lakhs)

	Half year ended At 30.09.2005
Advances to Suppliers	236.58
Advances for Fixed Assets	12.83
Advances to Employees	3.48
Balance with Excise Authorities	98.11
Advance Income Tax	1.01
Security Other Deposits	273.88
Prepaid Expenses	54.84
Loans Advances to others	690.82
Other Debit Balances	56.71
Commissioner of Customs, Vizag	19.87
Insurance Claim Receivable	8.07
Sales Tax	43.53
Truck, Travelling Expenses Advances	21.09
Controller of Defence Accounts – Navy	5.00
	<b>1525.82</b>

## Solar Explosives Limited

### Details of Loans and Advances of related parties as on 30.09.05

(Rs. In Lakhs)

<b>Associates</b>	<b>Fellow Subsidiary</b>	<b>Half year ended At 30.09.05</b>
Solar Explosives Transport		39.65
Commercial Sales Corporation		564.77
	Solar Industries Limited	0.33
		<b>604.75</b>

### Annexure XVIII

#### Details of Unsecured Loans

(Rs in Lakhs)

<b>As at</b>	<b>Half year Ended At 30.09.2005</b>
Sales Tax Deferment	1006.87
From Others	9.64
<b>Total</b>	<b>1016.51</b>



## Annexure XIX

### Details of Secured Loans As on 30-09-2005

#### Solar Explosives Ltd

Given as on Annexure 12 of SEL Standalone

#### Economic Explosives

Particulars of Loan	Bank	Nature of Loan	Sanctioned Amount	Amount Outstanding	Rate of Interest P.A. (%)	Repayment of Terms	Principal Securities Offered
1. Term Loan	State Bank of India	FCNR B	USD 10 Lakhs	Rs 262.08 Lakhs	1.17% (Libor) + 4.25% = 5.42%	26 quarterly instalments and balance by bullet payment. Interest shall be paid separately as and when due.	Factory land and building, plant and machinery and collateral security.
2. Working Capital Loan	State Bank of India	Cash Credit	Rs500 Lakhs	Nil	1.25% Over SBI PLR (10%) = 11.25%.	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets. Charge on fixed asset of the Company
3. Car Loan	HDFC	Vehicle Loan	Rs6.70 Lakhs	Rs4.93 Lakhs	7.19%	36 monthly instalments.	Hypothecation of Car
4. Stand-by Line of Credit	State Bank of India	CC	Rs100 Lakhs	-	Additional interest of 1% on CC Limit	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets. Charge on fixed asset of the Company.
5. Non Fund Based Facility	State Bank of India	Bank Guarantee Limit	Rs250 Lakhs	Rs187.52 Lakhs	Bank Standard Rate from time to time	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets.
6. Non Fund Based Facility	State Bank of India	LC Limit	Rs30 Lakh	Nil	Bank Standard Rate from time to time	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets.

## Solar Explosives Limited

### Solar Capitals Limited

Particulars of Loan	Bank	Nature of Loan	Sanctioned Amount	Amount Outstanding	Rate of Interest P.A. (%)	Repayment of Terms	Principal Securities Offered
1. Corporate Loan from Banks	Bank of India	FCNR B	USD 4 Lakhs	Rs104.40 Lakhs	3.96% (Libor)+ 3.00% = 6.96%	16 quarterly instalments and balance by bullet payment. Interest shall be paid separately as and when due.	Factory land and building, plant and machinery and collateral security.
2. Corporate Loan from Banks	Bank of India	FCNR B	USD 3.84 Lakhs	Rs100.22 Lakhs	4.031% (Libor)+ 3.00% = 7.031%	16 quarterly instalments and balance by bullet payment. Interest shall be paid separately as and when due.	Factory land and building, plant and machinery and collateral security.
3. Cash Credit	Bank of India	FCNR CC	USD 5.50 Lakhs	Rs239.14 Lakhs	3.87% (Libor) + 3.00% = 6.87%	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets. Charge on fixed asset of the Company
4. Vehicle Loans*	Citicorp, Citibank, HDFC, ICICI	Vehicle Loan	Rs212.79 Lakhs	Rs67.85 Lakhs		36 monthly instalments	Hypothecation of Car
5. Non Fund Based Facility	Bank of India	Bank Guarantee Limit	Rs44660 Lakhs	Rs44660 Lakhs	Bank Standard Rate from time to time	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets.
6. Non Fund Based Facility	Bank of India	LC Limit	Rs1800 Lakh	Nil	Bank Standard Rate from time to time	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets.
Cash credit	Bank of India	CC Limit	60.86Lakhs	40.83 Lakhs	15 over BPLR i.e 11.75 %	On demand	As above No 3

\* Loans taken for Truck Purchase and machinery installed on the Pump Truck.



### Solar Components Private Limited

Particulars of Loan	Bank	Nature of Loan	Sanctioned Amount	Amount Outstanding	Rate of Interest P.A. (%)	Repayment of Terms	Principal Securities Offered
1. Working Capital Loan	State Bank of India	Cash Credit	Rs100 Lakhs	Rs0.20 Lakhs	0.25% Over SBI PLR (10.25%) = 10.50% .	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets. Charge on fixed asset of the Company
2. Stand-by Line of Credit	State Bank of India	CC	Rs15 Lakhs	Nil	Additional interest of 1% on CC Limit	On Demand	Hypothecation of Stocks of raw material, finished goods, goods in process, stores, receivables and other current assets. Charge on fixed asset of the Company.

### Annexure XX

#### Capitalization Statement

(Rs. in lakhs)

	Half year ended 30.09.05
Borrowings	
Short term Debt	898.17
Long Term Debt	1731.92
Total Debt	<b>2630.09</b>
Shareholders' Funds	
Share Capital	1292.38
Reserves	5126.17
Total Shareholders funds	<b>6418.55</b>
Long Term Debt / Equity Ratio	0.27

## Solar Explosives Limited

### Annexure XXI

#### Details of Related Party Transactions

The Company has entered into the following related party transactions. As on half year ended September 30, 2005 such parties and transactions are identified as per Accounting Standard 18 issued by Institute of Chartered Accountants of India:

Transactions during the Half year April 2005 to September 2005.

(Rs in Lakhs)

Transactions	Associate	Key Management Personnel	Total
Sales related Income	149.07		149.07
Other Income	26.40		26.40
Remuneration		35.70	35.70
Transportation			
Others	35.54		35.54
Commission	17.70		17.70
Purchase	0.21		0.21

### Annexure XXII

#### Details of Contingent Liabilities

(Rs in Lakhs)

	As at Half year Ended At 30.09.2005
Sales Tax Deferment (Unsecured Loan)	2450.93
Central Excise Duty	27.84
Sales Tax	49.90
Guarantees given by bank on behalf of the company	1130.57
<b>Total</b>	<b>3659.25</b>

### Annexure – XXIII

#### DETAILS OF EARNING PER SHARE

PARTICULARS	AS AT 30.09.2005
Net Profit as per Profit and Loss Account for computation of EPS	Rs. 1143.98 Lakhs
Number of Shares	No. 129.23 Lakhs
Weighted Average number of Equity Shares outstanding during the period	No. 112.99 Lakhs
Basic Earning per share of Face Value	Rs. 10
(Calculated on weighted Average No. Shares)	Rs. 10.12



## UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors

**Solar Explosives Limited**

11, Zade Layout,

Bharat Nagar, Nagpur – 440 033

Dear Sirs,

Attached herewith are the unaudited consolidated statements of Profit Loss, Balance Sheet and Cash Flow Statement ('pro-forma information') of Solar Explosives Limited (the 'Parent Company') and its subsidiaries for the year ended 31st March 2002, 2003, 2004 and 2005. The pro-forma information has been presented so as to reflect the performance of the group as a whole by including the results of the subsidiaries mentioned below even for the years when these were not a subsidiary of the Parent Company:

1. Economic Explosives Limited
2. Solar Capitals Limited
3. Solar Components Private Limited

By virtue of restructuring of the group, the entities 1 to 3 became subsidiaries of the Parent Company effective 25<sup>th</sup> September 2005. However, for the purpose of this pro-forma information, these have been considered as subsidiaries effective 1<sup>st</sup> April 2001 so as to reflect the performance of the group as whole by including the results for the respective years.

We have verified the amounts appearing in the Parents Company's and its subsidiaries' accounting records and found such amounts to be in agreement with the pro-forma information. However, we make no presentation as to the appropriateness of such calculations.

During consolidation, in Profit & Loss Account we have eliminated the intra group transactions and in Balance Sheet the intra group balances except investment in equity shares of Solar Capitals Limited made by group companies as below :

(Rs. In Lakhs)				
Name of Company	31.03.05	31.03.04	31.03.03	31.03.02
Solar Explosives Limited	57.00	57.00	57.00	39.00
Economic Explosives Limited	43.00	55.00	55.00	33.00
Solar Components Private Limited	12.00	0.00	0.00	0.00

Out of paid up capital of 300 Lakhs for the year 31st March 2003, 2004, 2005 195.38 Lakhs for the year 31st March 2002 of Solar Capitals Limited

The consolidated financial statement has been prepared on the basis of the accounting policies adopted by the individual entities. Solar Explosives Limited, Economic Explosives Limited and Solar Capitals Limited have been providing Depreciation in books on Straight Line Method since inception whereas Solar Components Private Limited has provided Depreciation in books on W.D.V. Method since inception.

The net difference arising due to change in depreciation method in Solar Components Private Limited would be as under:

(Rs. In Lakhs)			
31.03.05	31.03.04	31.03.03	31.03.02
8.41	7.33	9.19	9.81

Hence, the net profit would have been higher by the respective amount and net block of fixed assets would correspondingly have been higher by that amount.

For **Gandhi Rathi Co.**  
Chartered Accountants

**C.N. Rathi**

Partner

M.No. 39895

Nagpur

Date : 23.12.2005

## Solar Explosives Limited

### SOLAR GROUP

#### STATEMENT OF ASSETS LIABILITIES AS AT

(Rs. In Lakhs)

	31.03.2005	31.03.2004	31.03.2003	31.03.2002
<b>SOURCES OF FUNDS</b>				
SHARE HOLDERS FUND				
i) SHARE CAPITAL	924.00	924.00	924.00	709.38
ii) RESERVE SURPLUS	4413.68	3060.30	2251.21	1824.81
<b>TOTAL</b>	<b>5337.68</b>	<b>3984.30</b>	<b>3175.21</b>	<b>2534.19</b>
LOAN FUNDS				
i) SECURED	2954.50	3250.58	2789.54	1988.40
ii) UNSECURED	865.97	740.87	556.80	288.92
<b>TOTAL</b>	<b>3820.47</b>	<b>3991.45</b>	<b>3346.34</b>	<b>2277.32</b>
DEFERRED TAX LIABILITY	667.44	518.22	395.85	0.00
<b>GRAND TOTAL</b>	<b>9825.59</b>	<b>8493.97</b>	<b>6917.40</b>	<b>4811.51</b>
<b>APPLICATION OF FUNDS</b>				
FIXED ASSETS				
(a) GROSS BLOCK	7129.12	5754.82	4744.35	3402.76
(b) Less: DEPRECIATION	983.24	694.90	470.71	297.39
(c) NET BLOCK	6145.88	5059.92	4273.64	3105.37
(d) CAPITAL WORK IN PROGRESS	54.17	165.52	97.89	77.03
NET FIXED ASSETS	6200.05	5225.44	4371.53	3182.40
INVESTMENTS	219.70	147.00	137.00	97.00
	219.70	147.00	137.00	97.00
CURRENT ASSETS, LOANS ADVANCES				
i) INVENTORIES	1413.75	832.26	735.57	546.54
ii) TRADE DEBTORS	1830.94	1822.00	1414.94	939.08
iii) CASH & BANK BALANCES	235.76	539.39	175.34	86.98
iv) LOANS ADVANCES	1175.14	729.30	665.66	536.99
	4655.59	3922.95	2991.51	2109.59
Less: CURRENT LIABILITIES				
PROVISIONS	1253.46	806.02	588.53	675.51
NET CURRENT ASSETS	3402.13	3116.93	2402.98	1434.08
MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF)	3.71	4.60	5.89	98.03
	3.71	4.60	5.89	98.03
<b>GRAND TOTAL</b>	<b>9825.59</b>	<b>8493.97</b>	<b>6917.40</b>	<b>4811.51</b>



**SOLAR GROUP**

**STATEMENT OF PROFIT LOSS ACCOUNT FOR THE YEAR ENDED**

(Rs. In Lakhs)

<b>PARTICULARS</b>	<b>31.03.2005</b>	<b>31.03.2004</b>	<b>31.03.2003</b>	<b>31.03.2002</b>
<b>INCOME</b>				
SALES	13529.48	9851.31	7415.83	5906.26
OTHER INCOME	93.85	50.31	34.46	16.68
<b>TOTAL</b>	<b>13623.33</b>	<b>9901.62</b>	<b>7450.29</b>	<b>5922.94</b>
<b>EXPENDITURE</b>				
OPERATING EXPENSES	9156.71	6835.51	5060.85	4062.60
EXCISE DUTY	2039.49	1333.21	1028.73	820.90
DEPRECIATION	288.35	224.74	173.83	105.78
INTEREST FINANCIAL CHARGES	238.22	381.14	289.80	155.05
<b>TOTAL</b>	<b>11722.77</b>	<b>8774.60</b>	<b>6553.21</b>	<b>5144.33</b>
<b>PROFIT BEFORE TAXATION</b>	<b>1900.56</b>	<b>1127.02</b>	<b>897.08</b>	<b>778.61</b>
PROVISION FOR TAX				
CURRENT TAX	252.19	124.91	91.71	106.87
DEFERRED TAX	149.22	122.37	168.92	0.00
<b>PROFIT AFTER TAXATION</b>	<b>1499.15</b>	<b>879.74</b>	<b>636.45</b>	<b>671.74</b>
BALANCE BROUGHT FORWARD	983.33	470.04	465.34	454.23
BALANCE AVAILABLE FOR APPROPRIATION	2482.48	1349.78	1101.79	1125.97
<b>APPROPRIATION</b>				
- PROPOSED DIVIDEND ON EQUITY SHARES	128.85	62.40	0.00	75.10
- TAX ON PROPOSED DIVIDEND	16.88	8.00	0.00	7.70
- GENERAL RESERVE	900.00	400.00	550.00	550.00
- BALANCE CARRIED FORWARD TO BALANCE SHEET	1436.75	879.38	551.79	493.17
<b>TOTAL</b>	<b>2482.48</b>	<b>1349.78</b>	<b>1101.79</b>	<b>1125.97</b>

## Solar Explosives Limited

### SOLAR GROUP

#### STATEMENT OF CASH FLOW STATEMENT AS AT

(Rs. In Lakhs)

PARTICULARS	31.03.05	31.03.04	31.03.03	31.03.02
<b>A. Cash Flow From Operating Activities</b>				
Net Profit Before Tax	1900.56	1127.02	897.08	778.61
Adjustments for :				
Depreciation	288.35	224.74	173.83	105.78
Interest Expense	238.22	381.14	289.80	155.05
Preliminary Exps.W/o	1.29	1.29	1.29	0.48
<b>Operating Profit before working Capital Changes</b>	<b>2428.42</b>	<b>1734.19</b>	<b>1362.00</b>	<b>1039.92</b>
Increase in Sundry Debtors	-8.94	-407.06	-475.86	-939.08
Increase in Inventories	-581.49	-96.69	-189.03	-546.54
Increase in Loans Advances	-445.84	-63.64	-128.67	-536.99
Increase in Sundry Creditors	447.44	217.49	-86.98	675.51
<b>Cash Generated from Operations</b>	<b>1839.59</b>	<b>1384.29</b>	<b>481.46</b>	<b>-307.18</b>
Interest	238.22	381.14	289.80	155.05
Deferred Income Tax	149.22	122.37	395.85	0.00
Income Taxes Paid	252.23	125.16	91.88	106.87
Dividend Paid	145.73	70.40	0.00	82.80
<b>Net Cash from Operating Activities</b>	<b>1054.19</b>	<b>685.22</b>	<b>-296.07</b>	<b>-651.90</b>
<b>B. Cash Flow From Investing Activities</b>				
Increase in Misc Expenditure	0.40	0.00	-91.39	98.51
Purchase of Fixed Assets	1262.96	1078.65	1363.48	3288.18
Investment	72.70	10.00	40.00	97.00
<b>Net Cash from Investing Activities</b>	<b>1336.06</b>	<b>1088.65</b>	<b>1312.09</b>	<b>3483.69</b>
<b>C. Cash Flow From Financing Activities</b>				
Accumulated Deferred Tax Liability	0.00	0.00	0.00	0.00
Capital Profit Of Subsidiary Co	0.00	0.00	0.00	454.23
Capital Reserve Of Subsidiary Co	0.00	0.00	0.00	733.68
Cash Credit Activities	38.06	256.08	358.35	222.24
Deferred Tax	149.22	122.37	395.85	0.00
Issue Of Share Capital	0.00	0.00	214.62	709.38
State Capital Incentive	0.00	0.00	2.03	47.96
Share Premium Recd	0.00	0.00	15.00	0.00
Increase in Unsecured Loans	125.10	184.07	267.88	288.92
Increase in Secured Loans	-334.14	204.96	442.79	1766.16
<b>Net Cash from Financing Activities</b>	<b>-21.76</b>	<b>767.48</b>	<b>1696.52</b>	<b>4222.57</b>
Net Increase in Cash Cash equivalents	<b>-303.63</b>	<b>364.05</b>	<b>88.36</b>	<b>86.98</b>
Cash Cash equivalents at beginning of period	539.39	175.34	86.98	0.00
Cash Cash equivalents at end of period	235.76	539.39	175.34	86.98
	<b>-303.63</b>	<b>364.05</b>	<b>88.36</b>	<b>86.98</b>



## I. Financial Information of Group Companies

### Group Companies

#### 1. Solar Industries Limited

Registered Office:

11, Zade Layout,  
Bharat Nagar,  
Nagpur – 440 033, Maharashtra

Date of Incorporation : 31<sup>st</sup> August 2004  
Date of Commencement of Business : 31<sup>st</sup> August 2004  
Nature of Activity : To deal in all types of steel and to promote, run and install any type of steel plant.

#### *Board of Directors*

The Board of Directors of the Company as on September 30, 2005 comprises:

1. Mr. Satyanarayan Nuwal
2. Mr. Kailashchandra Nuwal
3. Mr. Manish Nuwal

#### *Shareholding Pattern*

#### **Name of the Promoter Group Members Number of equity shares held % shareholding**

<b>Sr. No.</b>	<b>Name</b>	<b>No of Shares</b>	<b>Percentage</b>
1	Mr. Satyanarayan Nuwal	6000	0.80%
2	Mr. Kailashchandra Nuwal	6000	0.80%
3	Mr. Manish Nuwal	6000	0.80%
4	Mr. Nandlal Nuwal	2000	0.27%
5	Ms Indiradevi Nuwal	2000	0.27%
6	Ms Leeladevi Nuwal	2000	0.27%
7	Economic Explosives Limited	426000	56.80%
8	Solar Components Private Limited	50000	6.67%
9	Solar Explosives Limited	187500	25.00%
10	Solar Capitals Limited	62500	8.33%
		<b>750000</b>	<b>100.00%</b>

## Solar Explosives Limited

### Financial performance

(Rs. in lakhs)

	For year ending March 31			
	31.3.05	31.3.04	31.3.03	31.3.02
Sales	0	0	0	0
Other Income	0	0	0	0
Total Income	0	0	0	0
PBIDT	0	0	0	0
PBT	0	0	0	0
PAT	0	0	0	0
Share Capital	75	0	0	0
Reserves and Surplus	0	0	0	0
Net Worth	68.64	0	0	0
EPS (Rs.)	0	0	0	0
Book Value per share(Rs.)	9.15	0	0	0
Debt Equity Ratio	0	0	0	
Dividend	0	0	0	0

### 2. Solar Synthetics Private Limited

Registered Office:

93, Nagori Garden,  
Bhilwara (Rajasthan)

Date of Incorporation : 22<sup>nd</sup> July 1986

Date of Commencement of Business : Not applicable as Private Limited Company

Nature of Activity : Manufacture of Synthetic Fabrics

### Board of Directors

The Board of Directors of the Company as on September 30, 2005 comprises:

1. Mr. Kailashchandra Nuwal
2. Ms. Indiradevi Nuwal

### Shareholding Pattern

Sr. No.	Name	No of Shares
1	Mr. Kailashchandra Nuwal	169550
2	Mr. Satyanarayan Nuwal	96500
3	Mr. Nandlal Nuwal	34900
4	Ms. Ayodhyadevi Bajaj	3000
5	Ms. Indiradevi Nuwal	28500
6	Ms. Leeladevi Nuwal	2250
7	Share Application Money	37000
		<b>371700</b>



*Financial performance*

(Rs. in lakhs)

	For year ending March 31		
	31.3.05	31.3.04	31.3.03
Sales	401.35	388.90	351.65
Other Income	3.87	17.58	14.04
Total Income	405.22	406.48	337.61
PBIDT	8.64	5.66	9.41
PBT	2.15	1.94	1.72
PAT	1.50	1.30	1.00
Share Capital	33.47	33.47	33.47
Share application money	3.70	3.70	3.70
Reserves and Surplus	3.66	2.16	4.32
Net Worth	40.83	39.33	41.49
EPS (Rs.)	0.44	0.38	0.30
Book Value per share(Rs.)	12.22	11.77	12.42
Debt Equity Ratio	2.78	2.83	4.74
Dividend	0	0	0

**3. Solar Processors (B) Limited**

Registered Office:

93, Nagori Garden,  
Bhilwara (Rajasthan)

Date of Incorporation : 27<sup>th</sup> November 1987

Date of Commencement of Business : —

Nature of Activity : Fabric Processors

**Board of Directors**

The Board of Directors of the Company as on September 30, 2005 comprises:

1. Mr. Kailashchandra Nuwal
2. Ms. Indiradevi Nuwal
3. Mr. Satyanarayan Nuwal

**Shareholding Pattern**

Sr.No.	Name	No of Shares
1	Mr. Satyanarayan Nuwal	20010
2	Mr. Kailashchandra Nuwal	20010
3	Ms. Leeladevi Nuwal	9940
4	Mr. Nandlal Nuwal	10
5	Ms. Indiradevi Nuwal	10
6	Mr. Shiv Prakash Bajaj	10
7	Mr Gautam Kumar Nagori	10
		<b>50000</b>

## Solar Explosives Limited

### Financial performance

(Rs. in lakhs)

	For year ending March 31		
	31.3.05	31.3.04	31.3.03
Sales	0	0	0
Other Income	0	0	0
Total Income	0	0	0
PBIDT	0	0	0
PBT	0	0	0
PAT	0	0	0
Share Capital	5.00	5.00	5.00
Reserves and Surplus	0.82	0.82	0.82
Net Worth	5.35	5.37	5.39
EPS (Rs.)	0	0	0
Book Value per share(Rs.)	10.7	10.74	10.78
Debt Equity Ratio	0	0	0
Dividend	0	0	0

#### 4. Mahakal Infrastructure Private Limited

Registered Office:

Dhakate Building,  
Fawara Chowk,  
Gandhi Bagh,  
Nagpur – 440 002, Maharashtra

Date of Incorporation : 4<sup>th</sup> October 2002

Date of Commencement of Business : Not applicable as Private Limited Company

Nature of Activity : Property Developers

#### Board of Directors

The Board of Directors of the Company as on September 30, 2005 comprises:

1. Mr. Satyanarayan Nuwal
2. Mr. Ashok S Mokha
3. Mr. Banwarilal B. Malu

#### Shareholding Pattern

Sr.No.	Name	No of Shares
1	Mr. Satyanarayan Nuwal	50000
2	Mr. Ashok Mokha	112500
3	Mr. Mukant Challani	12500
4	Mr. Vasudev Malu	30000
5	Mr. Prakash Suchak	25000
6	Ms Leeladevi Nuwal	50000]



Sr. No.	Name	No of Shares
7	Ms Seemadevi Nuwal	50000
8	Ms Indiradevi Nuwal	50000
9	Ms Sohandevi Nuwal	50000
10	Mr. Shyam Sunder Sarda	35000
11	Mr. Surendra Mohan Chhada	35000
		<b>500000</b>

Financial performance

(Rs. in lakhs)

	For year ending March 31		
	31.3.05	31.3.04	31.3.03
Sales	0	0	0
Other Income	0	0	0
Total Income	0	0	0
PBIDT	0	0	0
PBT	0	0	0
PAT	0	0	0
Share Capital	50	50	1.20
Reserves and Surplus	0	0	0
Net Worth	47.45	48.59	0.93
EPS (Rs.)	0	0	0
Book Value per share(Rs.)	9.49	9.71	7.75
Debt Equity Ratio	0	0	0
Dividend	0	0	0

#### 5. Mahakal Projects Private Limited

Registered Office:

Ghatate Layout,  
Civil Lines,  
Nagpur – 440 001, Maharashtra

Date of Incorporation : 23<sup>rd</sup> April 2003

Date of Commencement of Business : Not applicable as Private Limited Company

Nature of Activity : Property Developers

#### Board of Directors

The Board of Directors of the Company as on September 30, 2005 comprises:

1. Mr. Satyanarayan Nuwal
2. Mr. Ashok S Mokha
3. Mr. Banwarilal B. Malu

## Solar Explosives Limited

### Shareholding Pattern

Sr. No.	Name	No of Shares
1	Mr Satyanarayan Nuwal	50000
2	Mr. Ashok Mokha	112500
3	Ms Jyoti Challani	12500
4	Mr. Vasudev Malu	30000
5	Mr. Shyam Sunder Sarda	35000
6	Mr. Surendra Mohan Chadda	35000
7	Ms Leeladevi Nuwal	50000
8	Mr. Manish Nuwal	50000
9	Ms Indiradevi Nuwal	50000
10	Ms Sohadevi Nuwal	50000
11	Mr. Prakash Suchak	25000
		<b>500000</b>

### Financial performance

(Rs. in lakhs)

	For year ending March 31		
	31.3.05	31.3.04	31.3.03
Sales	0	0	0
Other Income	0	0	0
Total Income	0	0	0
PBIDT	0	0	0
PBT	0	0	0
PAT	0	0	0
Share Capital	50	50	0
Reserves and Surplus	0	0	0
Net Worth	47.48	48.59	0
EPS (Rs.)	0	0	0
Book Value per shar (Rs.)	9.49	9.71	0
Debt Equity Ratio	0	0	0
Dividend	0	0	0

### Proprietorship Concerns

#### 6. Commercial Sales Corporation

Registered Office:

4, Shivam Apartment,  
Samrat Chowk,  
Solarpur (Maharashtra)

Nature of Activity : Trading and Transport of Explosive Goods  
Shareholding Pattern : Sole Proprietor – Mr. Kailashchandra Nuwal



## Financial performance

(Rs. in lakhs)

	For year ending March 31		
	31.3.05	31.3.04	31.3.03
Sales	358.62	754.19	1654.84
Other Income	43.94	75.80	134.95
Total Income	402.56	829.99	1789.79
PBIDT	47.04	72.34	66.05
PBT	13.65	8.64	5.79
PAT	13.65	8.64	5.79
Proprietors Capital	19.52	-20.75	-10.90

The negative capital is on account of excess withdrawal in the financial year 2002-03 and 2003-04 ,However the entity has not incurred losses in any year.

### 7. Solar Explosives (Transport)

Registered Office:

Dhakate Building,  
Fawara Chowk,  
Gandhi Bagh,  
Nagpur – 440 002, Maharashtra

Nature of Activity : Transportation of Explosive

Shareholding Pattern : Sole Proprietorship – Mr. Satyanarayan Nuwal

## Financial performance

(Rs. in lakhs)

	For year ending March 31		
	31.3.05	31.3.04	31.3.03
Sales	41.00	42.91	41.15
Other Income	3.86	5.50	3.24
Total Income	44.86	48.41	44.38
PBIDT	7.54	13.18	10.45
PBT	0.50	1.97	3.40
PAT	0.50	1.97	3.40
Proprietors Capital	-8.73	-74.71	-37.42

The negative capital is on account of excess withdrawal in the financial year 2002-03,2003-04 and 2004-05 ,However the entity has not incurred losses in any year.

## Solar Explosives Limited

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### 8. Savita Sales Corporation

Nature of Activity	:	Trading of Explosive
Shareholding Pattern	:	Sole Proprietorship – Mr. Manish Nuwal

### Financial performance

There has been no financial transaction in the company since last two years.

### Companies from which the promoters have disassociated themselves in the past three years

- **Savita Fuels & Flames Private Limited**

*Reason for closure:* the company was not carrying any business and did not intend to carry on the business, so in a Board meeting held on 5/12/2003 the company applied to Registrar of companies to strike off the name of the company under Section 560 of the Companies Act, 1956.

### II. Changes in accounting policies in the last three years

There have been no changes in the accounting policies of Solar Explosives Limited in the last three years.



## II. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

### Overview of the business of the company

Solar Explosives Limited manufactures a series of Large Diameter Explosives for applications in surface mines and projects. Small Diameter Explosives for blasting in quarries, underground metal mines, well sinking, tunneling and pipe laying, road construction and other infrastructure projects. Permissible Small Diameter Explosives for blasting in gaseous underground mines and also the entire range of Detonating Cords to compliment the Explosives.

Economic Explosives Limited, which is a 100% subsidiary of SEL, manufactures full range of Detonators and has an annual capacity of 90 million numbers.

Solar Capitals Limited, another 100% subsidiary of SEL which offers a dedicated, on-site manufacturing facility of bulk Explosives for customers. The present Licensed and Installed capacity is 95,000 MT.

Solar Components Private Limited, was set up in the year 1998 for manufacturing of Aluminum Tube, Copper Tube and Brass Fuse Head The products manufactured are used for manufacturing of Detonators. The unit is a part of total Backward Integration for manufacturing of Detonators.

### Significant developments subsequent to the last financial year:

- The Explosive industry got a price increase in the cartridge Explosives from Coal India Limited the largest buyer of the same in India due to increase in the raw material and fuel prices.
- The company has received export orders.

### Factors that may affect results of the operations:

- The consumption of Cartridge Explosives can be affected by the rainy season. As in the current year there has been extended monsoon along with higher rainfall observed in almost all parts of the country, there was a lower offtake of cartridge Explosives.

### Selective Financial Analysis

	Rs. Lakhs					
Income	H1 FY 2006 (Consolidated)	H1 FY2006 Stand Alone	FY 2005	FY2004	FY 2003	FY 2002
<b>Revenue From</b>						
Slurry/Emulsion Explosives	4722.45	3024.01	6783.22	4823.14	3931.54	3734.32
% yoy			40.64%	22.68%	5.28%	
% of Total Income	65.26%	62.21%	85.97%	97.04%	108.11%*	107.90%*
Accessories	2081.31	343.47	698.93	182.75	60.39	91.52
% yoy			282.45%	202.62%	-34.01%	
% of Total Income	28.76%	7.07%	8.86%	3.68%	1.66%	2.64%
Export	321.64	288.06	396.21	38.05		
% yoy			941.29%			
% of Total Income	4.44%	6.15%	5.27%	0.81%		
Ammonium Nitrate	1020.21	1438.52	608.04	277.7	15.96	23.35
% yoy			118.96%	1639.97%	-31.65%	
% of Total Income	14.10%	30.74%	8.10%	5.93%	0.46%	0.69%
Net Sales	7145.51	4680.23	7511.13	4686.47	3502.42	3365.97
% yoy			60.27%	33.81%	4.05%	

## Solar Explosives Limited

Rs. Lakhs

Income	H1 FY 2006 (Consolidated)	H1 FY2006 Stand Alone	FY 2005	FY2004	FY 2003	FY 2002
Other Income	129.34	189.63	245.16	233.22	113.03	93.82
% yoy			5.12%	106.33%	20.48%	
% of Total Income	1.79%	3.90%	3.11%	4.69%	3.11%	2.71%
Total Income (net of Excise)	7236.09	4860.93	7889.76	4970.47	3636.68	3460.9
% yoy			58.73%	36.68%	5.08%	
<b>Expenditure</b>						
Raw Material Consumed	4114.45	3374.1	5207.4	3248.61	2206.45	2156.86
% yoy			60.30%	47.23%	2.30%	
% of Total Income	56.86%	72.09%	69.33%	69.32%	63.00%	64.08%
Manufacturing Expense	339.18	117.69	293.65	161.25	141.12	102.4
% yoy			82.11%	14.26%	37.81%	
% of Total Income	4.68%	2.51%	3.91%	3.44%	4.03%	3.04%
Administrative Expense	115.30	54.22	116.62	82.58	86	79.56
% yoy			41.22%	-3.98%	8.09%	
% of Total Income	1.59%	1.16%	1.55%	1.76%	2.46%	2.36%
Selling and Distribution Expense	668.06	380.26	891.7	521.23	415.89	476.75
% yoy			71.08%	25.33%	-12.77%	
% of Total Income	9.23%	8.12%	11.87%	11.12%	11.87%	14.16%
Interest and Finance Charges	161.34	89.14	116.32	196.5	151.48	91.56
% yoy			-40.80%	29.72%	65.44%	
% of Total Income	2.22%	1.90%	1.55%	4.19%	4.33%	2.72%
Total Expense	5810.57	4234.35	7025.54	4509.94	3217.39	3050.62
% yoy			55.78%	40.17%	5.47%	
% of Total Income	80.29%	90.47%	93.54%	96.23%	91.86%	90.63%
EBITDA	1747.02	807.14	1136.42	773.17	654.15	542.91
% yoy			46.98%	18.19%	20.49%	
EBITDA Margin	24.14%	16.60%	14.40%	15.56%	17.99%	15.69%
PAT	1143.98	515.76	720.2	373.32	300.22	367.95
% yoy			92.92%	24.35%	-18.41%	
% of Total Income	15.81%	11.02%	9.59%	7.97%	8.57%	10.93%
Sundry Debtors	3515.75	2924.02	1037.12	1057.41	829.79	583.14
% yoy			-1.92%	27.43%	42.30%	

\* % Is more than 100 because of Excise duty, the total income is net of Excise whereas the income from individual products is gross.

### Comments on Consolidated Financials of Half Year ending as on 30<sup>th</sup> September 2005

The company in the current financial year has made three of the Group companies namely Economic Explosives Limited, Solar Capitals Limited, Solar Components Private Limited as its wholly own subsidiaries.

**Slurry/Emulsion Explosives:** Revenue from sale of Slurry/Emulsion explosives for the half year ended September, 2005 was Rs. 4722.45 Lakhs. As a percentage of total income it was 65.26%.



**Accessories:** Revenue from sale of Accessories for the half year ended September, 2005 was Rs.2081.31 Lakhs. As a percentage of total income it was 28.76%

**Export:** Exports for the half year ended September 30th, 2005 was Rs. 321.64 Lakhs. The increase was due to acceptance of companies product in overseas market.

**Ammonium Nitrate:** Revenue from sale of Ammonium Nitrate for the half year ended September, 2005 was Rs. 1020.21 Lakhs. The increase was due to increased trading activity.

**Net Sales:** Net sales for the half-year ended September 30th, 2005 was Rs. 7145.51 Lakhs. The increase was due to higher sales in manufacturing and trading activity.

**Cost of Raw Material Consumed:** The Raw material Expenses in the half-year ended September 30th, 2005 were Rs. 4114.45 Lakhs. As a percentage of sales, the expenses was 56.86%.

**Manufacturing Expense:** Manufacturing expense includes expense on power, salary and wages, stores and spares etc., Manufacturing Expenses in the half year ended September 30th, 2005 were Rs. 339.18 Lakhs. As a percentage of sales, the expenses was 4.68%

**Administrative Expense:** Administrative Expenses in the half-year ended September 30th, 2005 were Rs. 115.30 Lakhs. As a percentage of sales, the expenses was 1.59%.

**Selling and Distribution Expense:** Selling and Distribution expense in the half year ended September 30th , 2005 were Rs. 668.06 Lakhs . As a percentage of sales, the expenses was 9.23%

**Total Expense:** Total expense in the half year ended September 30th, 2005 were Rs. 5810.57 Lakhs . As a percentage of sales, the expenses was 80.29% .

**EBITDA :** EBITDA for the half year ended September 30th, 2005 were Rs. 1747.02 Lakhs . As a percentage of sales, the margin was 24.14%.

**Profit After Tax (PAT):** During the half year under review PAT stood at Rs 1143.98 Lakhs. As a percentage of sales, PAT was 15.81%

**Sundry Debtors:** As on September 30th, 2005 sundry debtors stood at Rs 3515.75 Lakhs. The increase was due to increased trade-sales.

#### **Comments on Stand alone Financials of Half Year ending as on September 30th, 2005**

##### **Revenue**

**Slurry/Emulsion Explosives:** Sales of Slurry/Emulsion Explosives for the half year ended September 30th, 2005 was Rs. 3024.01 Lakhs, as a percentage of total income it was 62.21 % .

**Accessories:** Sales of accessories for the half year ended September 30th, 2005 was Rs. 343.47 Lakhs, as a percentage of total income it was 7.07%.

**Exports:** Exports for the half year ended September 30th, 2005 was Rs. 288.06 Lakhs, as a percentage of total income it was 6.15 % .

**Ammonium Nitrate:** Income from Ammonium Nitrate for half year ended September 30th, 2005 was Rs. 1438.52 Lakhs, as a percentage of total income it was 30.74% .

**Other Income:** Other Income for half year ended September 30th, 2005 was Rs. 189.63 Lakhs, as a percentage of total income it was 3.90% .

##### **Expense**

**Raw Material Expense:** Expenditure on the raw material consumed for the half-year ended September 30th, 2005 was Rs. 3374.1 lakhs. As a percentage of total income it was 72.09%.

**Manufacturing Expense:** Manufacturing expense for the half-year ended September 30th, 2005 was Rs.117.69 lakhs. As a percentage of total income it was 2.51%.

## Solar Explosives Limited

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**Administrative Expense:** Administrative expenses for the half-year ended September 30th, 2005 were Rs.54.22 lakhs. As a percentage of total income it was 1.16%.

**Selling and Distribution Expense:** Selling and Distribution expenses for the half-year ended September 30th, 2005 were Rs. 380.26 lakhs. As a percentage of total income it was 8.12%.

**Interest and Finance Expense:** Interest and Finance expenses for the half-year ended September 30th, 2005 were Rs. 89.14 Lakhs. As a percentage of total income it was 1.90%.

**EBITDA Margin:** EBITDA for the half-year ended September 30th, 2005 were Rs 807.14 Lakhs, EBITDA margin was 16.60% for the half year.

**Profit After Tax (PAT):** During the half year under review PAT stood at Rs 515.76 Lakhs. As a percentage of total income, PAT was 11.02%.

**Sundry Debtors:** As on September 30th, 2005 sundry debtors stood at Rs 2924.02 Lakhs. The increase was due to increased trade-sales.

### Comparison of Standalone financials of FY 2005 with FY 2004

#### Revenue

**Slurry/Emulsion Explosives:** Sales of Slurry/Emulsion Explosives for the year ended March 31st, 2005 was Rs 6783.22 Lakhs as compared to 4823.14 Lakhs in FY 2004, year on year increase was 40.64%. The increase was due to more demand for emulsion based small diameter explosive as a result of phasing out of NG explosives by Government of India, as a percentage of total income it decreased to 85.97% from 97.04% in FY 2004.

**Accessories:** Sales of accessories for the year ended March 31, 2005 was Rs 698.93 Lakhs as compared to 182.75 Lakhs in FY 2004, year on year increase was 282.45% .The increase was due to increase in sales of detonators and detonating cord , as a percentage of total income it increased to 8.86% from 3.68% in FY 2004.

**Exports:** Exports for the year ended 2005 was Rs 396.21 Lakhs as compared to 38.05 Lakhs in FY 2004, year on year increase was 949.21% .The increase was due to acceptance of companies product in African and Gulf countries, as a percentage of total income it increased to 5.27% from 0.81% in FY 2004

**Ammonium Nitrate:** Sale from Ammonium Nitrate for the year ended 2005 was Rs 608.04 Lakhs in FY 2004 as compared to 277.7 Lakhs, year on year increase was 118.96% .The increase was due to increase activity in trading , as a percentage of total income it increased to 8.10% from 5.13% in FY 2004

**Other Income:** Other Income for the year ended 2005 was Rs 245.16 Lakhs as compared to 233.22 Lakhs in FY 2004, year on year increase was 5.12% .The increase was due to increase in trade export of accessories, as a percentage of total income it decreased to 3.11% from 4.69% in FY 2004

#### Expense

**Raw Material Expense:** Expenditure on the raw material consumed for the year ended March 31,2005 was Rs. 5207.4 Lakhs compared to 3248.61 Lakhs in FY 2004, year on year increase was 60.30%.The increase was due to increase in sales in slurry/emulsion explosives and accessories. As a percentage of total income the expense was approximately constant at 69.33%.

**Manufacturing Expense:** Manufacturing expense for the year ended March 31,2005 was Rs. 293.65 Lakhs compared to 161.25 Lakhs in FY 2004, year on year increase was 82.11%.The increase was due to increase in production due to higher sales order. As a percentage of total income the expense increased marginally from 3.44% in FY 2004 to 3.91% in FY 2005.

**Administrative Expense:** Administrative expenses for the year ended March 31, 2005 was Rs. 116.62 Lakhs compared to 82.58 Lakhs in FY 2004, year on year increase was 41.22%.The increase was due to increase in sales. However as a percentage of total income the expense decreased marginally from 1.76% in FY 2004 to 1.55% in FY 2005.

**Selling and Distribution Expense:** Selling and Distribution expenses for the year ended March 31, 2005 was Rs. 891.7 Lakhs compared to 521.23 Lakhs in FY 2004, year on year increase was 71.08%.The increase was due to higher logistic cost on account of exports. However as a percentage of total income the expense increased marginally from 11.12% in FY 2004 to 11.87% in FY 2005.



**Interest and Finance Expense:** Interest and Finance expenses for the year ended March 31, 2005 was Rs. 116.32 Lakhs compared to Rs. 196.5 Lakhs in FY 2004, year on year decrease was 40.80%. The decrease was lower cost of finance on account conversion of Rupee loans into FCNR Loans. As a percentage of total income the expense decreased from 4.19% in FY 2004 to 1.55% in FY 2005.

**EBITDA Margin:** EBITDA for the year ended March 31, 2005 was Rs. 1136.42 Lakhs compared to Rs. 773.17 Lakhs in FY 2004, year on year increase was 46.98%. The increase was due to increase in sales. However as a percentage of total income the EBITDA margin decreased marginally from 15.56% in FY 2004 to 14.40% in FY 2005.

**PAT :** PAT for the -year ended March 31, 2005 was Rs. 720.2 Lakhs compared to Rs. 373.32 Lakhs in FY 2004, year on year increase was 92.92%. The increase was due to increase in sales . As a percentage of total income the PAT increased from 7.97% in FY 2004 to 9.59% in FY 2005.

### **Comparision of Standalone financials of FY 2004 with FY 2003**

#### **Revenue**

**Slurry/Emulsion Explosives:** Sales of Slurry/Emulsion Explosives for the year ended 2004 was Rs 4823.14 Lakhs as compared to Lakhs in 3931.54 FY 2003, year on year increase was 22.68%. The increase was due increase in acceptance of emulsion based small diameter cartridge explosives, as a percentage of total income it decreased to 97.04% from 108.11% in FY 2003.

**Accessories:** Sales of accessories for the year ended 2004 was Rs 182.75 Lakhs as compared to 60.39 Lakhs in FY 2003, year on year increase was 202.62% .The increase was due to higher sales of Detonating Fuse which increased from 0.6 million meters to 2.73 million meters, increase in sales of detonators by 1.88 million numbers, as a percentage of total income it increased to 3.68% from 1.66% in FY 2003.

**Exports:** Exports for the year ended 2004 was Rs 38.05 Lakhs, as a percentage of total income it was 0.81%. Exports was mainly on account of companys foray into the export market.

**Ammonium Nitrate:** Income from Ammonium Nitrate for the year ended 2004 was Rs 277.7 Lakhs as compared to 15.96 Lakhs in FY 2003, year on year increase was 1639.97%. The increase was due to increase in trading activity, as a percentage of total income it increased to 5.93% from 0.46% in FY 2004

**Other Income:** Other Income for the year ended 2004 was Rs 233.22 Lakhs as compared to 113.03 Lakhs in FY 2003, year on year increase was 106.33%. The increase was due to increase in job work charges on account of detonator production, as a percentage of total income it increased to 4.69% from 3.11% in FY 2003

#### **Expense**

**Raw Material Expense:** Expenditure on the raw material consumed for the year ended March 31, ,2004 was Rs. 3248.61 Lakhs compared to 2206.45 Lakhs in FY 2003, year on year increase was 47.23%. The increase was due to increase sales and increase in the production of small diameter explosives compared to large diameter explosives. As a percentage of total income the expense increased to 69.32% in FY 2004 from 63% in FY 2003.

**Manufacturing Expense:** Manufacturing expense for the year ended March 31, 2004 was Rs. 161.25 Lakhs compared to 141.12 Lakhs in FY 2003, year on year increase was 14.26%. The increase was due to increase in sales. As a percentage of total income the expense decreased to 3.44% in FY 2004 from 4.03% in FY 2003.

**Administrative Expense:** Administrative expenses for the year ended March 31, 2004 was Rs. 82.58 Lakhs compared to 86.00 Lakhs in FY 2003, year on year decrease was 3.98%..As a percentage of total income the expense decreased to 1.76% in FY 2004 from 2.46% in FY 2003. The decrease was due to increase in sales

**Selling and Distribution Expense:** Selling and Distribution expenses for the year ended March 31, 2004 was Rs. 521.23 Lakhs compared to Rs. 415.89 Lakhs in FY 2003, year on year increase was 25.33%. The increase was due to increase in sales. However as a percentage of total income the expense decreased to 11.12% in FY 2004 from 11.87% in FY 2003 because of more ex factory sales of small diameter explosives.

**Interest and Finance Expense:** Interest and Finance expenses for the year ended March 31, 2004 was Rs. 196.5 Lakhs compared to 151.48 Lakhs in FY 2003, year on year increase was 29.72%. The increase was due to increase in borrowing on account of capital investment. However as a percentage of total income the expense decreased from 4.33% in FY 2003 to 4.19% in FY 2004.

## Solar Explosives Limited

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**EBITDA Margin:** EBITDA for the year ended March 31, 2004 was Rs. 773.17 Lakhs compared to 654.15 Lakhs in FY 2003, year on year increase was 18.19%.The increase was due to increase in sales of explosives and accessories. However as a percentage of total income the EBITDA margin decreased to 15.56% in FY 2004 from 17.99% in FY 2003.

**PAT :** PAT for the year ended March 31, 2004 was Rs. 373.32 Lakhs compared to 300.22 Lakhs in FY 2003, year on year increase was 24.35%.The increase was due to increase in sales of explosives and accessories. As a percentage of total income the PAT decreased from 8.57% in FY 2003 to 7.97% in FY 2004.

### Comparison of Standalone financials of FY 2003 with FY 2002

#### Revenue

**Slurry/Emulsion Explosives:** Sales of Slurry/Emulsion Explosives for the year ended 2003 was Rs 3931.54 Lakhs as compared to 3734.32 Lakhs in FY 2002, year on year increase was 5.28% .The increase was due to increase in sales, as a percentage of total income it increased marginally to 108.11% from 107.90% in FY 2002.

**Accessories:** Sales of accessories for the year ended 2003 was Rs 60.39 Lakhs as compared to 91.52 Lakhs in FY 2002, year on year decrease was 34.01% .The decrease was due to non availability of full ranges of product and initiating systems, as a percentage of total income it decreased to 1.66% from 2.64% in FY 2003.

**Ammonium Nitrate:** Income from Ammonium Nitrate for the year ended 2003 was Rs 15.96 Lakhs as compared to 23.35 Lakhs in FY 2002, year on year decrease was 31.65% .The decrease was due to decrease in trading activity, as a percentage of total income it decreased to 0.46% from 0.69% in FY 2002

**Other Income:** Other Income for the year ended 2003 was Rs 113.03 Lakhs as compared to 93.82 Lakhs in FY 2002, year on year increase was 20.48%. The increase was due to increase in job work charge realization on account of detonator production, as a percentage of total income it increased to 3.11% from 2.71% in FY 2002

#### Expense

**Raw Material Expense:** Expenditure on the raw material consumed for the year ended March 31,2003 was Rs. 2206.45 Lakhs compared to 2156.86 Lakhs in FY 2002, year on year increase was 2.30%.The increase was due to increase in sales. As a percentage of total income the expense decreased to 63.00% in FY 2003 from 64.08% in FY 2002.

**Manufacturing Expense:** Manufacturing expense for the year ended March 31, 2003 was Rs. 141.12 Lakhs compared to 102.4 Lakhs in FY 2002, year on year increase was 37.81%.The increase was due to higher cost incurred by the company for testing charges in order to carry out testing of new products developed by the company.As a percentage of total income the expense increased from 3.04% in FY 2002 to 4.03% in FY 2003.

**Administrative Expense:** Administrative expenses for the year ended March 31, 2003 was Rs. 86.00 Lakhs compared to 79.56 Lakhs in FY 2003, year on year increase was 8.09%.The increase was due to increase in sales.As a percentage of total income the expense increased marginally to 2.46% in FY 2003 from 2.36% in FY 2002.

**Selling and Distribution Expense:** Selling and Distribution expenses for the year ended March 31,2003 was Rs. 415.89 Lakhs compared to Rs. 476.75 Lakhs in FY 2002, year on year decrease was 12.77%.The decrease was due to payment of sales tax in the year 2001-2002 assuming that the benefits under PSI 1993 scheme had been exhausted. Later on when we got the Entitlement certificate for the said period 2001-2002 and assessment order was passed in our favour by excess amount.As a percentage of total income the expense decreased to 11.87% in FY 2003 from 14.16% in FY 2002.

**Interest and Finance Expense:** Interest and Finance expenses for the -year ended March 31, ,2004 was Rs. 151.48 Lakhs compared to 91.56 Lakhs in FY 2002, year on year increase was 65.44%.The increase was due to increase in the borrowing funds for carrying out the capital investment and increased working capital requirements of the company. As a percentage of total income the expense increased to 4.33% in FY 2003 from 2.72% in FY 2002.

**EBITDA Margin:** EBITDA for the for the year ended March 31, 2003 was Rs. 654.15 Lakhs compared to 542.91 Lakhs in FY 2002, year on year increase was 20.49%.The increase was due to increase in sales.As a percentage of total income the EBITDA margin increased to 17.99% in FY 2003 from 15.69% in FY 2002.

**PAT :** PAT for the year ended March 31, 2003 was Rs. 300.22 Lakhs compared to 367.95 Lakhs in FY 2002 , year on year decrease was 18.41%.The decrease was due to significant increase in depreciation amount from Rs.91.57 Lakhs in the year 2001-2002 to Rs.151.48 Lakhs in the year 2002-2003 coupled with increase finance cost as mentioned above. As a percentage of total income the PAT decreased from 10.93% in FY 2002 to 8.57% in FY 2003



## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company and/or subsidiaries/Group concerns, our Directors or promoters, and, there are no defaults, non-payment of statutory dues, overdue to banks/ financial institutions, or proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Act) that would result in a material adverse effect on our consolidated business taken as a whole.

#### Contingent Liability against the Company

As on September 30, 2005 contingent liabilities not provided for appearing in our stand alone financial statements are given below:

- i) Sales Tax Deferment as on 30<sup>th</sup> September 2005 is Rs.2450.93 Lakhs includes Sales Tax Collection Rs196.98 Lakhs, and Setoff Rs.3.82 Lakhs.
- ii) The demand has been raised by Sales Tax Officer, Nagpur for Sales Tax of Rs. 49.90 Lakhs for F.Y.1999-2000. The Company has preferred an appeal with Asst. Commissioner of Sales Tax Appeals, Nagpur and the matter is yet to be decided.
- iii) Counter guarantees given to bank against guarantees given by them on behalf of the company of Rs. 496 lakhs/-
- iv) Excise department has issued Show Cause Notice which purports to impose duty on finished goods used for in-house testing of Rs.0.63 Lakhs related to period 2004-2005 for which the company has filed reply before Dy. Commissioner.
- v) Excise Department has raised demand of Excise duty of Rs.12.55 Lakhs related to

PERIOD	AMOUNT IN LAKHS
Upto Mar'99	3.09
Apr'099 to Sep'00	4.93
Oct'00 to Sep'01	4.52

against the valuation of goods sold. The matter has been decided by Commissioner Appeal in Company's favor, further department has made an appeal with CESTAT against order of Comm. (Appeal) and matter is yet to be decided.

#### Litigations against the company

- A. Criminal Proceedings - None
- B. Securities - None
- C. Statutory :

#### Customs and Central Excise Duty Disputes

1.

<b>Title/Parties</b>	M/s Solar Explosives Limited ...Appellant Versus Additional Commissioner, Customs and Central Excise, Nagpur
<b>Claim</b>	Recovery of Central Excise Duty ;
<b>Court</b>	Commissioner (Appeals), Customs and Central Excise, Nagpur - Order-in-Appeal No. SVS/298/NGP-II/2005.

## Solar Explosives Limited

<b>Stage</b>	Appeal upheld by setting aside the Order-in-Original No. 5-7/US/ADC/2005 dated March 01, 2004 on August 31, 2005 – Department under Section 35EE of the Central Excise Act, 1944 may prefer an appeal against the Order of the Commissioner (Appeals), with the CESTAT, Mumbai, within three months from date of the Order i.e. till November 30, 2005. Till date no notice received from CESTAT regarding filing of an appeal against us by department
<b>Facts</b>	<p>The Company received three Show Cause Notices dated October 15, 2003, January 02, 2004, January 3/4, 2004 in relation to the recovery of freight charges for outward and return journey amounting to Rs.17,30,118, Rs.5,59,955 and Rs. 7,81,397 under Section 11-A and alongwith interest under Section 11AB of the Central Excise Act, 1944. The Show Cause Notices further proposed imposition of penalty under Rule 25 of Central Excise Rules, 2002 read with Section 38A of the Central Excise Act, 1944.</p> <p>The Additional Commissioner, Customs and Central Excise, Nagpur vide Order-in-Original No. 5-7/US/ADC/2005 dated February 28, 2005 confirmed the demand of Rs. 30,71,470 under Section 11-A along with interest thereon under Section 11-AB of the Central Excise Act, 1944.</p> <p>Aggrieved with the Order-in-Original No. 5-7/US/ADC/2005 dated February 28, 2005, the Appellant filed Order-in-Appeal No. SVS/298/NGP-II/2005 before the Commissioner (Appeals), Customs and Central Excise, Nagpur. The Commissioner (Appeals) upheld the appeal by setting aside the Order-in-Original on August 31, 2005.</p> <p>Though the Order has been passed in favour of the Company, the Department can, under Section 35EE of the Central Excise Act, 1944 prefer an appeal against the Order of the Commissioner (Appeals), with the CESTAT, Mumbai.</p>

### 2.

<b>Title/Parties</b>	Commissioner, Central Excise, Nagpur ...Appellant Versus M/s Solar Explosives Limited ...Respondent
<b>Claim</b>	M/s Solar Explosives Limited and M/s Economic Explosives/Commercial Sales Corporation is 'related person' under Section 4 of the Central Excise Act, 1944.
<b>Court</b>	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai - Appeal No. E/3812/03.
<b>Stage</b>	Matter pending – hearing awaited
<b>Facts</b>	<p>The Commissioner, Central Excise, Nagpur filed Appeal No. E/3812/03 while relying on Section 40A (2) of the Income Tax Act to establish that M/s Solar Explosives Limited and M/s Economic Explosives/Commercial Sales Corporation are related person for the purpose of Section 4 of the Central Excise Act, 1944.</p> <p>The Company has made written submissions by its Reply under Rule 15A of CESTAT Procedure Rules, 1982 dated April 13, 2004 before the CESTAT, Mumbai, denying the same and personal hearing on the matter is awaited.</p>
<b>Claim Amount</b>	Rs 3,09,517

### 3.

<b>Title/Parties</b>	Assistant Commissioner of Central Excise Versus M/s Solar Explosives Limited
<b>Claim</b>	Short Payment of Duty
<b>Court</b>	Assistant Commissioner of Central Excise - Show Cause Notice No. V (36)3-24/2003/D/2391



<b>Stage</b>	Company awaiting response from Department
<b>Facts</b>	<p>The Company received a Show Cause Notice No. V (36)3-24/2003/D/2391 dated March 24/26, 2004 wherein the Company has passed on trade discount to M/s Commercial Sales Corporation not as per commercial consideration and has allowed irregular discount to related person resulting in short payment of duty of Rs. 4,52,312. The department has alleged that the Company has neither submitted the invoice under which trade discount is given or in the monthly return submitted in case of related person to the department.</p> <p>Accordingly, short payment of duty to the tune of Rs. 4,52,312 has been demanded from the period from August 01, 2000 to September 30, 2001.</p> <p>The Company has addressed a letter dated May 5, 2004 to the Assistant Commissioner, Div-II, Nagpur (received by the department on May 5, 2004) setting out its response to the allegations levied against it. This matter will be decided on the basis of decision of CESTAT in appeal no. E/ 3812/03 since matter is identical</p>

4.

<b>Title/Parties</b>	Assistant Commissioner of Central Excise Versus M/s Solar Explosives Limited
<b>Claim</b>	Short Payment of Duty
<b>Court</b>	Assistant Commissioner, Div-II, Nagpur - Show Cause Notice No. V (16)18-318/Ref/03/5213
<b>Stage</b>	Recovery of refund granted by Assistant Commissioner by Order-in-Original No. 314/2004/Dn-II/ Ref dated June 7, 2004
<b>Facts</b>	<p>The Company received a Show Cause Notice No. V (16)18-318/Ref/03/5213 dated June 23, 2004 wherein the department purports to recover the refund granted by the Assistant Commissioner, Div-II, Nagpur under his Order-in-Original No. 314/2004/Dn-II/Ref dated June 7, 2004.</p> <p>The Assistant Commissioner granted the refund in compliance of the Order-in-Appeal No. BPS (243)/2003/9070 dated August 22, 2003 passed by the Commissioner (Appeals).</p> <p>Now, the Assistant Commissioner has issued the Show Cause Notice No. V (16)18-318/Ref/03/ 5213 dated June 23, 2004 declaring that the Order-in-Original No. 314/2004/Dn-II/Ref dated June 7, 2004 is not proper and legal.</p>
<b>Claimed Amount</b>	Rs 452, 312

5.

<b>Title/Parties</b>	Assistant Commissioner of Central Excise Versus M/s Solar Explosives Limited
<b>Claim</b>	Evasion of Payment of Excise Duty
<b>Court</b>	Deputy Commissioner, Div-II, Nagpur - Show Cause Notice No. V (36)3-33/2005/D/2714
<b>Stage</b>	Company awaiting Order in the matter.
<b>Facts</b>	The Company received a Show Cause Notice No. V (36)3-33/2005/D/2714 dated April 28, 2005 wherein the Company has allegedly cleared samples of Detonators for testing without intimating or mentioning the Central Excise Range Office and without payment of excise duty amounting to Rs. 68,890 and education cess of Rs. 875 under Section 11-A(1) of the Central Excise Act, 1944.

## Solar Explosives Limited

	<p>The Company has shown the cleared samples of Detonators as wastage during the period from April 2004 to January 2005 to evade payment of excise duty and is thus subject to penalty under Section 11-AC along with recovery of interest under Section 11-AB of the Central Excise Act, 1944.</p> <p>The Company has addressed a letter dated June 20, 2005 to the Deputy Commissioner, Div-II, Nagpur setting out its response to the allegations levied against it.</p>
<b>Claimed Amount</b>	Rs 68,890,875

6.

<b>Title/Parties</b>	<p>Assistant Commissioner of Central Excise Versus M/s Solar Explosives Limited</p>
<b>Claim</b>	Evasion of Payment of Excise Duty
<b>Court</b>	Additional Commissioner, Customs and Central Excise, Nagpur - Show Cause Notice No. V (36)15-84/2005/Adj.
<b>Stage</b>	Outcome of this matter will depend on the outcome of case cited at point number 1 hereinabove
<b>Facts</b>	<p>The Company has received a Show Cause Notice No. V (36)15-84/2005/Adj dated August 05, 2005 wherein the Company failed to submit invoice under which excisable goods are cleared or in the monthly excise about the freight charges collected to the department amounting to Rs. 9,63,784 for the period July 1, 2004 to March 31, 2005.</p> <p>The Company is thus subject to penalty under Rule 25 of the Central Excise Rules 2002 alongwith recovery of interest under Section 11-AB of the Central Excise Act, 1944.</p> <p>The Company has addressed a letter dated September 1, 2005 to the Additional Commissioner, Customs and Central Excise, Nagpur setting out its response to the allegations levied against it.</p>
<b>Claimed Amount</b>	Rs 9,63,784

7.

<b>Title/Parties</b>	<p>Commissioner, Central Excise, Nagpur ...Appellant Versus M/s Solar Explosives Limited ...Respondent</p>
<b>Claim</b>	M/s Solar Explosives Limited and M/s Economic Explosives/Commercial Sales Corporation is 'related person' under Section 4 of the Central Excise Act, 1944.
<b>Court</b>	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai - Appeal No. E/3811/03.
<b>Stage</b>	Company awaiting hearing.
<b>Facts</b>	<p>The Commissioner, Central Excise, Nagpur filed Appeal No. E/3811/03 dated February 19, 2004 while relying on Section 40A (2) of the Income Tax Act to establish that M/s Solar Explosives Limited and M/s Economic Explosives/Commercial Sales Corporation are related person for the purpose of Section 4 of the Central Excise Act, 1944.</p> <p>The Company has made written submissions by its Reply under Rule 15A of CESTAT Procedure Rules, 1982 dated April 13, 2004 before the Assistant Registrar, CESTAT, Mumbai, denying the same.</p>
<b>Claimed Amount</b>	Rs 4,93,440



**D. Civil Disputes : None**

**E. Miscellaneous:**

**Labour Related Disputes Filed Against the Company**

1.

<b>Title/Parties</b>	Sunil Patle ...Complainant Versus M/s Solar Explosives Limited ...Respondent
<b>Claim</b>	Stay dismissal order dated December 4, 1998 filed by Company under Section 28 of Schedule – IV of the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 (MRTUP and ULP).
<b>Court</b>	2 <sup>nd</sup> Labour Court, Nagpur - Unfair Labour Practice Case No. 64/1999
<b>Stage</b>	Matter pending.
<b>Facts</b>	The complaint has been filed by Sunil Patle (ULPA Case No. 64/1999) under Section 30 (2) of Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 (MRTUP and ULP) to stay the dismissal order dated December 4, 1998 filed by the Company under Section 28 of Schedule – IV of the Act. Order dated March 18, 2002 passed rejecting the application for stay. Judgment awaited.
<b>Claimed Amount</b>	Contractor to pay

2.

<b>Title/Parties</b>	Nandlal Parihar ...Complainant Versus M/s Solar Explosives Limited ...Respondent
<b>Claim</b>	Stay dismissal order dated December 4, 1998 filed by Company under Section 28 of Schedule – IV of the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 (MRTUP and ULP).
<b>Court</b>	2 <sup>nd</sup> Labour Court, Nagpur - Unfair Labour Practice Case No. 65/1999
<b>Stage</b>	Matter pending.
<b>Facts</b>	The complaint has been filed by Nandlal Parihar (ULPA Case No. 65/1999) under Section 30 (2) of Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 (MRTUP and ULP) to stay the dismissal order dated December 4, 1998 filed by the Company under Section 28 of Schedule – IV of the Act. Order dated March 18, 2002 passed rejecting the application for stay. Judgment awaited.
<b>Claimed Amount</b>	Contractor to pay

3.

<b>Title/Parties</b>	Nagpur General Labour Union ...Complainant Versus M/s Solar Explosives Limited ...Respondent
<b>Claim</b>	Company should provide various statutory facilities under labour laws.

## Solar Explosives Limited

<b>Court Stage Facts</b>	Industrial Court, Nagpur - Unfair Labour Practice Case No. 150/2004 Matter pending. The Nagpur General Labour Union, which is a unrecognised union, has filed Unfair Labour Practice Case No. 150/2004 dated April 26, 2004 under Sections 28 and 30 (2) of Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 (MRTUP and ULP) on behalf of the workmen of the Company for directing the Company to provide various statutory facilities under the labour laws to the workmen. Next date of hearing is on January 9, 2006.
<b>Claimed Amount</b>	No financial implication

4.

<b>Title/Parties</b>	Rajesh Maroti Ghode ...Complainant Versus M/s Solar Explosives Limited ...Respondent
<b>Claim</b>	Reinstatement of Contract Worker Rajesh Maroti Ghode with full back wages from February 14, 2004.
<b>Court Stage Facts</b>	3 <sup>rd</sup> Labour Court, Nagpur - Reference IDA No. 55/2004 Matter pending. The Company terminated the employment of Rajesh Ghode (Contractor J.H. Jaiswal) from its factory at Chakdoh. The matter was referred to the Conciliation Officer Reference IDA No. 55/2004 under the Industrial Disputes Act, 1947, who referred the matter to the Additional Commissioner of Labour, Nagpur. The Additional Commissioner of Labour, Nagpur passed the schedule that Rajesh Ghode be reinstated in service with payment of full back wages with effect from February 14, 2004 and further referred the dispute for adjudication to the 3 <sup>rd</sup> Labour Court, Nagpur. The Company has filed its reply dated July 4, 2005 to the statement of claim. Next hearing is on January 23,2006
<b>Claimed Amount</b>	Contractor to pay

5.

<b>Title/Parties</b>	Suryaprakash Parate ...Complainant Versus M/s Solar Explosives Limited ...Respondent
<b>Claim</b>	Reinstatement of Contract Worker Suryaprakash Parate with full back wages from October 6, 2003.
<b>Court Stage Facts</b>	2 <sup>nd</sup> Labour Court, Nagpur - Unfair Labour Practice Case No. 238/2005 Matter pending. The Company terminated the employment of Contract Worker Suryaprakash Parate, (Contractor S.B. Pandey), from October 6, 2003. The present Unfair Labour Practice Case No. 238/2005 is filed under Section 28 of Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 (MRTUP and ULP) to quash and set aside the termination effected by the Company and reinstate the Contract Worker from October 6, 2003 alongwith full back wages and continuity of service. Last hearing date in the matter was on January 17 ,2006
<b>Claimed Amount</b>	Contractor to pay



## F. Writ Petitions

1.

<b>Title/Parties</b>	Explosive Manufacturers Association of India and Anr. ...Petitioners Versus Union of India and Ors. ...Respondents
<b>Claim</b>	Writ Petition No. 600 of 2005 under Article 226 of the Constitution of India in subject matter in relation to Tenders for Procurement of material for public undertakings under Group Head of the Classification List.
<b>Court</b>	High Court, Calcutta - Writ Petition No. 600 of 2005 under Article 226 of the Constitution of India.
<b>Stage</b>	Matter is pending.
<b>Facts</b>	The Writ Petition is filed challenging the illegal and arbitrary adjustment/deductions made by Subsidiary Companies of Coal India Limited, from the current bills raised by the members of the Petitioner No.1 for the products/goods supplied for the year 2004 – 2005 in pursuance to letter dated March 17, 2004 to Indian Explosives Limited, a member of Petitioner No.1.
<b>Claimed Amount</b>	The same will be decided by the High Court, Calcutta.

2.

<b>Title/Parties</b>	Assistant Commissioner of Central Excise Versus M/s Solar Explosives Limited
<b>Claim</b>	Writ Petition No. 4063/2004 challenging validity of Government Notification dated June 30, 2004 under the Minimum Wages Act, 1948
<b>Court</b>	High Court, Nagpur - Writ Petition No. 4063/2004
<b>Stage</b>	Company awaiting further hearing in the matter.
<b>Facts</b>	<p>The Writ Petition dated August 25, 2004 is filed challenging the validity of the Notification dated June 30, 2004 passed by the State of Maharashtra and the Advisory Board which revised the Minimum Rate of Wages for the employees employed in scheduled employment mentioned in entry 65 of the Schedule Part – 1 of the Minimum Wages Act, 1948.</p> <p>The Company has filed the Writ Petition for quashing and for stay in the effect and operation of the Notification dated June 30, 2004 stating the same to be violative of Article 14 and 19 (i) (g) of the Constitution of India.</p>

## Solar Explosives Limited

**Claim Amount** Rs 10,80,288

**Litigations filed by/against Group companies/firms**

**M/s ECONOMIC EXPLOSIVES LIMITED**

**A. Criminal – None**

**B. Securities – None**

**C. Statutory**

**Customs and Central Excise Duty Disputes**

1.

<b>Title/Parties</b>	M/s Economic Explosives Limited Versus Deputy Commissioner, Customs and Central Excise, Nagpur
<b>Claim</b>	Recovery of Central Excise Duty of Rs. 48,355 and Rs. 51,158.
<b>Court</b>	Commissioner (Appeals), Customs and Central Excise, Nagpur
<b>Stage</b>	Order in favour of M/s Economic Explosives passed.
<b>Facts</b>	<p>The Company received two Show Cause Notices dated October 15, 2003 and February 23, 2004 to the Company in relation to the recovery of central excise duty of Rs.48,355 and Rs.51,158 along with interest thereon under section 11-AB of the Central Excise Act, 1944. The Show Cause Notices further proposed confiscation of goods in question valued at Rs.18,25,45,825 and Rs.11,45,90,403 and imposition of penalty under Rule 25 of Central Excise Rules, 2002.</p> <p>The Assistant Commissioner Central Excise, Div II, Nagpur vide Order-in-Original No. 399/2003/Dn-II/D dated January 02, 2004 and 313/2004/Dn-II/D dated May 31, 2004 confirmed the demand of Rs. 48,355 and Rs.51,158 along with interest thereon under section 11-A of the Central Excise Act, 1944. The Assistant Commissioner also imposed a penalty of Rs.48,355 and Rs.10,000 under Section 11AC of the Central Excise Act, 1944.</p> <p>Aggrieved with both the Orders-in-Original, the Appellant had filed the appeals before the Commissioner (Appeals). The Commissioner (Appeals) upheld one of the orders and set aside the other order.</p> <p>The Company went in appeal against the order upheld against it, whereas the Department preferred an appeal against the order upheld against it. The appeals were heard before the CESTAT, Mumbai. CESTAT by its order dated June 22, 2005 remitted back both the appeals to the Commissioner (Appeals) with direction to rehear the assessee and thereafter to hold one view on the same subject matter.</p> <p>The Commissioner re-considered the issues raised in the Show Cause Notices, in particular, whether the freight element charged by the appellants for to and fro journey of transport vehicle at a flat rate on per kilometre basis should be added to the assessable value or not.</p> <p>After hearing both the sides, the Commissioner held that the Show Cause Notices are not maintainable, in so far as demand on freight charges is concerned. It further held that since the demand itself does not survive as a consequence the penalty also is not sustainable. Till date company has not received any notice from CESTAT regarding filing of an appeal by department.</p>



2.

<b>Title/Parties</b>	M/s Economic Explosives Limited Versus Deputy Commissioner, Customs and Central Excise, Nagpur.
<b>Claim</b>	Evasion of Central Excise Duty of Rs. 88,363
<b>Court</b>	Superintendent Central Excise, Nagpur - Show Cause Notice No. C.No.V(36) 3-14/2005/D/2712.
<b>Stage</b>	Order expected.
<b>Facts</b>	<p>The Company has made written submissions by its letter dated June 20, 2005 in relation to the Show Cause Notice No. C.No.V (36) 3-14/2005/D/2712 dated April 28, 2005 (received by the Company on May 11, 2005) issued by the Deputy Commissioner, Customs.</p> <p>The Show Cause Notice stated that the Company was clearing samples of Detonators regularly for testing without intimating or mentioning to the Central Excise Range office and without payment of excise duty.</p> <p>The Company wrote a further letter dated August 10, 2005 addressed to the Superintendent Central Excise, Nagpur stating that since the Department is already in the know-how of the facts, issuing of the Show Cause Notice based on the information submitted by the Company and then charging the Company with suppression of facts is not justified and therefore should not be levied.</p>

3.

<b>Title/Parties</b>	Deputy Commissioner, Customs and Central Excise, Nagpur Versus M/s Economic Explosives Limited
<b>Claim</b>	Short Payment of Duty of Rs. 71,732
<b>Court</b>	Deputy Commissioner, Customs and Central Excise, Nagpur - Show Cause Notice No. V (36)3-75/2005/D/6743.
<b>Stage</b>	Matter is pending.
<b>Facts</b>	<p>The Company has received a Show Cause Notice No. V (36)3-75/2005/D/6743 dated July 27/29, 2005 wherein the Department has alleged that the Company has neither submitted the invoice under which excisable goods are cleared nor did they inform the department separately about the freight charges so collected.</p> <p>Accordingly, short payment of duty to the tune of Rs.71,732 has been demanded from the period from August 01, 2004 to March 31, 2005.</p> <p>The Company has addressed a letter dated September 1, 2005 to the Deputy Commissioner setting out its response to the allegations levied against it.</p>

4.

<b>Title/Parties</b>	Commissioner, Customs and Central Excise, Nagpur Versus M/s Economic Explosives Limited
<b>Claim</b>	Short Payment of Duty of Rs. 75,177
<b>Court</b>	Commissioner (Appeal), Customs and Central Excise, Nagpur - Show Cause Notice No. V (36)3-67/2004/D/10267
<b>Stage</b>	Matter is pending.

## Solar Explosives Limited

<b>Facts</b>	<p>The Company received Show Cause Notice No. V (36)3-67/2004/D/10267 dated October 26, 2004 wherein the Department has alleged that the Company has neither submitted the invoice under which excisable goods are cleared nor did they inform the department separately about the freight charges so collected</p> <p>Accordingly, short payment duty to the tune of Rs. 75,177 under Section 11-A alongwith interest under Section 11-AB of Central Excise Act, 1944 is demanded from the Company. The Company is also liable for Penalty under Rule 25 of the Central Excise Rules, 2002.</p>
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5.

<b>Title/Parties</b>	Explosive Manufacturers Association of India and Anr. ...Petitioners Versus Union of India and Ors. ...Respondents
<b>Claim</b>	Writ Petition No. 600 of 2005 under Article 226 of the Constitution of India in subject matter in relation to Tenders for Procurement of material for public undertakings under Group Head of the Classification List.
<b>Court</b>	High Court, Calcutta - Writ Petition No.600 of 2005 under Article 226 of the Constitution of India.
<b>Stage</b>	Matter is pending
<b>Facts</b>	The Writ Petition is filed challenging the illegal and arbitrary adjustment/deductions made by Subsidiary Companies of Coal India Limited, from the current bills raised by the members of the Petitioner No.1 for the products/goods supplied for the year 2004 – 2005 in pursuance to letter dated March 17, 2004 to Indian Explosives Limited, a member of Petitioner No.1.
<b>Claimed Amount</b>	As decided by the High Court, Calcutta.

D. Civil - None

E. Other - None

### SOLAR CAPITALS LIMITED

A. Criminal – None

B. Securities – None

C. Statutory – None

D. Civil – None

E. Miscellaneous

### Writ Petition(s)

1.

<b>Title/Parties</b>	Explosive Manufacturers Association of India and Anr. ...Petitioners Versus Union of India and Ors. ...Respondents
<b>Claim</b>	Writ Petition No.600 of 2005 under Article 226 of the Constitution of India in subject matter in relation to Tenders for Procurement of material for public undertakings under Group Head of the Classification List.
<b>Court</b>	High Court, Calcutta - Writ Petition No. 600 of 2005 under Article 226 of the Constitution of India.
<b>Stage</b>	Matter is pending



<b>Facts</b>	The Writ Petition is filed challenging the illegal and arbitrary adjustment/deductions made by Subsidiary Companies of Coal India Limited, from the current bills raised by the members of the Petitioner No.1 for the products/goods supplied for the year 2004 – 2005 in pursuance to letter dated March 17, 2004 to Indian Explosives Limited, a member of Petitioner No.1.
<b>Claimed Amount</b>	As decided by the High Court, Calcutta.

**Mahakal Infrastructures Private Limited**

- A. Criminal – None
- B. Securities – None
- C. Statutory – None
- D. Civil

**Land/Property Dispute**

1.

<b>Title/Parties</b>	Bachhraj Factories Limited ...Appellant Versus Chief Secretary, Government of Madhya Pradesh and Ors. ...Respondents
<b>Claim</b>	Against Judgment and Decree dated August 3, 2000 passed by the Additional District Judge, Ujjain, in Civil Suit No. 10A/2000.
<b>Court</b>	High Court, Indore, Madhya Pradesh - First Appeal No. 810 of 2000
<b>Stage</b>	Matter is pending
<b>Facts</b>	Bachhraj Factories Limited, Mumbai, executed a Registered Sale Deed in 1962 with the proprietor of Khan Saheb Nazar Ali Mills at Ujjain for the property admeasuring 41.13 Acres of land situated within the limits of Ujjain Municipal Corporation.  The First Appeal is filed under Section 96 of the Code of Civil Procedure and is preferred against the Judgment and Decree dated August 3, 2000 passed by the Additional District Judge, Ujjain, in Civil Suit No. 10A/2000 by which the Appellant has sought declaration, permanent injunction
<b>Claimed Amount</b>	As decided by the High Court, Calcutta

2.

<b>Title/Parties</b>	Municipal Corporation, Ujjain and Ors. ...Appellants Versus Bachhraj Factories Limited ...Respondents
<b>Claim</b>	Against Judgment and Decree dated December 12, 2003 passed by the Additional District Judge, Fast Track Court, Ujjain, in Civil Suit No. 23A/2002
<b>Court</b>	High Court, Indore, Madhya Pradesh - First Appeal No. 43 of 2003
<b>Stage</b>	Matter is pending
<b>Facts</b>	Bachhraj Factories Limited, Mumbai, executed a Registered Sale Deed in 1962 with the proprietor of Khan Saheb Nazar Ali Mills at Ujjain for the property admeasuring 41.13 Acres of land situated within the limits of Ujjain Municipal Corporation.  The First Appeal is preferred against the Judgment and Decree dated December 12, 2003 passed by the Additional District Judge, Fast Track Court, Ujjain, in Civil Suit No. 23A/2002 by which the Appellant has sought declaration and permanent injunction against the Order dated December 12, 2003 holding that Bachhraj is the owner of the disputed property either by sale or adverse possession.

## Solar Explosives Limited

<b>Claimed Amount</b>	The Judgment and Decree has held that since the property tax is being paid by Bachhraj, thus Bachhraj has become the owner of the property being Survey No. 1332/1/1A, Area 14.13 Acres together with building and machinery situated within the municipal limits of Ujjain Municipal Corporation. As decided by the High Court, Calcutta
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**E. Miscellaneous - None**

**Mahakal Projects Private Limited**

**A. Criminal – None**

**B. Securities – None**

**C. Statutory – None**

**D. Civil**

**Land/Property Dispute**

1.

<b>Title/Parties</b>	Bachhraj Factories Limited ...Appellant Versus Chief Secretary, Government of Madhya Pradesh and Ors. ...Respondents
<b>Claim</b>	Against Judgment and Decree dated August 3, 2000 passed by the Additional District Judge, Ujjain, in Civil Suit No. 10A/2000.
<b>Court</b>	High Court, Indore, Madhya Pradesh - First Appeal No. 810 of 2000
<b>Stage</b>	Matter is pending
<b>Facts</b>	Bachhraj Factories Limited, Mumbai, executed a Registered Sale Deed in 1962 with the proprietor of Khan Saheb Nazar Ali Mills at Ujjain for the property admeasuring 41.13 Acres of land situated within the limits of Ujjain Municipal Corporation. The First Appeal is filed under Section 96 of the Code of Civil Procedure and is preferred against the Judgment and Decree dated August 3, 2000 passed by the Additional District Judge, Ujjain, in Civil Suit No. 10A/2000 by which the Appellant has sought declaration, permanent injunction
<b>Claimed Amount</b>	As decided by the High Court, Calcutta

2.

<b>Title/Parties</b>	Municipal Corporation, Ujjain and Ors. ...Appellants Versus Bachhraj Factories Limited ...Respondents
<b>Claim</b>	Against Judgment and Decree dated December 12, 2003 passed by the Additional District Judge, Fast Track Court, Ujjain, in Civil Suit No. 23A/2002
<b>Court</b>	High Court, Indore, Madhya Pradesh - First Appeal No. 43 of 2003
<b>Stage</b>	Matter is pending
<b>Facts</b>	Bachhraj Factories Limited, Mumbai, executed a Registered Sale Deed in 1962 with the proprietor of Khan Saheb Nazar Ali Mills at Ujjain for the property admeasuring 41.13 Acres of land situated within the limits of Ujjain Municipal Corporation. The First Appeal is preferred against the Judgment and Decree dated December 12, 2003 passed by the Additional District Judge, Fast Track Court, Ujjain, in Civil Suit No. 23A/2002 by which the Appellant has sought declaration and permanent injunction against the Order dated December 12, 2003 holding that Bachhraj is the owner of the disputed property either by sale or adverse possession.



<b>Claimed Amount</b>	The Judgment and Decree has held that since the property tax is being paid by Bachhraj, thus Bachhraj has become the owner of the property being Survey No. 1332/1/1A, Area 14.13 Acres together with building and machinery situated within the municipal limits of Ujjain Municipal Corporation. As decided by the High Court, Calcutta
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**E. Miscellaneous - None**

**Commercial Sale Corporation**

**A. Criminal – None**

**B. Securities – None**

**C. Statutory – None**

**D. Civil**

**Land/Property Dispute**

1.

<b>Title/Parties</b>	Commercial Sales Corporation ..... Plaintiff Versus Tamilnadu Explosives Limited ..... Defendant
<b>Claim Amount</b>	36,67,597 with future interest at the rate of 20% per annum
<b>Suit</b>	Special Civil Suit No.714/1998
<b>Stage</b>	Written statement has been filed by the Defendant and the matter is posted for framing of issues on January 23, 2006
<b>Facts</b>	The matter arises on account of alleged breach of agreement dated January 02, 1996 by M/s Tamilnadu Industrial Explosives Limited. The Plaintiff had agreed to purchase a product i.e. Telgex-90. Pursuant to the Agreement, the Plaintiff had deposited Rs.10,00,000 as earnest money deposit.  By virtue of the said Agreement, it was agreed that the price of Telgex-90 as prevalent in January 1996 would be maintained throughout the year. The Defendant unilaterally raised the price and also withheld the earnest money deposit.  Accordingly, the Plaintiff filed a suit for decree for an amount of Rs.31,67,597 with future interest @20% from the date of suit till realization.

2.

<b>Title/Parties</b>	Smt. Kirti Rathi ... Plaintiff Versus Solar Explosives Limited ... Defendant
<b>Claim Amount</b>	Rs.2,27,000
<b>Suit</b>	Special Civil Suit No.812/1999
<b>Stage</b>	Written statement has been filed by the Defendant and the matter is posted for evidence on January 07, 2006
<b>Facts</b>	The matter arises out of monetary transaction whereby Economic Explosives (earlier a partnership firm, now Commercial Sales Corporation – a sole proprietary firm) has returned unsecured loan of an amount of Rs.1,50,000 by cheque drawn on Oriental Bank of Commerce.

## Solar Explosives Limited

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	<p>The Cheque was delivered to her own brother Mr. Rajesh Shankarlal Ghurka, who accepted the receipts of the cheque. It appears that cheque was misplaced/misappropriated and according to the plaintiff someone encashed the cheque.</p> <p>The matter was reported to the police and the claim is directed against Oriental Bank of Commerce, who as per the Plaintiff, was negligent in performing its duties.</p>
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### E. Miscellaneous – None

#### Amounts Payable to Small Scale Industries

Sundry Creditors for goods and expenses include dues to Small Scale Industrial Undertakings aggregating to Rs. 65.63 Lakhs. The names of Small Scale Industrial Undertakings (to the extent of information available with the management) to whom the Company owes a sum exceeding Rs.1,00,000 Lakh each.

- I. M/s. Solar Components Private Limited, OVN Solar Cables Private Limited, Rudraksha Allied Chemicals Private Limited, Rudraksha Chemicals Minerals, Hiral Packaging and Bharat Solar Cable. None of the aforesaid outstanding are due for payment as at 30th September 2005 as per the agreed terms.



## GOVERNMENT APPROVALS / LICENSING ARRANGEMENTS

We have received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for our business and no further approvals are required by us for carrying on the present as well as proposed business activities of the Company. It must, however, be distinctly understood that in granting the above approvals, the government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, we can undertake this issue and our current business activities and no further major approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of license, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

### A. SOLAR EXPLOSIVES LIMITED

Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
1.	Registrar of Companies	11- 85878	Certificate of Incorporation	-
2.	Maharashtra Pollution Control Board	BO/Nagpur-070/0/CC-110	Section 26 of the Water (Prevention and Control of Pollution), Act, 1974; Section 21 of the Air (Prevention and Control of Pollution), Act, 1981; Authorisation/ Renewal of Authorisation Under Rule 5 of the Hazardous Wastes (Management and Handling) Rules 1989 and Amendment Rules, 2000.	June 30, 2006
3.	Deputy Director, Industrial Safety and Health	Licence No. 1288/ Nagpur/2/m(i)	Factory Licence – factory situated at Chakdoh, Nagpur.	December 31, 2006
4.	Registering Officer, Nagpur Shyam Bihari Pandey, Jaiprakash Jaiswal, R.K Mishra, Jhinku Yadav, Maa Santoshi, Construction Company and Govindlal Gupta	Z/2/034/98	Contract Labour Registration under sub-section 7 of the Contract Labour (Regulation and Abolition) Act, 1970 – factory at Chakdoh, Nagpur.	December 31, 2005
5.	Manufacturing Licence	E25(33) 815/MR/NAG/457/E	Explosives- 80,000 MT	March 31, 2006
6.	Manufacturing Licence	E25(33) 845/MR/NAG/476/E	Detonators and Nonel- 50 Mill Nos.	March 31, 2006
7.	Manufacturing Licence	E25(33) 994/MR/NAG/649/E	Detonating fuse- 20 mill mtrs, PETN- 250 MT Cast Booster- 60MT	March 31, 2006
8.	Magazine Licence (for Possession and Sale)	E25(7) 1810	Explosives-08 M.T Detonating Fuse- 20 lakh mtr, PETN/Cast Booster- 7MT	March 31, 2006
9.	Magazine Licence (for Possession and Sale)	E25(7) 2103	Explosives- 40MT	March 31, 2007
10.	Magazine Licence (for Possession and Sale)	E25(7) 2104	Explosives- 30MT Detonating Fuse-10 lakh mtr	March 31, 2007
11.	Magazine Licence (for Possession and Sale)	E25(7) 2187	Explosives- 30MT Detonating Fuse- 10 lakh mtr	March 31, 2007

## Solar Explosives Limited

Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
12.	Magazine Licence (for Possession and Sale)	E25 (7) 2188	Explosives- 40MT	March 31, 2007
13.	Magazine Licence (for Possession and Sale)	E25 (7) 2189	PETN (Wet) – 3000 Kg TNT – 2000 Kg	March 31, 2006
14.	Magazine Licence (for Possession and Sale)	E25(7) 2309	Explosives- 70MT	March 31, 2006
15.	Magazine Licence (for Possession and Sale)	E25(7) 2326	Explosives- 50MT	March 31, 2006
16.	Magazine Licence (for Possession and Sale)	E25(7) 2327	Explosives- 50MT	March 31, 2007
17.	Magazine Licence (for Possession and Sale)	E25(7) 2328	Explosives- 50MT	March 31, 2007
18.	Magazine Licence (for Possession and Sale)	E/HQ/MH/21/417 (E21620)	Explosives- 70MT	March 31, 2006
19.	Magazine Licence (for Possession and Sale)	E/HQ/MH/21/416 (E21592)	Explosives- 50MT	March 31, 2006
20.	Magazine Licence (for Possession and Sale)	E25(7) 2037	Detonators and Nonel- 25 Lakh No.	March 31, 2006
21.	Magazine Licence (for Possession and Sale)	E25(7) 2038	Detonators and Nonel- 25 Lakh No.	March 31, 2006
22.	Magazine Licence (For Use)	E25(7) 2189/MR/NAG/653/E	PETN-3 MT, TNT- 2MT	March 31, 2006
23.	Magazine Licence (For Use)	E25(7) 1891/MR/NAG/477/E	Detonators- 5.5 lakh Nos Fuse Head- 9.0 lakh nos Shock tube- 1.25 lakh mtrs	March 31, 2006
24.	Magazine Licence (For Use)	E25(7) 2163/MR/NAG/593/E	PETN- 1MT	March 31, 2006
25.	Magazine Licence (For Use)	E/HQ/MH/22/367 (E23038)	Explosives- 9.94 MT Detonating fuse - 5000 mts Detonators- 20,000 Nos	March 31, 2007
26.	Magazine Licence (For Use)	E25(7) 2297	PETN-6MT	March 31, 2006
27.	Magazine Licence (For Use)	E/HQ/MH/22/378 (E28373)	PETN 6000 Units	March 31, 2007
28.	Transport Licence	MR/NAG/T/19/E	All Over India i.r.o. a) Detonators - [Class 6 – Division 3] b) Detonating Fuse - [Class 6 – Division 3] c) High Explosives (Nitrate Mixture and/or Nitrate Compound) – Class 2/3	March 31, 2006
29.	Acetone Storage Licence	P/WC/MH/16/502 (P50190)	10kl	Dec. 31, 2008
30.	Commissioner of Income- Tax – Vidarbha	AACCS2132E	Permanent Account Number	-
31.	Maharashtra State Tax on Professions, Trade, Callings and Employments Act, 1975	PT/E/4/6/41/18/51	Certificate of Registration' No.	-
32.	Sales Tax Officer, Nagpur	440023/C/2550	Certificate of Registration	-
33.	Sales Tax Registration Number - Nagpur	B.ST.-440 002/S/3371	Local Sales Tax Registration Number	-



Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
34.	Sales Tax Registration Number - Nagpur	C.ST.-440 002/C/2550	Central Sales Tax Registration Number	-
35.	Sales Tax Registration Number -Kolkata	WBST – SH/8541	Local Sales Tax Registration Number	-
36.	Sales Tax Registration Number – Kolkata	C.S.T – 5138(SH)C	Central Sales Tax Registration Number	-
37.	Sales Tax Registration Number - Hyderabad	PJT/07/1/2860/2003-04	Local Sales Tax Registration Number	-
38.	Sales Tax Registration Number - Hyderabad	PJT/07/1/2097/2003-04	Central Sales Tax Registration Number	-
39.	Sales Tax Registration Number - Ranchi	RNW – (R) - 1907 (R)	Local Sales Tax Registration Number	-
40.	Sales Tax Registration Number - Ranchi	RN (W) – 1856 (Central)	Central Sales Tax Registration Number	-

#### Pending Licences / Consents

We have been informed by the management that there are no intellectual property registrations made by the Company, except for the following Trade Mark Applications:

Sr. No.	Issuing Authority	Nature of Registration / License	Validity
1.	Registrar of Trade Marks	Application No. 1298025 under Class 25	Awaiting approval
2.	Registrar of Trade Marks	Application No. 1298026 under Class 25	Awaiting approval
3.	Registrar of Trade Marks	Application No. 1298027 under Class 13	Awaiting approval
4.	Registrar of Trade Marks	Application No. 1298028 under Class 13	Awaiting approval
5.	Registrar of Trade Marks	Application No. 1298029 under Class 13	Awaiting approval
6.	Registrar of Trade Marks	Application No. 1298030 under Class 13	Awaiting approval

#### B. ECONOMIC EXPLOSIVES LIMITED

Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
1.	Registrar of Companies	11- 91808	Certificate of Incorporation	-
2.	Maharashtra Pollution Control Board	BO/Nagpur-43/CO/R/CC/69	Section 26 of the Water (Prevention and Control of Pollution), Act, 1974;  Section 21 of the Air ((Prevention and Control of Pollution), Act, 1981; Authorisation/Renewal of Authorisation under Rule 5 of the Hazardous Wastes (Management and Handling) Rules 1989 and Amendment Rules, 2000.	March 31, 2009
3.	Maharashtra Pollution Control Board	BO/Nagpur-54/R/CC/92	Section 26 of the Water (Prevention and Control of Pollution), Act, 1974;  Section 21 of the Air ((Prevention and Control of Pollution), Act, 1981; Authorisation/Renewal of Authorisation under Rule 5 of the Hazardous Wastes (Management and Handling) Rules 1989 and Amendment Rules, 2000.	March 31, 2009

## Solar Explosives Limited

Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
4.	Deputy Director, Industrial Safety and Health	Licence No. 077494	Factory Licence – factory situated at Sawanga, Nagpur	Dec. 31, 2006
5.	Registering Officer, Nagpur Shyam Bihari Pandey, Bajirao K Shejul, Shyam Mundhada, Jhinku Yadav, Maa Santoshi Construction Company and Govindlal Gupta	Z/2/033/98	Contract Labour Registration under sub-section 7 of the Contract Labour (Regulation and Abolition) Act, 1970 – factory at Sawanga, Nagpur.	Dec. 12, 2006
6.	Commissioner of Income-Tax – Vidarbha	AAACE3871C	Permanent Account Number	-
7.	Maharashtra State Tax on Professions, Trade, Callings and Employments Act, 1975	PT/E/4/6/41/18/56	Certificate of Enrolment No.	-
8.	Maharashtra State Tax on Professions, Trade, Callings and Employments Act, 1975	PT/R/4/6/41/593	Certificate of Registration No.	-
9.	Sales Tax Officer, Nagpur	440023/C/196	Certificate of Registration under Central Sales Tax (Registration and Turnover) Rules, 1957.	-
10.	Licence from Department of	E-25(33)872	Enhancement in manufacturing of Ordinary/Electric Detonators (Class 6 Divn.3) 90 Million Nos. and Fuse Heads (Class 6 Divn.2) 90 Million Nos. - Nagpur Explosives - Nagpur	-
11.	Sales Tax Certificate - Nagpur	440023/S/327	Section 22/22A of the Bombay Sales Tax Act, 1959 for its factory situated at Sawanga, Nagpur	-
12.	Certificate of Registration as Dealer – West Bengal	WBST – AS/7236	Certificate of Registration under the West Bengal Sales Tax Rules, 1955 to act as Dealers.	-
13.	Central Sales Tax Registration	C.S.T. – 3645(AS) C	Certificate of Registration as a Dealer in the State of West Bengal under the Central Sales Tax (Registration) and Turnover Rules 1957.	-
14.	Central Sales Tax Registration – Jharkhand	RN(W) - 2627	Certificate of Registration as a Dealer in the State of Jharkhand under the Central Sales Tax (Registration) and Turnover Rules 1957.	-
15.	Value Added Tax Registration Certificate – Hyderabad	VAT TIN No. 28100231633	The Company obtained VAT TIN No. for their local office at Hyderabad.	-
16.	License to Transport	MR / NAG / T-21 / E	For transport of (i) Nitrate Mixture and/or Nitro Compound; (ii) Safety fuse; (iii) Detonating Fuse; (iv) Ordinary/Electric Detonator. The Licence is valid all over India.	March 31, 2007
17.	Explosives License (to Possess and Sell)	E / HQ / MH / 21 / 387 (E5941)	To store 'Electric/Non Electric (Nonel) Detonators – Class 6 – Division 3 – Quantity 15,00,000 Units.	March 31, 2006



Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
18.	Explosives License (to Possess and Sell)	E / HQ / MH / 21 / 389 (E5936)	To store 'Electric/Non Electric (Nonel) Detonators – Class 6–Division 3 – Quantity 15,00,000 Units.	March 31, 2006
19.	Explosives License (to Possess and Sell)	E/HQ/MH/21/388 (E5940)	To store 'Electric/Non Electric (Nonel) Detonators – Class 6 – Division 3 – Quantity 15,00,000 Units.	March 31, 2006
20.	Explosives License (to Possess and Sell)	E-25(7)2130	To sell and possess Explosives for use of 'Delayed Detonators Delays – Class 6 – Division 3 – Quantity 15,00,000 Units.	March 31, 2006
21.	Explosives License (to Possess and Sell)	E-25(7)2358	To possess Explosives for use of 'Soldered Fuse Heads'– Class 6 – Division 2 – Quantity 20,00,000 Units.	March 31, 2006
22.	Explosives License (to Possess and Sell)	E-25(7)2128	To possess and sell Explosives 'Electric/ Ordinary Detonators'– Class 6 – Division 3 – Quantity 15,00,000 Units.	March 31, 2006
23.	Explosives License (to Possess and Sell)	E-25(7)2127	To possess Explosives for use of 'Ordinary Detonators' (19,90,000 Units) and Electric Detonators (10,000 Units) – Class 6 – Division 3.	March 31, 2006
24.	Explosives License (to Possess and Sell)	E-25(7)1916	To possess and sell Explosives for 'Fuse Head' (10,00,000 Units); Shell Tubes (Nonel) (1,50,000 Units), Plain Detonators, Filled Shells, Delay Filled Shells (14,00,000 Units) – Class 6 – Division 3.	March 31, 2007
25.	Explosives License (to Possess and Sell)	E/HQ/MH/21/418 (E28368)	To possess and sell Explosives for use of 'Ordinary/Electric Detonators'– Class 6 – Division 3.	March 31, 2007
26.	Explosives License (to Possess and Sell)	E-25(7)2368	To possess Explosives for 'PETN (Wet) (2950 Kgs), Styphnic Acid (1000 Kgs), HMX (wet)/RDX (1000 Kgs)– Class 3 – Division 2; Safety Fuse (3000 Kgs) – Class 6 – Division 1; Detonating Fuse (5000 Kgs) – Class 6 – Division 2	March 31, 2007
27.	Explosives License (to Manufacture)	E-25(33)1239	To manufacture 'Styphnic Acid' up to 10 MT.	March 31, 2006

#### Pending Licences / Consents

We have been informed by the management that there are no intellectual property registrations made by the Company, except for the following Trade Mark Applications:

Sr. No.	Issuing Authority	Nature of Registration / License	Validity
1.	Registrar of Trade Marks	Application No. 1295500 under Class 9	Awaiting approval
2.	Registrar of Trade Marks	Application No. 1295501 under Class 13	Awaiting approval

## Solar Explosives Limited

### C. SOLAR CAPITALS LIMITED

Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
1.	Registrar of Companies	11- 91820	Certificate of Incorporation	-
2.	Maharashtra Pollution Control Board - Chandrapur	BO/RONR/Chandrapur-09 R/CC-56	Section 26 of the Water (Prevention and Control of Pollution), Act, 1974; Section 21 of the Air ((Prevention and Control of Pollution), Act, 1981; Authorisation/Renewal of Authorisation under Rule 5 of the Hazardous Wastes (Management and Handling) Rules 1989 and Amendment Rules, 2000.	Jan. 30, 2007
3.	Chattisgarh Environment Conservation Board -Korba	1378/RO/CECB/2005	Section 25/26 of the Water (Prevention and Control of Pollution), Act, 1974; and, Section 21 of the Air ((Prevention and Control of Pollution), Act, 1981.	Nov. 30, 2006
4.	Chattisgarh Environment Conservation Board -Korba	1377/RO/CECB/2005	Section 25/26 of the Water (Prevention and Control of Pollution), Act, 1974; and, Section 21 of the Air ((Prevention and Control of Pollution), Act, 1981.	Nov. 30, 2006
5.	Regional Office M.P. Pollution Control Board – Rewa	1450/RO/MPPCB/TECH/ EN/2000	Section 21 of the Air (Prevention and Control of Pollution) Act, 1981.	Nov. 30, 2006
6.	Regional Office M.P. Pollution Control Board – Waidhan	1452/RO/MPPCB/TECH/ EN/2000	Section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974	Nov. 30, 2006
7.	Deputy Director, Industrial Safety and Health-Chandrapur	164/Chandrapur/2M(1)	Factory Licence – factory situated at Chandrapur	-
8.	Deputy Director, Industrial Safety and Health–Chandrapur	License No. 070355	Factory Licence – factory situated at Chandrapur	Dec. 31, 2009
9.	Deputy Director, Industrial Safety and Health - Waidhan	21/15582/SDH/2000(i)	Factory Licence – factory situated at Waidhan	Dec. 31, 2007
10.	Commissioner of Income-Tax – Vidarbh	AABCS8191C	Permanent Account Number	-
11.	Maharashtra State Tax on Professions, Trade, Callings and Employments Act, 1975	PT/E/4/6/41/18/66	Certificate of Enrolment Number	-
12.	Sales Tax Office - Indore	(TIN) 23237303357	Tax Payers Identification No. at Waidhan	-
13.	Sales Tax Office - Korba	(TIN) 22344602736	Tax Payers Identification No. at Korba	-
14.	Sales Tax Officer, Nagpur	440002/c/3986	Certificate of Registration for Chandrapur under Central Sales Tax (Registration and Turnover) Rules, 1957.	-
15.	Sales Tax Officer, Nagpur	440002/S/5344	Certificate of Registration for Chandrapur under Bombay Sales Tax Act, 1959	-
16.	Sales Tax Officer, Waidhan	09/05/0860	Certificate of Registration for Waidhan under the Central Sales Tax (Registration and Turnover) Rules, 1957	-
17.	Sales Tax Officer, Korba	1103/2286-C	Certificate of Registration for Korba under the Central Sales Tax (Registration and Turnover) Rules, 1957	-



Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
18.	Special Vehicle Licence - Waidhan	E-25(33)1107/SMS	Detachment of two Bulk Mining and Delivery vehicles with Registration Nos. MH-50-H-0163 and MP-22-B-8849 and for 16 other vehicles under Articles 11 of Schedule IV of the Explosives Rules, 1983	March 16, 2006
19.	Special Vehicle Licence - Korba	E-25(33)1230/SMS	under Articles 11 of Schedule IV of the Explosives Rules, 1983 in respect of two Bulk Mining and Delivery vehicles and 10 other vehicles	March 31, 2006
20.	Special Vehicle Licence - Chandrapur	E-25(33)1105/SMS	Under Articles 11 of Schedule IV of the Explosives Rules, 1983 in respect of Bulk Mining and Delivery vehicles	March 31, 2007
21.	Registration as Small Scale Industry (Waidhan Unit).	103907263	The unit is certified as a Permanently Registered Small Scale Industry for the manufacture of 'Emulsion Bulk Explosion' up to 6000 MT.	-
22.	Amendment Licence from Petroleum and Explosives Safety Organisation (PESO)	E-25(33)(1105/SMS	Special form under the Explosives Rules, 1983 has been duly amended by the letter dated November 16, 2005 in respect of detachment of one BMD vehicle having Registration No. MH-31-AP-6301 from the SMS plant at Warur.	-

#### D. SOLAR COMPONENTS PRIVATE LIMITED

Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
1.	Registrar of Companies	11-108735	Certificate of Incorporation	-
2.	Maharashtra Pollution Control Board – Nagpur	BO/RONR/Nagpur-77/R/156-03/CC-137	Section 26 of the Water (Prevention and Control of Pollution), Act, 1974; Section 21 of the Air (Prevention and Control of Pollution), Act, 1981; Authorisation/ Renewal of Authorisation under Rule 5 of the Hazardous Wastes (Management and Handling) Rules 1989 and Amendment Rules, 2000.	April 30, 2007
3.	Deputy Director, Industrial Safety and Health - Nagpur	Licence No. 077753	Factory Licence – factory situated at Nagpur	Dec. 31, 2009
4.	Commissioner of Income-Tax – Vidarbh	AADCS2307Q	Permanent Account Number	-
5.	Maharashtra State Tax on Professions, Trade, Callings and Employments Act, 1975	PT/E/4/6/2/18/20	Certificate of Enrolment Number	-
6.	Sales Tax Officer, Nagpur	441501/C/56	Certificate of Registration under Central Sales Tax (Registration and Turnover) Rules, 1957.	-
7.	Sales Tax Office, Nagpur	441501/S/132	Certificate of Registration under the Bombay Sales Tax Act, 1959.	-

## Solar Explosives Limited

### E. SOLAR SYNTHETICS (BHILWARA) LIMITED

Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
1.	Additional Slaes Tax Officer - Bhilwara	RST/0610/00702	Certificate of Registration under Rajasthan Sales Tax (Registration and Turnover) Rules, 1954.	-
2.	Sales Tax Office	(TIN) 08931000693	Taxpayers Identification Number	-
3.	Ministry of Commerce, Office of Joint Director General of Foreign Trade, Foreign Trade Development Office - Jaipur	(IEC) 1302003984	Certificate of Importer-Exporter Code Number	-
4.	Computer Centre of Income Tax Department - Jodhpur	AADCS3397N	Permanent Account Number	-
5.	Centre of District Industries - Bhilwara	17-06-08357-RJSI	Registration Number as Small Industries	-

### F. COMMERCIAL SALES CORPORATION

Sr. No.	Issuing Authority	Registration / License No.	Nature of Registration / License	Validity
1.	License to Possess and Sell Explosives	E-25(7)2134	License to Sell and Possess Explosives for possession and sale of 'Safety Fuse' – Class 6 – Division 1 – 30,000 Metres; Electric/Ordinary Detonators – Class 6 – Division 3 – 44,000 Nos. The License is valid up to March 31, 2007	March 31, 2007
2.	License to Possess and Sell Explosives	E-25(7)2132	License to Sell and Possess Explosives for possession and sale of 'Safety Fuse' – Class 6 – Division 1 – 30,000 Metres; Detonating Fuse – Class 6 – Division 2 - 30,000 Metres; Electric/Ordinary Detonators – Class 6 – Division 3 – 44,000 Nos	March 31, 2007
3.	License to Possess and Sell Explosives	E-25(7)2044	License to Sell and Possess Explosives for possession and sale of 'Safety Fuse' – Class 6 – Division 1 – 1,00,000 Metres; Detonating Fuse – Class 6 – Division 2 - 1,00,000 Metres	March 31, 2007
4.	License to Possess and Sell Explosives	E-25(7)2133	License to Sell and Possess Explosives for possession and sale of Electric/Ordinary Detonators – Class 6 – Division 3 – 5,00,000 Nos	March 31, 2007

#### Material Developments :

1. The company has decided to have its overseas project in Nigeria. The name SOLAR EXPLOSIVES NIGERIA LIMITED has been approved for incorporation by the Corporate Affairs Commission. The company has appointed Akinsec Nominees Limited as their Nigerian representative.
2. Our 100% owned subsidiary Economic Explosives Limited is setting up a wind power project of 1.25 MW (1 no. WTG each of 1250 kW capacity) at site Dhulia, Taluka Sakri, District Dulia, in Maharashtra state, for which a turnkey order has been placed on M/s SUZLON Energy Limited, Pune. The total cost of the project is Rs. 625 lacs.
3. The company has decided to have the SAP's ERP solution for its group. The total cost of the project is estimated around Rs.150 lacs.



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4. The company has procured land at four places for Indian project namely Asansol, Jharsugada, Ramagandam and Ramgarh at a total advance paid of is Rs.32,83,000/-, Company has also received allotment letter for land at Bokaro from Bokaro Industrial area development authority.
  5. Company has paid advances amounting to Rs. 37,15,650 for purchase of Roto pumps, Site Mix Trucks and other items.

## Solar Explosives Limited

### SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

#### Authority for the Issue

The Issue has been authorised pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on 21<sup>st</sup> September 2005 and by a special resolution passed pursuant to Section 81(1A) of the Companies Act, 1956, at an EGM of our Company held on 25<sup>th</sup> October, 2005.

#### Prohibition by SEBI

Neither we, nor our directors, any of our Associates or Group Companies, and Companies with which our directors are associated, as directors or promoters, have been prohibited from accessing the capital market under any order or directions passed by SEBI.

None of the Promoters, their relatives, the Company or the Promoter Group Companies are detained as wilful defaulters by RBI/ government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

The listing of any securities of the Issuer has never been refused at anytime by any of the stock exchanges in India.

#### Eligibility for the Issue

As per Clause 2.2.1 of SEBI Guidelines, our Company may make an initial public offering 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:

- We have net tangible asset of at least Rs. 300 lakhs in each of the 3 preceding full years (of 12 months each) of which not more than 50% is held in monetary assets.
- We have a track record of Distributable Profits as per Section 205 of the Companies Act, 1956 for at least three out of immediately preceding five years.
- We have a pre-issue Net Worth of at least Rs. 100 lakhs in each of the preceding 3 full years (of 12 months each).
- The company has not changed its name since inception.
- 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 the pre-issue net worth as per the audited balance sheet of the last financial year.

The Company's unconsolidated net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Red Herring Prospectus under the section "Financial Information", as at, and for the last five years ended FY 2005 are set forth below:

(Rs. In Lakhs)

Financial Year	Consolidated Half year ended at 30.09.2005	Half Year ended September 05	FY05	FY04	FY03	FY02	FY01
Net Tangible Assets*	9680.38	5283.89	5044.82	4130.34	3478.66	2810.57	1619.83
Monetary Assets**	375.22	165.55	159.57	473.45	108.85	19.10	13.99
Distributable Profits (Restated)	1143.96	515.76	720.22	373.33	300.23	367.93	330.70
Net Worth***	6411.68	4800.43	2727.64	2066.44	1732.29	1430.01	1101.44

\* Net Tangible Assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves, if any), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities) and secured as well as unsecured long term liabilities and non-trade investments.



\*\* Monetary Assets are defined as the sum of cash on hand, Non Trade Investments, Balance with Scheduled Bank in Current accounts and Fixed Deposits and balance with Post Office Savings account.

\*\*\* Net Worth includes equity share capital and reserves (net off miscellaneous expenditure not written off)

If the number of allottees in the proposed Issue is less than 1,000 allottees, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond fifteen (15) days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of fifteen percent (15%) per annum for the delayed period.

#### **DISCLAIMER CLAUSE**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER VIZ, SBI CAPITAL MARKETS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER VIZ, SBI CAPITAL MARKETS LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED 29<sup>th</sup> December, 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 RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**
- 3. WE CONFIRM THAT:**
  - A. THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
  - C. THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
  - D. BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID;**
  - E. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**
- 4. WE CERTIFY THAT A WRITTEN CONSENT FROM THE SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS A PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE**

## **Solar Explosives Limited**

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**DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING OF THE DRAFT PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.**

**ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTIONS 56, 60 AND 60B OF THE COMPANIES ACT.**

**THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.”**

### **Disclaimer from the Issuer and the BRLM**

We, our Directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our web site [www.solarExplosives.com](http://www.solarExplosives.com), would be doing so at his or her own risk.

### **Caution**

The BRLM accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between BRLM and us dated December 28, 2005 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by the BRLM and us to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at Bidding Centers etc.

We are obliged to update the Prospectus and keep the public informed of any material changes till the listing and trading of the Equity Shares offered in this Issue are commenced.

### **Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India), who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts (registered under the Societies Registration Act, 1860, or any other Trust law and who are authorized under their constitution to hold and invest in shares), permitted insurance companies and pension funds and to permitted Non-Residents including NRIs and FIIs and eligible foreign investors on repatriable/ non-repatriable basis. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Nagpur only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to the SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

A copy of the Red Herring Prospectus, along with the documents has been filed with the Corporate Finance Department of SEBI, at B wing, First Floor, Mittal Court, Nariman Point, Mumbai- 400 021. and SEBI vide its letter no February 13,2006 has given its comments.



A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, 100 Everest Building, Marine Drive, Mumbai 400 002 and a copy of the Prospectus would also be delivered with the Registrar of Companies.

Investors may please note that Central Government/RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in this Red Herring Prospectus.

#### **Disclaimer Clause of the BSE**

As required, a copy of this Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated February 1,2006 permission to the Company to use the BSE's name in this Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. The BSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us.

#### **BSE does not in any manner:**

- warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or
- warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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

#### **Disclaimer Clause of the NSE**

As required, a copy of this Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter dated February 3,2006, permission to us to use NSE's name in this Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs 10 Crores and the market capitalization shall not be less than Rs 25 Crores at the time of listing). The NSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

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

#### **Filing**

A copy of this Red Herring Prospectus has been filed with SEBI at Corporate Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai-400021.

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 60B of the Act would be delivered for registration to the Registrar of Companies, Everest 100, Marine Drive, Mumbai – 400 002 Maharashtra, and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the ROC.

## Solar Explosives Limited

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### Listing

The initial listings applications have been made to BSE and NSE 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.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Red Herring Prospectus and if such money is not repaid within eight days after the day from which the Issuer becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of the Issue Closing Date or whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from the expiry of 8 days, be jointly and severally liable to repay the 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 necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of allocation for the Issue.

### Consents

Consents in writing of: (a) our Directors, the Company Secretary, Compliance Officer, the Auditors, Bankers to the Company; and (b) Book Running Lead Manager to the Issue and Bankers to the Issue, Syndicate Members, Escrow Collection Bankers, Registrars to the Issue and Legal advisors to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of this Red Herring Prospectus with the Registrar of Companies, Mumbai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Registrar of Companies, Mumbai.

M/s Gandhi Rathi Co., Chartered Accountants, our Statutory Auditors, have given their written consent to the inclusion of their report and tax benefits in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

### Expert Opinion

The Company has not obtained any expert opinions related to the present Issue.

### Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertising expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Expenses (Rs. in Lakhs)	% of Total Issue Expenses	% of Total Issue Size
Lead management, underwriting and selling commission	[●]	[●]	[●]
Advertisement and Marketing expenses	[●]	[●]	[●]
Printing, stationery including transportation of the same	[●]	[●]	[●]
Others (Registrar's fees, Legal fee, Listing fee etc.)	[●]	[●]	[●]
Total estimated Issue Expenses	[●]	[●]	[●]

### Fees Payable to the BRLM, Brokerage and Selling Commission

The total fees payable to the BRLM including brokerage and selling commission for the Issue will be as per the letter of appointment with SBI Capital Markets Limited, issued by our company, copy of which is available for inspection at our Registered Office.

### Fees Payable to the Registrar to the Issue

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between the Company and the Registrar dated 29<sup>th</sup> October, 2005, copy of which is available for inspection at our registered office.



Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

Refund Orders up to Rs.1500 would be sent under certificate of posting.

#### **Previous Public and Rights Issues during the Last Five Years**

The Company has not issued any shares for consideration other than for cash as except as mentioned in the section titled 'Capital Structure' on page 15 of this Red Herring Prospectus.

#### **Previous Issues of Shares Otherwise than for Cash**

On September 30, 2005, the company issue Bonus shares in the ratio of 1.5:1. Out of Share Premium of Rs. 1351,28,350/- , the Company has utilized Share Premium amount to the extent of Rs. 7,75,42,910/- towards the issue of Bonus Shares to the existing shareholders.

#### **Commission and Brokerage paid on Previous Issues by Solar**

Solar has not made any public or rights issue since its inception and has not paid any commission or brokerage.

#### **Particulars in regard to the Company and other listed companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956 which made any capital issue during the last 3 years**

There are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act 1956 which has made any capital issue during the last 3 years.

#### **PROMISE VIS-A-VIS PERFORMANCE**

##### **(A) LAST THREE ISSUES MADE BY SOLAR EXPLOSIVES LIMITED**

This is the first Public Issue of the Company. Therefore, no information is required to be given under this head.

##### **(B) LAST ISSUE OF THE LISTED VENTURES OF PROMOTER GROUP**

There is no listed venture of Promoter Group.

#### **Outstanding Debentures, Bonds, Redeemable Preference Shares or other Instruments**

The Company since its incorporation has not issued any Redeemable Preference shares and debentures, bonds or other instruments.

#### **Stock Market Data for our Equity Shares**

This being the first Public Issue of the Company, no Stock Market data is available.

#### **Mechanism for Redressal of Investor Grievances**

Investor's grievances will be settled expeditiously and satisfactorily by the Company. The agreement between the Company and the Registrar to the Issue will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, refund orders, demat credit, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue – Intime Spectrum Registry Limited, giving full details including name, address of the applicant, application number of Equity Shares applied for, amount paid on application, Depository Participant, and the respective member of the Syndicate or bank branch or collection center where the application was submitted.

#### **Disposal of Investor Grievances**

We estimate that the average time required by us or the Registrar to the Issue to address routine investor grievances shall be seven working 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.

We have appointed Mr. Nilesh Panpaliya, 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:

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### Solar Explosives Limited

11, Zade Layout,  
Bharat Nagar,  
Nagpur – 440 033  
Maharashtra  
Tel: +91 712 2561000  
Fax: +91 712 2560202  
E-mail: investor.relations@solarExplosives.com

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

### Changes in Auditors during the last three years and reasons thereof

Name of the Auditor	Date of Appointment	Date of Cessation	Reason
M/s. Gandhi Rathi and Co.	Since inception	-	Appointment

### Capitalization of Reserves or Profits (during the last five years)

7754291 Equity Shares of the Company were allotted as bonus in the ratio of 1.5 share for every 1 share held in the Company by capitalisation of Rs. 7,75,42,910 from the share premium.

### Revaluation of Assets (during the last five years)

The Company has not revalued its assets during the last five years.



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## TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of the Company, the terms of this Red Herring Prospectus, the Bid cum Application Form, the Revision Form, the 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, the Government, Stock Exchanges, RBI, and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of the Company and shall rank *pari passu* in all respects with the existing Equity Shares of the Company, including rights in respect of dividends.

### Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Red Herring Prospectus at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The face value of the shares is Rs. 10 and the Floor Price is 17 times of the face value and the Cap Price is 19 times of the face value

### COMPLIANCE WITH SEBI GUIDELINES

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

#### 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 our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled "Main Provisions of the Articles of Association" on page 211 of this Red Herring Prospectus.

### Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of one Equity Share.

### Nomination Facility to the Investor

In the nature of the rights specified in 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

## **Solar Explosives Limited**

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to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Corporate Office of the Company or at the Registrar and Transfer Agents of the Company.

In the nature of the rights stated in Section 109B of the Companies Act, any Person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

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

Further, the Board of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors 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.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change 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 Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Nagpur , India.

### **Subscription by Non-Residents/NRI/FIIs/Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions**

There is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

As per RBI regulations, OCBs cannot participate in the Issue.

### **Application in Issue**

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

### **Withdrawal of the Issue**

We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.



## SECTION VIII: ISSUE INFORMATION

### I. TERMS OF THE ISSUE

This Issue is being made through a 100% Book Building Process. The present Issue of 44,00,000 Equity Shares of face value of Rs.10 each at a price of Rs. [●] comprising of (a) Net Issue to the Public of 43,40,000 Equity Shares (b) Employee Reservation portion of 60,000 Equity Shares

The present Issue of 44,00,000 Equity Shares is at a price of Rs. [●] for cash aggregating upto Rs. [●] Crores.

	<b>Employee Reservation Portion</b>	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares*	Upto 60,000 Equity Shares	Up to 21,70,000 Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 6,51,000 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 15,19,000 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue size available for allocation	1.36% of the Issue size.	Up to 50% of Net Issue, 5% thereof to be specifically available for Mutual Funds.	Minimum 15% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 35% of Issue or Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate as follows: (a) 1,08,500 Equity Shares shall be allocated on a proportionate basis to Mutual Funds. (b) 21,70,000 Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	30 Equity Shares and in multiples of 30 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 30 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 30 Equity Shares.	30 Equity Shares and in multiples of 30 Equity Shares thereafter
Maximum Bid	Such number of Equity Shares so as to ensure that the Bid size does not exceed 60,0000 Equity Shares	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Eligible Employees as defined earlier in this RHP	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, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 lakhs and pension funds with minimum corpus of Rs. 2500 lakhs in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

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	<b>Employee Reservation Portion</b>	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	Full Bid Amount on bidding.	10% of the Bid Amount on bidding.	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 Net Issue to public, would be allowed to be met with spillover from any other categories at the discretion of our Company, in consultation with the BRLM. Under subscription if any, in the Employee Category would be allowed to be met with spill over first from Retail Category and then if any, from the Non-Institutional Category.

### Withdrawal of the Issue

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

### Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of basis of allocation. We shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid/ Issue Closing Date.

### Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders.

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

- Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Bid/ Issue Closing Date; and
- We shall pay interest at 15% per annum, if Allotment is not made, refund orders are not despatched and/ or demat credits are not made to investors within the 15 day time prescribed above.

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

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

### BID/ISSUE PROGRAMME

#### Bidding Period/Issue Period:

<b>BID/ISSUE OPENS ON</b>	<b>:</b>	<b>9<sup>TH</sup> MARCH, 2006</b>
<b>BID/ISSUE CLOSSES ON</b>	<b>:</b>	<b>13<sup>TH</sup> MARCH, 2006</b>

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 Saturday, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded till such time as permitted by the stock exchange (s).

**The Price Band will be decided by our Company in consultation with the BRLM and announced and advertised at least one day prior to the Bid/Issue Opening Date. The Price Band shall be advertised at least one day prior to the Bid/Issue Opening Date in an English language newspaper with wide circulation and in a Hindi language newspaper with wide circulation. The announcement on the Price Band shall also be made available on the websites of the BRLM and at the terminals of the Syndicate.**



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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 Bidding/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the stock exchange (s), 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.**

### II. ISSUE PROCEDURE

#### Book Building Procedure

The Issue is being made through the 100% Book Building Process under clause 2.2.1 of SEBI Guidelines, wherein up to 50% of the Issue of the net offer to the Public shall be available for allocation on a proportionate basis to QIBs. out of the portion available for allocation to QIBs, 5% shall be allocated proportionately to Mutual Funds. Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available to QIBs. Further, not less than 35% of the net offer to the Public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the net offer to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate Members. The Company, in consultation with the BRLM reserve the right to reject any bid procured from QIBs, for reason to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders. In case of Employee Reservation Portion, Non-Institutional Bidders and Retail Individual Bidders, Company would have a right to reject the Bids only on technical grounds.

**Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialised 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 dematerialised segment of the Stock Exchanges.

Out of the Issue of 44,00,000,1.36% of the Issue Size i.e.60,000 shares are being reserved for our Eligible Employees.

#### Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders, NRIs applying on a non-repatriation basis	White
NRIs, FIIs, FVCIs etc. applying on a repatriation basis	Blue
Employees	Pink

#### Who can Bid?

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
2. Hindu undivided families or 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. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
4. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to invest in equity shares;
5. Pension funds with a minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to invest in equity shares;



6. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
7. Indian mutual funds registered with SEBI;
8. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
9. Multilateral and bilateral development financial institutions;
10. State Industrial Development Corporations;
11. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
12. Eligible Non-Residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
13. Scientific and/or industrial research organisations authorised to invest in equity shares; and
14. Eligible Employees

**Note:** 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 applicable law.

#### **Application by Mutual Funds**

*As per the SEBI (Mutual Funds) Regulations, 1996, 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 all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

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.

#### **Information on reservation for Mutual Funds**

5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

#### **Application by NRIs**

Bid cum application forms have been made available for NRIs at the Corporate Office of the Company and SBI Main Branch Mumbai.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

#### **Application by FIIs**

*As per the SEBI (Foreign Institutional Investors) Regulations, 1995 and the Guidelines made thereunder, the following restrictions are applicable for investments by FIIs:*

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

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As per the SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund / foreign venture capital investor.

### Maximum and Minimum Bid Size

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of 30 Equity Shares and in multiples of 30 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs.100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.100,000. In case the Bid Amount is over Rs.100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non Institutional Portion. The option to bid at Cut-off Price is an option 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 Other Bidders (i.e., Non-Institutional Bidders and QIB Bidders):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs.100,000 and in multiples of 30 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/ Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

**For Employee Reservation Portion:** The Bid must be for a minimum of 30 Equity Shares and in multiples of 30 Equity Shares thereafter.

### Information for the Bidders:

- (a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- (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 registered office or from any of the members of the Syndicate.
- (d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

### Method and Process of Bidding

- (a) Our Company and the BRLM shall declare the Bid/ Issue Opening Date and the Bid/ Issue Closing Date at the time of filing the Red Herring Prospectus with RoC and also publish the same in two national newspapers (one each in English and Hindi) and a regional newspaper circulated at a place where the registered office of the Company is situated. This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act and shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (b) Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.



- (c) 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 informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and one in regional newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.
- (d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see section titled "Issue Procedure - Bids at Different Price Levels" on page 193 of this Red Herring Prospectus) within the Price Band 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.
- (e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple 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 in the section titled "Issue Procedure - Build up of the Book and Revision of Bids" on page 196 of this Red Herring Prospectus.
- (f) The Syndicate Members 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.
- (g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.
- (h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described in the section titled "Issue Procedure - Terms of Payment" on page 194 of this Red Herring Prospectus.
- (i) The Syndicate Members shall compulsorily take the Bid Form in writing from prospective Investors.

#### **Bids at Different Price Levels**

- (a) The Price Band will be advertised at least one day prior to the Bid/Issue Opening Date in an English language newspaper with wide circulation and a Hindi language newspaper with wide circulation and a regional newspaper. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.
- (b) In accordance with the SEBI Guidelines, the Company in consultation with the BRLM reserves the right to revise the Price Band during the Bidding Period. 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 an English language newspaper with wide circulation, a Hindi language newspaper with wide circulation and a regional newspaper.
- (c) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and a regional newspaper, and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.
- (d) We, in consultation with the 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.
- (e) 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 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.**

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- (f) Retail Individual Bidders who bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price 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, who Bid at Cut-off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs.100,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member 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 Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, 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 Price.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
- (i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 30 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.

### Application in the Issue

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only. Bidders will not have the option of getting allotment in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

### Escrow Mechanism

We shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. 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 as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

### Terms of Payment and Payment into the Escrow Accounts

Each Bidder, who is required to pay Margin Amount shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the section titled "Issue Procedure - Payment Instructions" on page 202 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. 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(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection



Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account of the Company with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account of the Company shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page 187 of this Red Herring Prospectus. 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 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.

QIB Bidders will be required to deposit a margin of 10% at the time of submitting of their Bids. After the Issue Closing Date/Bid Closing Date, the level of subscription in all categories shall be determined. Based on the level of subscription, additional margin money, if any, may be called for the QIB.

If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, 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 Syndicate Members will register the Bids using the on-line facilities of the NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) The NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding Period. The Syndicate Members 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 Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for Bids registered on the electronic facility of the NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
  - Name of the investor
  - Investor category – 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 beneficiary account of the Bidder

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- (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 obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) The BRLM may reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bid and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of the Bid. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed in " Grounds for Technical Rejection " on page no. 204 of this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by the NSE and BSE 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 or the BRLM are cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of 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 the NSE and BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the NSE and BSE.

### Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the Syndicate Members shall be electronically transmitted to the NSE and BSE 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/Issue 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. 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) in the Bid, the Bidders will have to use the services of the same member 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 Red Herring Prospectus. In case of QIBs, 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 the 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 members of the Syndicate. **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 the NSE or the BSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

#### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with us.
- (b) The Company in consultation with the BRLM, shall finalise the "Issue Price", the number of Equity Shares to be allotted and allotment to successful Bidders.
- (c) The allocation for QIBs for up to 50% of the Issue, Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Issue, respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Undersubscription, if any, in Net Issue to public, would be allowed to be met with spillover from any other categories at the discretion of our Company, in consultation with the BRLM. Under subscription if any, in the Employee Category would be allowed to be met with spill over first from Retail Category and then if any, from the Non-Institutional Category.
- (e) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (f) Allocation to eligible Non-Residents, NRIs, FIIS or Foreign Venture Capital Funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Issue/Allotment of Equity Shares to them, wherever applicable.
- (g) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.
- (h) In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

#### **Signing of Underwriting Agreement and RoC Filing**

- (a) The Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation 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 and Issue size and would be complete in all material respects.

#### **Advertisement regarding Issue Price and Prospectus**

A statutory advertisement will be issued by our Company 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 the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of Letter for Additional Margin Money**

In case of QIB Bidders who have submitted their Bids with the Margin Amount of 10%, additional margin amount may be called for by the Company, in consultation with the BRLM. The amount of such additional Margin Amount called for shall depend on the level of subscription in various categories as determined on the basis of electronic registration of bids. The allotment of shares to QIB Bidders shall be finalised by the Company, in consultation with the BRLM and the Designated Stock Exchange.

#### **Issuance of Confirmation of Allocation Note (CAN)**

- (a) The BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated

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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. In the instance of part-amount to be paid by Institutional Bidders, after basis of allocation an intimation will be sent by Registrars/BRLM for payment of the part amount on/before the pay-in date.

- (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 realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as 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) Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days of the date of Allotment.
- (b) As per the SEBI Guidelines, **Equity Shares will be issued and allotted only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

The Company would ensure the allotment of Equity Shares within 15 days of Bid Closing Date and also ensure that credit is given to the allottees' depository accounts within 2 working days from the date of allotment. In case the Company fails to make an allotment within 15 days of the Bid Closing Date, interest would be paid to the investors at the rate of 15% per annum.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

### GENERAL INSTRUCTIONS

#### Do's:

- a) Check if you are eligible to apply;
- b) Bid within the Price Band;
- c) Read all the instructions carefully and complete the Bid cum Application Form as the case may be;
- d) Ensure that the details about your Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only;
- e) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- f) Ensure that you have been given a TRS for all your Bid options;
- g) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- h) 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 copies of your PAN with the Bid cum Application Form. In case the PAN has not been allotted, mention "Not allotted" in the appropriate place. (See to the section "Issue Procedure - 'PAN' or 'GIR' Number" on page 208 of this Red Herring Prospectus.); and
- i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.



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**Don'ts:**

- a. Do not Bid if prohibited from doing so under the law of your local jurisdiction
- b. Do not Bid for lower than the minimum Bid size;
- c. Do not Bid/revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- d. Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- e. Do not pay the Bid amount in cash;
- f. Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- g. Do not Bid at Cut-off Price (for QIB Bidders 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 Stockinvest.

**INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM**

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

**Bids and 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
- (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 30 Equity Shares and in multiples of 30 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
- (d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 30 Equity Shares. 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 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, and in the same order as their Depository Participant details).
- (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.

**Bids by Employees**

Employees of the Company, its subsidiaries during the period commencing from Bid/Issue Opening Date and the Bid/Issue Closing Date are eligible to apply in the category reserved for employees. Employees shall have the same meaning as defined in SEBI Guidelines. For the purpose of the Employees Reservation Portion, Eligible Employee means permanent employee/directors of the Company and its subsidiaries as on 30<sup>th</sup> November, 2005.

Bids under Employee Reservation Portion by Eligible Employees shall be:

1. Made only in the prescribed Bid Cum Application Form or Revision Form (i.e. Pink colour). The Eligible Employees should mention their Employee number at the relevant place in the Bid cum Application Form;
2. The Sole/First Bidder should be an Employee. 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 in the same sequence in which they appear in the Bid cum Application Form

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3. Only Eligible Employees would be eligible to apply in this Issue under this Reservation Portion;
4. Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under the Employees Reservation Portion.
5. Eligible Employees who apply or bid for securities of or for a value of not more than Rs.1,00,000 in any of the bidding option can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid amount exceeds Rs.1,00,000.
6. Bid/Application by Eligible Employees can be made also in the "Net Offer to the Public" and such Bids shall not be treated as multiple Bids.
7. If the aggregate demand in this category is less than or equal to 60,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
8. Under-subscription in this category would be treated as part of the Net Offer to the public and Allotment will be in accordance in the description in "Basis of Allocation" as described in page 206 of this Red Herring Prospectus. In case of Under-subscription in the Net Offer to the public, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
9. If the aggregate demand in this category is greater than 60,000 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 para "Basis of Allocation" on page 206 of this Red Herring Prospectus.

### Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and the beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the details of the Bidder's bank account. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. 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 Company 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 THE EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/allocation advices and printing of bank particulars on the refund orders.

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, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs**



may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, 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, 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 the 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 therefor.

In case of the 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 therefor.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 2500 lakhs and pension funds with minimum corpus of Rs. 2500 lakhs, 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 therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we/the BRLM may deem fit.

#### **Bids by NRIs and FIIs on a repatriation basis**

Bids and revision to the Bids must be made:

1. 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.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of 30 Equity Shares thereafter that the Bid Amount exceeds Rs. 100,000. For further details see "Issue Procedure - Maximum and Minimum Bid Size" on page 187 of this Red Herring Prospectus.
4. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details

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of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

We do not require approval from the Government of India or from the Reserve Bank of India for making a fresh issue of Equity Shares under the Foreign Direct Investment Scheme as prescribed in the FEMA read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 to Non-Residents, since foreign direct investment in companies engaged in manufacturing, such as ours, is permitted to the extent of 100% under existing law and policy.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

### PAYMENT INSTRUCTIONS

We shall open Escrow Accounts 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

- (i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- (ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the 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 members of the Syndicate by the BRLM.
- (iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - (a) In case of Resident Bidders: **“Escrow Account – Solar Public Issue”**
  - (b) In case of Non-Resident Bidders: **“Escrow Account – Solar Public Issue - NR”**
    - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.
    - In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.
- (iv) In case of Employee Bidder **“Escrow Account - Solar Public Issue - Employee”**
- (v) 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.
- (vi) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- (vii) 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.



(viii) No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

#### **Payment by Stockinvest**

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest 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 members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

#### **OTHER INSTRUCTIONS**

##### **Joint Bids in case of Individuals**

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication 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 for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

##### **'PAN' or 'GIR' Number**

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 IT Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/first Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B), or, Form 61 (form of declaration 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 licence (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

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### **Unique Identification Number (UIN)**

Through its circular MAPIN/Cir-13/2005, with effect from July 1, 2005, SEBI has suspended all fresh registrations for obtaining a unique identification number or "UIN" and the requirement to provide or quote a UIN under the SEBI MAPIN Regulations.

### **Right to Reject Bids**

The BRLM may reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bid and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of the Bid. In case of Non Institutional Bidders, Retail Individual Bidders and Bidders in the Employee Reservation Portion, the Company will have the right to reject Bids only on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

### **GROUNDINGS FOR TECHNICAL REJECTIONS**

- Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:
- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Age of first Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
- NRIs, except eligible NRIs and Non-Residents;
- Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
- PAN not stated if Bid is for Rs. 50,000 or more and GIR number given instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
- Bids for number of Equity Shares, which are not in multiples of 30;
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by stockinvest/money order/postal order/cash;
- Signature of sole and/or joint Bidders missing;
- Bid cum Application Form does not have the stamp of the BRLM or the Syndicate Members;
- Bid cum Application Form does not have the Bidder's depository account details;
- Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Form;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in "Issue Procedure – Bids at Different Price Levels" at page 193 of this Red Herring Prospectus;
- Bids by OCBs;



- Bids by U.S. persons other than “qualified institutional buyers” as defined in Rule 144A of the Securities Act; and
- Bids by specified investors being body corporates who do not provide their UIN or UIN application status in cases where applications have been made for such UIN before December 31, 2004.

#### **EQUITY SHARES IN DEMATERIALIZED FORM WITH NSDL OR CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a) A tripartite agreement dated 30<sup>th</sup> January, 2006 between NSDL, us and Registrar to the Issue;
- b) A tripartite agreement dated 24<sup>th</sup> February, 2006 between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder 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 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 with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
- e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- f) 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.
- g) 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.
- h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.
- i) As this Offer comprises of Fresh Issue, Investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Offer. Investors should satisfy themselves that their demat account are active.

#### **COMMUNICATIONS**

All future communication 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, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

#### **PRE-ISSUE AND POST ISSUE RELATED PROBLEMS**

We have appointed Mr Nilesh Panpaliya, Vice-President (Finance), 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:

## Solar Explosives Limited

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### Solar Explosives Limited

11, Zade Layout,  
Bharat Nagar,  
Nagpur – 440 033  
Maharashtra  
India  
Tel: +91 712 2561000  
Fax: +91 712 2560202  
E-mail: Nilesh@solargroup.com

### DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days of finalisation of the basis of allotment.

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

1. allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
2. dispatch of refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
3. we shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

### IMPERSONATION

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

**"Any person who:**

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

### Basis of Allocation

#### A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.



- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 15,19,000 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 15,19,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 30 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

*B. For Non-Institutional Bidders*

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,51,000 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 6,51,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 30 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

*C. For QIBs*

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price..
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for 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 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand for 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 to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation 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.
      - Except for any shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/ or Non Institutional Portion, the aggregate allocation to QIB Bidders shall not be more than 21,70,000 Equity Shares.

## Solar Explosives Limited

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### D. *For Employees*

- Bids received from Employee at or above the Offer Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Bidders will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 60,000 Equity Shares at or above the Offer Price, full allocation shall be made to the Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 60,000 Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis up to a minimum of 30 Equity Shares and in multiple of one share thereafter. For the method of proportionate basis of allotment, refer below.
- In case of undersubscription in the reserved category, the same shall be added back to the net offer to the public. Undersubscription in the reserved category will be allocated first to Retail category and balance undersubscription if any, after allocating to retail category will be allocated to Non-institutional category

### **Method of Proportionate basis of allocation**

Bidders will be categorized according to the number of Equity Shares applied for by them.

- (a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 30 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 30 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
- If the proportionate allotment to a Bidder is a number that is more than 30 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

### **Letters Of Allotment Or Refund Orders**

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date.

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

- Allotment shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; and



- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

#### **Undertaking by our Company**

We undertake as follows:

1. that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
2. that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
3. that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
4. that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
5. that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

#### **Utilisation of Issue proceeds**

Our Board of Directors certify that:

1. all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
2. details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised; 3. details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested; 4. we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

#### **Restrictions on Foreign Ownership of Indian Securities**

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign direct investment in manufacturing activities, like ours is permitted up to 100%.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents.

#### *Subscription by NRIs/ FIIs*

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act 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 under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities

## **Solar Explosives Limited**

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Act and the applicable laws of the jurisdiction where those offers and sales occur.

*As per the current regulations, the following restrictions are applicable for investments by FIIs:*

We do not require approval from the Government of India or from the Reserve Bank of India for making a fresh issue of Equity Shares under the Foreign Direct Investment Scheme as prescribed in the FEMA read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 to FIIs, since foreign direct investment in companies engaged in manufacturing, such as ours, is permitted to the extent of 100% under existing law and policy.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.



## **SECTION IX: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY**

### **DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION**

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and or their consolidation/splitting are detailed below.

The regulations contained in Table A, in the First Schedule to the Companies Act, 1956, or in the Schedule to any previous Companies Act, shall not apply to this Company, save as reproduced herein, but the regulations for the management of the Company and for the observance of the Members thereof and their representatives, shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration of, or addition to, its regulations by special resolution, as specified by the Companies Act, 1956 be such as are contained in these Articles

### **CAPITAL**

#### **3. A. Authorised Capital**

The Authorised Share Capital of the Company is Rs. 20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 (Two Crore) Equity Shares of Rs. 10/- (Rupees Ten Only) each.

The authorized share capital of the Company shall be the Capital as specified in Clause V of the Memorandum of Association, with power to increase or reduce the share capital of the Company and to divide the shares in the capital for the time being into several classes as permissible in law and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any of such rights, privileges or conditions in such manner as may for the time being be provided in the Articles of Association.

#### **5. Increase in Capital**

The Company in General Meeting may from time to time by Ordinary Resolution increase the capital by the creation of new shares, the increases to be of such aggregate amount and to be divided into Shares of such respective amounts as the Resolution shall prescribe, subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Directors shall determine, and in particular, such shares may be issued with a preferential or a qualified right to dividends, and in the distribution of the assets of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

#### **6. New Capital same as existing capital**

Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

#### **10. Reduction of Capital**

The Company may from time to time by Special Resolution, subject to the provisions of Section 78, 80, 100 to 104 inclusive of the Act, reduce its Share Capital and any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorised by law

#### **11. A. Sub-division, consolidation and cancellation of shares**

The Company in general meeting may subject to the provisions of Section 94 of the Act by Ordinary Resolution alter the conditions of its Memorandum

## **Solar Explosives Limited**

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### **12. B. Modification of rights**

Subject to and in accordance with the applicable provisions of the Companies Act, 1956 and all other applicable provisions of law (including any statutory modification or re-enactment thereof for the time being in force or as may be enacted from time to time) and subject to such other approvals/permissions or sanctions as may be required, the Company shall have power to acquire, purchase, sell, dispose off, provide finance for the purchase of any of its own fully/party paid shares whether or no they are redeemable and to make the payment out of Capital Reserves or otherwise in respect of such acquisition, purchase, financing.

### **SHARES AND CERTIFICATES**

### **14. Register and Index of Members**

The Company shall cause to be kept a Register and Index of Members in accordance with all applicable provisions of the Act and the Depositories Act, 1996 with details of shares held in material and dematerialized forms in any media may be permitted by law including in any form of electronic media. The Company shall be entitled to keep in any State or Country outside India a branch Register of Members resident in the State or country.

### **15. a) Issue of further shares not to affect rights of existing shareholders**

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

### **18. Shares under Control of Directors**

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 Board of Directors who may issue, allot or otherwise dispose off 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 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 General Meeting to give any person, the option to call for any shares either at par or at a premium during such time and for such consideration the Directors think fit, and may allot and issue shares in the capital of the Company in payment or part for any property sold and transferred or for any services rendered to the Company in the conduct of its Business; and any shares which may be so allotted may be issued as fully paid-up shares and if so issued, shall be deemed to be fully paid shares.

### **19. Sale of Fractional Shares**

If and whenever, as a result of issue of new or further shares or any consolidation or sub-division of shares, any shares held by members in fractions, the Directors shall, subject to the provisions of the Act, and the Articles and to the directions of the Company in General Meeting, if any, sell those shares which members hold in fractions, for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in the proportion, the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Directors may authorize any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and he shall not be bound to see the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

### **24. Liability of members**

Every Member, or his heirs, executors or administrators, 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 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.

### **25. a) Share Certificate**

Every Member of allottee of shares shall be entitled without payment, to receive one certificate specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid-up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the board and on surrender to the company of the letter of allotment or the fractional coupons of requisite value, save in case of issue against letters of acceptance or of renunciation or in cases of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, which shall



be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Secretary, or some other person appointed by the Board for the purpose and the two Directors or their attorney and the Secretary or other person shall sign the share certificate provided that if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a Managing or a Whole time Director. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person, to whom it has been issued, indicating the date of issue. For any further certificate the Board shall be entitled, but shall not be bound to prescribe a charge not exceeding Rupee One, Provided that the Company shall not be bound to register more than four persons as joint holders of any share except in the face of executors or trustees or a deceased member and in respect of a share held jointly by several persons the Company shall not be bound to issue more than one certificate. The Company shall comply with provisions of Section 113 of the Act.

Provided however, that no share certificate (s) shall be issued in respect of the shares held in Depository.

#### **28. B. Dematerialisation and Rematerialisation of Securities**

The Company shall be entitled to dematerialise its existing shares, debentures and other securities, rematerialise its shares, debentures and other securities held in the Depositories and/or to issue its fresh shares, debentures and other securities, in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed there under, if any.

#### **29. A. The first name of joint holders deemed sole holders**

If any shares stands in the name of two or more persons, the person first named in the Register shall as regards receipt of dividends or bonus or service of notices and all or any other matter connected with the 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.

#### **B. Receipt of one joint holder is sufficient**

Any one of such joint holders may give effectual receipts of any dividends, interests or other moneys payable in respect of such share/debenture.

#### **30. Company not bound to recognise an interest in shares other than that of registered holder**

Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the beneficial owner of shares in the records of Depository, as the absolute owner thereof and accordingly shall not except as ordered by a court of competent jurisdiction or as by law required, be bound to recognise any benami trust or equity or equitable, contingent, future or partial or other claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

No notice of any trust, express, implied or constructive shall be entered in the Register of Members or of Debenture holders.

#### **34. DEMATERIALISATION OF SECURITIES**

##### **b) Dematerialisation of Securities**

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a Company in a dematerialised form pursuant to the Depositories Act, 1996.

##### **c) Option for Investors**

Every person subscribing to securities offered by the Company shall have the option to receive security certificate 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 the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificate of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottees as the beneficial owner of the security.

## Solar Explosives Limited

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### d) Securities to be in Fungible Form

All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

### e) Rights of the Depositories and the Beneficial Owners

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles , a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above , the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records 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.
- f) Service of Documents  
Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronics mode or by delivery of floppies or discs.
- g) Transfer of Securities  
Nothing contained in section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.
- h) Allotment of Securities dealt with a Depository  
Notwithstanding anything in the Act or these Articles, where securities dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.
- i) Distinctive No. of Securities held with a Depository  
Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.
- j) Register and Index of Beneficial Owners  
The Register and Index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.”

### 35. Issue of Shares without Voting Rights

In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such share upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law.

### 36. Buy-Back of Shares and Securities

Notwithstanding anything contained in these articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back, such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted by law.



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**37. Employees Stock Options Scheme/Plan**

The Directors shall have the power to offer , issue and allot Equity Shares in or Debentures (Whether fully/ partly convertible or not into Equity Shares) of the Company with or without Equity Warrants to such of the Officers, Employees, Workers of the Company or of its Subsidiary and / or Associate Companies or Managing and Whole Time Directors of the Company (hereinafter in this Article collectively referred to as “the Employees”) as may be selected by them or by the trustees of such trust as may be set up for the benefit of the Employees in accordance with the terms and conditions of the Scheme, trust, plan or proposal that may be formulated , created, instituted or set up by the Board of Directors or the Committee thereof in that behalf on such terms and conditions as the Board may in its discretion deem fit.

**38. Sweat Equity**

Subject to the provisions of the Act (including any statutory modification or re-enactment thereof, for the time being in force), shares of the Company may be issued at a discount or for consideration other than cash to Directors or employees who provide know-how to the Company or create an intellectual property right or other value addition.

**39. Postal Ballot**

The Company may pass such resolution by postal ballot in the manner prescribed by Section 192A of the Companies Act, 1956(“the Act”) and such other applicable provisions of the Act and any future amendments or re-enactment thereof. Notwithstanding anything contained in the provisions of the Act, the Company shall in the case of a resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of postal ballot instead of transacting such business in a general meeting of the Company.

**INTEREST OUT OF CAPITAL**

**42. Interest may be paid out of capital**

Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building, or the provisions of plant.

**CALLS**

**43. Directors may make calls**

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 to the condition of allotment by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and such Member shall pay the amount of every call so made on him to the person or persons and at the time and places appointed by the Board. A call may be made payable by installments.

**44. Notice of Calls**

Twenty-one 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 by whom such call shall be paid.

**45. Calls to date from resolution**

A call shall be deemed to have been made at the time when the resolution authorizing such call was passed at the meeting of the Board.

**46. Call may be revoked or postponed**

A call may be revoked or postponed at the discretion of the Board.

## Solar Explosives Limited

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### 47. Liability of joint holders

The joint-holders of any share shall be jointly and severally liable in respect of all calls or installments and other payment, which ought to be made in respect of such shares.

### 54. A. Calls on shares of same class to be made on uniform basis

Any calls for future 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 purpose of this Article, shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

### C. Provisions to apply to Debentures also.

The provisions of the Articles under this Chapter, to the extent applicable, shall mutatis mutandis apply to Debentures of the company.

## LIEN

### 55. Company to have lien on shares

The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (Whether presently payable or not) called or payable at a fixed time in respect of such shares, and no equitable interest in any shares shall be created except upon the footing and upon the condition that Article 30 hereof is to have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares. 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. Provided that the Board Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause.

### 57. As to enforcing lien by sale.

For the purpose of enforcing such lien the Board may sell the shares subject hereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorize one of their members to execute a transfer thereof on behalf of and in the name of such Member. No sale shall be made until such period as aforesaid shall have arrived, and until notice in writing of the intention to sell shall have been served on such Member or his representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

### 58. Transfer of share sold under lien

- (a) To give effect to any such sale, the Board may authorize some person to transfer the shares sold to the purchase thereof.
- (b) The purchaser shall be registered as the holder of the shares comprised in any such transfer.
- (c) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the same

### 59. Application of proceeds of sales

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 for sums not presently payable as existed upon the shares before the sale) be paid to person entitled to the shares at the date of the sale.

## FORFEITURE AND SURRENDER OF SHARE

### 60. If money payable on shares not paid notice to be given to member

If any Member fails to pay the whole or any part of any call or installments or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or installment or any part thereof or the other moneys remain unpaid or a judgment or decree in respect thereof



remains unsatisfied in whole or in part, send a notice on such Member or on the person (if any) entitled to the share by transmission, requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid 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.

**61. Form of Notice**

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 calls or installments and such interest thereon at such rate not exceeding 18 percent per annum 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 calls were made or installment is payable, will be liable to be forfeited.

**62. In default of payment shares to be forfeited**

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 ordinary resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited shares and not actually paid before the date of forfeiture which shall be the date on which the ordinary resolution of the Directors is passed forfeiting the shares.

**63. Notice of Forfeiture to Member**

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 omission or neglect to give such notice or to make any such entry as aforesaid.

**64. Forfeited share to be property of the company and may be sold etc.**

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 and at any time before a sale or disposal as aforesaid the board may cancel the forfeiture on such terms as it thinks fit.

**65. Surrender of forfeited shares**

Upon forfeiture of shares, the member shall forthwith forfeit the shares to the Company.

**66. Liability on forfeiture**

Any member whose shares have been forfeited shall cease to be a member in respect of those shares but 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 not exceeding eighteen percent per annum or as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

**67. Effect of forfeiture**

The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demand 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.

**68. Evidence of forfeiture**

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.

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### **69. Validity of Sale under these Articles**

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers therein before given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the Purchaser's name to be entered in the Register 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 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.

### **70. Cancellation of share certificate in respect of forfeited shares**

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate certificate or certificates in respect of the said shares to the person or persons entitled thereto distinguishing it on them in such manner as they think fit from the certificates not so delivered.

### **71. Power to annul forfeiture**

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 thinks fit.

### **72. Surrender of shares**

The Directors may subject to the provisions of the Act, accept a surrender of any share or by any member desirous of surrendering on such terms as the Directors may think fit.

### **73. Provisions to apply to debentures also**

The provisions of the Articles under this chapter to the extent applicable, shall mutates mutandis apply to debentures of the Company.

## **TRANSFER AND TRANSMISSION OF SHARES**

### **74. Register of Transfer**

The Company shall keep a book to be called "Register of Transfer", and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share held in material form.

### **75. Instrument of Transfer**

Shares in the company may be transferred by instrument in writing in such form and by such procedure as may from time to time be prescribed by law. Subject thereto the directors may prescribe a common form of for instruments of transfer which may from time to time be altered by the Directors.

### **76. Transfer by Joint Holders**

In the case of transfer of shares/debentures held by joint holders, the transfer will be effective only if it is made by all the joint holders.

### **77. Transfer form to be completed and Presented to the Company**

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.

### **83. Death of one or more Joint holders of shares**

Subject to Article 30 hereof 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 shares, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liabilities on shares held by him jointly with any other person.



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**85. Nomination**

A holder or joint holders of shares in or debentures of the company may nominate, in accordance with the provisions of Section 109A of the Companies Act, 1956 (including any amendment thereto or any re-enactment thereof) and in the manner prescribed there under, any person to whom all the rights in the shares in or debentures of the Company shall vest in the event of death of such holder (s). Any nomination so made shall be dealt with by the company in accordance Act,1956 or any statutory modification or re-enactment thereof for the time being in force.

**95. Transfer of shares in Dematerialised form**

In the case of transfer or transmission of shares or other marketable securities where the company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act,1996 shall apply.

**COPIES OF MEMORANDUM AND ARTICLES TO BE SENT TO MEMBERS**

**97. Copies of Memorandum and Articles to be sent by the Company**

Copies of the Memorandum and Articles of Association of the Company and other documents referred to in Section 39 of the Act as in force for the time being, shall be sent/furnished to every Member at his request within seven days of the request on payment of prescribed fees.

**BORROWING POWER**

**98. Powers to borrow**

Subject to the provisions of Section 58A, 292 and 293 of the Act and of the Companies (Acceptance of Deposits) Rules, 1975 and of these Articles or any statutory modification thereof for the time being in force the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the company. Provided the payment of any sum or sums of money for the purpose of the Company. Provided however where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans to be obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its, free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No Debt incurred by the Company in excess of the limit imposed by these Articles shall be valid or effectual unless the lender proves that he advances the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.

**103. Register of mortgage etc. to be kept**

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 charged specifically affecting the property of the Company and shall cause the requirements of Section 118, 125 and 127 to 144 of the Act in that behalf to be duly complied with, (within the time prescribed by the said section or such extension thereof as may be permitted by the Company Law Board or the Court or the Registrar of Companies as the case may be) so far as they feel to be complied with by the Board.

**104. Mortgage of uncalled up capital**

If any uncalled up capital of the Company is included in or charged by any mortgage or other security, the Directors shall, subject to the provisions of the Act and these Articles, make calls on the Members in respect of such uncalled up capital in trust for the person in whose favor such mortgage or security is executed or if permitted by the Act, may by instrument under the seal authorize the person in whose favor such mortgage or security is executed or any other person in trust for him to make calls on the Members in respect of such uncalled up capital and the provisions hereinbefore contained in regard to calls shall mutants mutandis apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally and either to the exclusion or the Director's power or otherwise and shall be assignable if expressed so to be.

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### MEETING OF MEMBERS

#### 115. The Statutory Meeting

The Statutory Meeting of the Company, shall as required by Section 165 of the Act, be held at such time not being less than one month and not more than six months from the date at which the Company shall be entitled to commence business and at such place as the Board may determine, and the Board shall comply with the requirements of that Section, as to the report to be submitted and otherwise.

#### 116. Annual General Meeting

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings other than Annual General Meeting and the Statutory Meeting shall be called Extraordinary General Meetings. The First Annual General Meeting shall be held within eighteen months from the date of incorporation of the Company and the next Annual General Meeting shall be held within six months after the expiry of the financial year in which the first Annual General Meeting was held and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next.

#### 117. a) Section 171 to 186 of the Act shall apply to Meeting

Section 171 to 175 and Sections 177 to 186 of the Act with such adaptations and modifications, if any, as may be prescribed shall apply with respect to meetings of any class of members or of debenture holders or any class of debenture holders of the company in like manner as they apply with respect to General Meeting of the company.

- b) Section 176 of the Act with such adaptations and modifications if any, as may be prescribed shall apply with respect to meetings of any class of members or of debenture holders of the company in like manner as it applies with respect to General Meeting.

#### 120. Contents of Notice

Every notice of a meeting of the company shall specify the place, day and hour of the meeting and shall contain a statement of the business to be transacted there at.

#### 121. Resolutions requiring Special Notice

Where by any provision contained in this Act or in these Articles, special notice is required of any resolution, notice in respect of the same shall be given as provided in Section 190 of the Act.

#### 123. Notice to be given where a Meeting is adjourned for 30 days or more

When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of the adjournment or of the business to be transacted at an adjourned meeting.

#### 128. Circulation of Member's Resolution

The Directors shall on the requisition of members representing not less than one-twentieth of the voting rights of members having a right to vote at any Annual General Meeting or being not less than one hundred members holding shares on which there has been paid up an aggregate sum of not less than one lakh of rupees in all, give notice to the members of any resolution which can properly be moved and intended to be moved at the meeting and circulate any statement supplied by the requisitionists in accordance with the requirements of Section 188 of the Act with which the company shall also comply.

#### 129. Meeting called by Requisitionists

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 meetings are to be called by the Board.



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**130. Requisition by Joint holders**

Where two or more persons hold any shares or interest in the company jointly, a requisition, or a notice calling a meeting, signed by one or some of them shall, for the purpose of these Articles, have the same force and effect as if it had been signed by all of them.

**132. Twenty-one days notice of meeting to be given**

At least Twenty-one days notice of every General Meeting, Annual or Extraordinary General Meeting, and by whomsoever called specifying the day, place and hour of meeting and the general nature of the business to be transacted thereat, shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company. Provided that in the case of an Annual General Meeting with the consent in writing of all the Members entitled to vote thereat and in case of any other meetings, with the consent of Members holding not less than 95 percent of such part of the paid-up share capital of the Company as gives a right to vote at the meeting, a meeting may be convened by a shorter notice.

**133. Omission to give notice not to invalidate a resolution passed**

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 or the proceedings of any such meeting.

**134. Meeting not to transact business not mentioned in notice**

No General Meeting, Annual or Extraordinary General Meeting, 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.

**135. Resolution passed at Adjourned Meeting**

The provisions of Section 191 of the Act shall apply to resolutions passed at an adjourned meeting of the Company, or of the holders of any class of shares in the Company and of the Board of Directors of the Company and the resolutions shall be deemed for all purposes as having been passed on the date on which in fact they were passed and shall not be deemed to have been passed on any early date.

**136. Postponement or cancellation of meeting**

The Directors may in their absolute discretion on giving not less than seven clear days notice in accordance with these Articles, postpone or cancel any meeting of members, except a meeting called pursuant to a member's requisition.

**137. Quorum at General Meeting**

Five Members present in person shall be the quorum for a General Meeting.

**145. a) Poll to be taken if demanded**

Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf in the manner mentioned in Section 179 of the Act.

b) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

c) A poll demand on a question of adjournment and on the question relation to the election of the Chairman which is provided in Section 175 of the Act, shall be taken forthwith.

d) A poll demanded on a question shall be taken at such time not being later than 48 (Forty-eight) hours from the time when the demand was made, as the Chairman may direct.

e) Subject to the provisions of the Act, the Chairman of the Meeting shall have powers to regulate the manner in which a poll shall be taken.

f) The result of the poll shall be deemed to be decision of the meeting on the resolution on which poll was taken.

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### **146. Scrutineers at Poll**

Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes cast at the poll and to report thereon to him. One of the scrutineers 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 scrutineer from office and fill vacancies in the office of scrutineer arising from such removal or from any other cause.

### **147. In what case poll taken without adjournment**

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.

### **148. Demand for poll not to prevent, continuance of business**

The demand for a poll, except on the question of the election of the Chairman and of an adjournment, shall not prevent the continuance of meeting for the transaction of any business other than the question on which the poll has been demanded.

## **VOTES OF MEMBERS**

### **149. Restrictions on Voting**

No Member shall be entitled in respect of any shares registered in his name to be present or to exercise any voting right on any question at any General Meeting or be reckoned in a quorum whilst any call or other sum presently payable to the Company in respect of such shares, shall remain unpaid or in regard to which the Company has exercised any right of lien; and no member shall be entitled to be present or to vote in respect of any shares that he has acquired by transfer at any meeting unless his name has been entered as the registered holder of such share in respect of which he claims to vote.

### **150. Equal Rights of Shareholders**

Any shareholder whose name is entered in the Register of Members of the company shall enjoy the same rights and be subject to the same liabilities as all other shareholders of the same class.

### **151. Number of votes to which a member is entitled**

Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every member, not disqualified by the last preceding Article shall be entitled to be present and to speak and vote at such meeting, and on a show of hands every Member present in person or by proxy 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.

### **152. Casting of votes by a Member entitled to more than one vote**

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.

### **154. Votes of joint members**

If there be joint registered holders of any shares, any one of such persons may vote at any meeting either personally 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 that one of the said person so present whose name stands higher on the register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased Member in whose names shares stand for the purpose of these Articles be deemed as joint holders thereof.



**155. Voting in person or by proxy**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself. A member (and in case of joint holders all holders) shall not appoint more than one person as proxy.

**156. Votes in respect of shares of deceased and insolvent Member**

Any person entitled under the Transmission Article (Article 87) 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 the holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the Director of his right to transfer of 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. For the purpose of the Article, the Directors shall have same powers either to recognise or to refuse to recognise such right to transfer, as they have to reject or accept, a transfer or transmission of shares under these Articles.

**157. Appointment of proxy**

Every proxy (whether a Member or not) shall be appointed in writing under the hand of the appointer or his attorney, duly authorized in writing, or if such appointer is a body corporate under the common seal of such corporation, or be signed by an officer or any attorney duly authorised by it, and any Committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meeting.

**160. Proxy to vote only on a poll**

A Member present by proxy shall be entitled to vote only on a poll.

**MINUTES OF MEETINGS**

**167. a) Minutes of General Meeting and inspection thereof by members**

The Company shall cause minutes of all proceedings of every General Meeting to be kept in accordance with the provisions of Section 193 of the Act.

h) The book containing the Minutes of the proceedings of any General Meeting of the Company shall:

- i) be kept at the Registered Office of the Company, and
- ii) be open, during the business hours to the inspection of any members without charge, subject, to such reasonable restrictions as the Company may, in General Meeting impose so however that not less than two hours in each day are allowed for inspection.
- iii) Any Member shall be entitled to be furnished within seven days after he has made a request in that behalf to the company, with a copy of any minutes referred to in Clause (h) above, on payment of such fees as prescribed under Section 196 of the Act.

**DIRECTORS**

**169. Number of Directors**

Until otherwise determined in a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors of the Company (excluding Alternate Directors) shall not be less than three or more than twelve.

**171. Directors of the Company**

Two thirds of the total number of Directors of the Company shall:

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

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### **172. Appointment of non-retiring Directors**

One third of the total number of Directors shall be non-retiring and the Managing Director of the company shall not be liable to retire by rotation.

### **178. Appointment of Alternate Director**

The Board may, in accordance with and subject to the provision of Section 313 of the Act, appoint an Alternate Director during the letter's absence for a period of not less than three months from the state in which the meeting of the Board is 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 so returns to that State, any provisions in the Act or in these Articles for the automatic reappointment of a retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director.

### **179. Additional Director**

Subject to the provisions of Section 260, 261 and 264 of the Act and further subject to Articles 174, the Board shall have power at any time and from time to time to appoint any 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 169. Any such Additional Director shall hold office only up to the date of next Annual General Meeting.

### **191. Disclosure of Interest**

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

### **203. Company may increase or reduce the number of Directors**

Subject to Sections 259 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 place. The person so appointed shall 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.

### **204. a) Right of persons other than retiring Directors to stand for Directorship**

A person who is not a retiring Director shall, in accordance with and subject to the compliance of provisions of Section 257 of the Act and Article 205 of this Articles of Association, be eligible for appointment to the office of Director at any General Meeting.

### **207. a) Register of Directors etc. and notifications of change, to Registrar**

The Company shall keep at its Office a Registrar containing the particulars of its Directors, Secretary and other persons mentioned in Section 303 of the Act, and shall otherwise comply with the provisions of the said section in all respects.

## **MANAGING DIRECTOR**

### **209. The Board to appoint Managing Director/s**

Subject to the provisions of the Act and these Articles, the Board shall have the power to appoint from time to time any of its members as Managing Director or Managing Directors and/or Whole time Director/s and/or Special Directors like Technical Director, Financial Director etc. of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and the Board may by resolution vest in such



Managing Director or Managing Directors/Whole time Director(s) and Special Directors such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine.

#### **WHOLE TIME DIRECTOR**

##### **213. Power to appoint Whole Time Director and/or Whole-time Directors**

Subject to the provisions of the Act and of these Articles, the Board may from time to time with such sanction of the Central Government as may be required by law appoint one or more of its Director/s or other person/s as Whole-Time Director or Whole-Time Directors of the Company out of the Directors/ persons nominated under Article only either for a fixed term that the Board may determine or permanently for life time upon such terms and conditions as the Board may determine or permanently for life time upon such terms and conditions as the Board thinks fit.

#### **PROCEEDINGS OF THE BOARD OF DIRECTORS**

##### **216. Meeting of Directors**

The Directors may meet together as a Board for the dispatch 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 or otherwise regulate their meeting as they think fit.

##### **218. Quorum**

Subject to the Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength (excluding Director, if any, whose places may be vacant at the time) 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 equal to two-third of the total strength the number of the remaining Directors, that is to say, the number of Directors who are not interested present at the meeting being not less than two, shall be the quorum during such time.

#### **POWERS OF DIRECTORS**

##### **230. Power of Directors**

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, but subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

#### **REGISTERS, BOOKS AND DOCUMENTS**

##### **233. a) Registers, Books and Documents**

The Company shall maintain registers, books, and documents as required by the Act or these Articles

#### **THE SEAL**

##### **236. a) The Seal, its custody and use**

The Board shall provide a Common Seal for the purposes of the Company, shall have powers from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Board shall provide for the safe custody of the Seal for the time being, and the Seal shall never be used except by the authority of the Board of Committee of the Board, previously given.

#### **DIVIDENDS**

##### **238. Division of profits**

Subject to the provision of Section 205 of the act and the rules made there under, the profits of the Company, subject to any special rights relating thereto created or authorized to be created by these Articles and subject to the

## **Solar Explosives Limited**

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provision of these Articles, shall be divisible among Members in proportion to the amount of capital paid-up or credited as paid-up on the shares held by them respectively.

### **239. The Company in General Meeting may declare a dividend**

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.

### **240. Dividends only not to be paid out of profit**

No dividend shall be declared or paid except in accordance with Section 205 and Section 205 A of the Act and no dividend shall carry interest as against the Company. The declaration of the Board as the amount of profits of the Company shall be conclusive. Where a dividend has been declared, either the dividend shall be paid or the warrant in respect thereof shall be posted to the shareholder entitled to the payment of the dividend within time prescribed under Section 207 of the Act.

### **241. Dividend payable to Registered holders**

No dividend shall be paid by the Company in respect of any share except to the registered holder of such share or to his order or to his banker.

### **242. Interim Dividend**

Subject to the provision of the Act, the Board may, from time to time pay to the Members such interim dividend as in their judgment the position of the Company justifies.

### **246. Transfer of shares must be registered**

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

### **250. Unclaimed dividend**

The Company shall not forfeit any unpaid or unclaimed dividend and such dividends shall be dealt with according to the provisions of Section 205A, 205B, 205C and 205D of the Companies Act, 1956.

### **253. Unpaid dividend**

Where a dividend has been declared by a company but has not been paid, or the warrant in respect thereof has not been posted, within 42 days from the date of the 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 42 days transfer the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted within the said period of 42 days, to special account to be opened by the Company in that behalf in any scheduled Bank to be called "Unpaid dividend account of SOLAR EXPLOSIVES LIMITED.

## **ACCOUNTS**

### **258. Directors to keep true accounts**

The Company shall keep at the Office or at such other place in India as the Board thins fit, proper Books of Accounts in accordance with Section 209 of the Act

## **AUDIT**

### **264. a) Accounts to be audited**

Every Balance Sheet and Profit Loss Account shall be audited by one or more Auditors, as may be appointed from time to time.

b) The Company will comply with all the provisions prescribed in Section 224 to Section 233 (both inclusive) of the Act, as amended from time to time.



## DOCUMENTS AND NOTICES

### 268. a) Service of documents or notice on Members by Company

A document or notice may be served or given by the Company on any Member either personally or by sending it by post to him to his registered address or (if he has no registered address in India) to the address, if any, in India supplied by him to the Company for serving documents or notices on him.

- b) Where a document or notice is sent by post, service of the document or notice shall be deemed to be effected by properly addressing, preparing and posting a letter containing the document or notice, serving shall be deemed to have been effected in the case of a notice of a meeting, at the expiry of forty-eight hours after the letter containing the document or notice is posted and in any other case, at the time at which the letter would be delivered in the ordinary course of post.
- c) Where a member has intimated to the Company in advance that 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 sum sufficient to defray the expenses of doing so, service of the documents shall not be deemed to be effected unless it is sent in the manner intimated by the member.

### 270. On joint holders

A document or notice may be served or given by the Company on or to the joint-holders of a share of serving or giving the document or notice to the joint-holder named first in the Register of Members in respect of the shares.

## WINDING UP

### 277. A. Winding up

Subject to the provisions of the Act, if the Company shall be wound up and the assets available for distribution among the members as such be less than sufficient 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 borne by the members in proportion to the Capital paid up, or which ought to have been paid up, at the commencement of winding up, on the shares held by them respectively. And if in winding up, the assets available for distribution amongst the members shall be more than sufficient to repay the whole of the Capital paid up at the commencement of winding up the excess shall be distributed amongst the members in proportion to the Capital at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively.

- B. But this clause will not prejudice the rights of the holders of shares issued upon special terms and conditions.

## INDEMNITY AND RESPONSIBILITY

### 279. a) Director's and other's right of indemnity

Subject to the provisions of Section 201 of the Act, every Director, Manager, Auditor and other Officer or Servant of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the Funds of the Company to pay all costs, losses and expenses which any such Director, Manager, Auditor or other Officer of Servant may incur or become liable to by reason of any contract entered into, or act or thing done by him as such Director, Manager, Auditor or other Officer or servant or in any way in the discharge of his duties including travelling, expenses and in particular and so as not to limit the generality of the forgoing provisions against all liabilities incurred by him as such Director, Manager, Auditor or other Officer in defending any proceedings, whether civil or criminal, in which judgment is given in his favor or he is acquitted, or in connection with any application under Section 633 of the Act in which relief is provided shall immediately attach as a lien on the property of the Company and have priority as between the members over all other claims.

- b) Subject to the provision of Section 201 of the Act, no Director, Manager, or other Officer of the Company shall be liable for the acts, receipts neglects or defaults of any other Director or Officer or for joining in any receipt or other Act for conformity or for any loss or for joining in any receipt or other Act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for and on behalf of the Company or for the insufficiency or deficiency of any security

## **Solar Explosives Limited**

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in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person with whom any moneys, securities or effect shall be deposited or for any loss occasioned by an error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his own dishonest.

### **GENERAL POWER**

281. Wherever in the Companies Act, it has been provided that the Company shall have any right, privilege or authority or that the Company could carry out any transaction only if the Company is so authorized by its Articles, than and in that case this Clause hereto authorizes and empowers the Company to have such right, privilege or authority and to carry such transactions as have been permitted by the Act, without there being any specific Regulation in that behalf herein provided.



## SECTION X: 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 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 Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at 11, Zade Layout, Bharat Nagar, Nagpur – 440 033, Maharashtra from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/ Issue Closing Date.

### Material Contracts

1. Engagement Letter dated September 20<sup>th</sup>, 2005 for appointment of SBI Capital Markets Limited as BRLM.
2. Memorandum of Understanding dated 28<sup>th</sup> December, 2005 amongst our Company and the BRLM.
3. Memorandum of Understanding dated 29<sup>th</sup> October 2005 executed between the Company and Registrar to the Issue.
4. Escrow Agreement dated 17<sup>th</sup> February, 2006 between the Company, the BRLM, Escrow Collection Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated 17<sup>th</sup> February, 2006 between us, the BRLM and Syndicate Members.
6. Underwriting Agreement dated [●] between us, the BRLM and Syndicate Members.
7. Share holder agreement between Solar Explosives Limited and its subsidiaries.

### Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Certificate of Incorporation dated 24.02.1995
3. Certificate for commencement of business dated 27.02.1995
4. Special resolution of the Board dated 25<sup>th</sup> October, 2005 authorising the issue under 81(1A) of the companies act.
5. Copies of annual reports of our Company and our subsidiaries for the past five financial years.
6. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
7. Applications dated 29 December, 2005 for in-principle listing approval from NSE and BSE. The in-principle approvals of the Stock Exchanges for listing the Equity Shares as per letter no. DCS/SMG/sm/dm/2006 dated February 1 ,2006 and letter no. NSE/LIST/20143 dated February 3, 2006 respectively. BSE will be the Designated Stock Exchange.
8. Agreement between NSDL, our Company and the Registrar to the Issue dated 30<sup>th</sup> January, 2006.
9. Agreement between CDSL, our Company and the Registrar to the Issue dated 24.02.2006.
10. Due diligence certificate dated 29 December, 2005 to SEBI from BRLM.
11. SEBI observation letter CFD/DIL/SM/6005702006 dated February 13, 2006 and SBI Caps Ltd. reply dated 21.02.2006.  
Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our 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.
12. Auditors report of Solar Explosives Limited dated 24.10.2005.
13. Auditors report regarding Consolidated Financials of Solar Explosives Ltd. and financials of its subsidiaries dated 24.10.2005.
14. Auditor's report of Unaudited Consolidated Financial Statements dated 23.12.2005.

## Solar Explosives Limited

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### SECTION XI: 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 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 or guidelines issued thereunder, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

#### Signed by all Directors

SD-

  
Mr. Satyanarayan Nuwal  
Chairman

SD-

  
Mr. Kailashchandra Nuwal  
Director

SD-

  
Mr. Manish Nuwal  
Director

SD-

  
Mr. Kundansingh Talesra  
Director

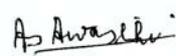
SD-

  
Mr. Roomie Dara Vakil  
Director

SD-

  
Mr. Ramesh Chandra Tripathi  
Director

SD-

  
Mr. Anant Sagar Awasthi  
Director

SD-

  
Dr. Jai Prakash Agrawal  
Director

SD-

  
Dr. R. Srinivasan  
Director

SD-

  
Mr. Jagoba Fakuji Salve  
Director

Date : February 24, 2006

Place : Mumbai.