



## VARUN INDUSTRIES LIMITED

Originally incorporated as Varun Continental Limited on March 8, 1996 under the Companies Act, 1956 vide registration no. 11-97945 (CIN: U28990MH1996PLC097945) and received Certificate for Commencement of Business on March 15, 1996 from the Registrar of Companies, Maharashtra, Mumbai. The name of our Company was changed to Varun Industries Limited w.e.f. April 21, 2005. Our registered office earlier located at Dwarkesh Market, Dr.A. M. Road, Near Central Bank, Bhuleshwar, Mumbai - 400 002, w.e.f. July 24, 1996 was shifted to its present location as under –

**Registered & Corporate Office:** 13, Shankeshwar Darshan, A.G. Pawar Cross Lane, Byculia (E), Mumbai - 400 027  
**Tel:** +91-22-2372 7400 / 2378 5252; **Fax:** +91-22-2374 8686; **Website:** www.varun.com; **E-mail:** ipo@varun.com

**Contact Person:** Shri. Rajendra Kumar Haran, President -Legal & HRD and Company Secretary and Compliance Officer

**PUBLIC ISSUE OF 90,00,000 EQUITY SHARES OF FACE VALUE OF Rs. 10/- EACH OF VARUN INDUSTRIES LIMITED (HEREINAFTER REFERRED TO AS THE “COMPANY” OR “ISSUER”) AT A PRICE OF Rs.60/- FOR CASH AT A PREMIUM OF Rs.50/- PER EQUITY SHARE AGGREGATING TO Rs.5,400 LACS (HEREINAFTER REFERRED TO AS THE “ISSUE”) COMPRISING PROMOTERS’ CONTRIBUTION OF 24,30,000 EQUITY SHARES OF RS.10/- EACH AT A PRICE OF Rs.60/- FOR CASH AT A PREMIUM OF Rs.50/- PER EQUITY SHARE AGGREGATING TO Rs.1,458 LACS (HEREINAFTER REFERRED TO AS THE “PROMOTERS’ CONTRIBUTION”). THE NET ISSUE TO THE PUBLIC IS 65,70,000 EQUITY SHARES OF RS.10/- EACH AT A PRICE OF Rs.60/- FOR CASH AT A PREMIUM OF Rs.50/- PER EQUITY SHARE AGGREGATING TO Rs.3,942 LACS (HEREINAFTER REFERRED TO AS THE “NET ISSUE”). THE NET ISSUE WOULD CONSTITUTE 29.71% OF POST ISSUE PAID UP CAPITAL OF OUR COMPANY.**

**THE ISSUE PRICE OF Rs.60/- PER EQUITY SHARE IS 6 TIMES THE FACE VALUE.**

### RISKS IN RELATION TO THE FIRST ISSUE

This being the first public issue of the Equity Shares of our Company, there has been no formal market for the Equity Shares of our Company. The face value of the Equity Shares is Rs. 10/- each per Equity Share and the Issue Price is 6 times the face value. The issue price (as determined and justified by our Company in consultation with the Lead Manager as stated under the “Basis for Issue Price” starting from page no. 31 of this Prospectus) should not be taken to be indicative of the market price of the Equity Shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this 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 offering. For taking an investment decision investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of “Risk Factors” starting from page no. ix of this Prospectus.

### ISSUER’S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to our Company and this issue, which is material in context of this issue, that the information contained in this 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 issued through this Prospectus are proposed to be listed on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). In-principle approval for listing of the Equity Shares of our Company from BSE and NSE have been received vide their letters dated July 30, 2007 and September 14, 2007 respectively. For the purpose of this Issue, the Designated Stock Exchange is BSE.

### IPO GRADING

Our Company has appointed CRISIL Ltd. For IPO Grading. CRISIL Ltd. Has assigned a CRISIL IPO Grade “1/5” (pronounced “one on five”) indicating ‘poor fundamentals’ to the Initial Public Offering of our Company. For more information on IPO Grading, please refer to the section titled “General Information” starting from page no. 8 of this Prospectus.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
<p><b>IDBI CAPITAL MARKET SERVICES LIMITED</b> 5<sup>th</sup> Floor, Mafatlal Centre, Nariman Point, Mumbai – 400 021 Tel.: +91-22-2289 7529/21 Fax: +91-22-2283 8782 Website: www.idbicapital.com E-Mail: varun.ipo@idbicapital.com Contact person: Mr. Ajesh Dalal/Mr. Indrajit Bhagat</p>	<p><b>BIGSHARE SERVICES PRIVATE LIMITED</b> E/2, Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri (E), Mumbai - 400 072 Tel: +91-22-2847 0652, 4043 0200 Fax: +91-22-2847 5207 Website: www.bigshareonline.com E-Mail: ipo@bigshareonline.com Contact person: Mr. Ashok Shetty</p>

### ISSUE SCHEDULE

**ISSUE OPENS ON : OCTOBER 25, 2007**

**ISSUE CLOSES ON : OCTOBER 31, 2007**

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## SECTION I – DEFINITIONS AND ABBREVIATIONS

### CONVENTIONAL/GENERAL TERMS

Notwithstanding, in the chapter titled “Main Provisions of Articles of Association of our Company” starting from page no. 202 of this Prospectus, the following defined terms will have the meaning given to such terms in this Section.

Term	Description
“Varun” or “the Company” or “our Company” or “Varun Industries” or “Varun Industries Limited ” or “VIL” or “we” or “us” or “our”	Varun Industries Limited, a public limited company incorporated under the provisions of the Companies Act, 1956
Group Companies/Firms/Ventures	In accordance with clause 6.10.3.1 of the SEBI Guidelines, it comprises entities mentioned below -  Varun Jewels Private Limited, Shri Sai Jewels Private Limited and M/s. K. K. Enterprises
Promoter(s)	Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Virendra N. Mehta
Promoter Group	In accordance with clause 6.8.3.2 of Explanation II of the SEBI Guidelines, it comprises the individuals and entities mentioned below -  <i>1. Individuals forming part of the Promoter Group:</i>  Shri. Kiran N. Mehta Shri. Kailash S. Agarwal Shri. Virendra N. Mehta Smt. Meena K. Mehta Shri. Navratanmal C. Mehta Shri. Parasmal C. Mehta Smt. Anuradha K. Agarwal Smt. Leelakumari C. Bhandari Shri. Champalal J. Bhandari Shri. Sanjay C. Bhandari  <i>2. Companies forming part of the Promoter Group:</i>  Varun Jewels Private Limited Shri Sai Jewels Private Limited  <i>3. Partnership Firms forming part of Promoter Group:</i>  M/s. K. K. Enterprises
Subsidiaries	Varun Jewels Private Limited and Shri Sai Jewels Private Limited

## ISSUE RELATED TERMS

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to this Issue
Allottee	The successful applicant to whom the Equity Shares are/have been allotted
Applicant	Any prospective investor who makes an application for Equity Shares in terms of this Prospectus
Application Form	The form in terms of which the investors shall apply for the Equity Shares of our Company in this Issue
Articles / Articles of Association / AoA	Articles of Association of Varun Industries Limited
Auditors / Statutory Auditors	The Statutory Auditors of our Company in this case being M/s. Chunnilal & Company, Chartered Accountants
Banker(s) / Banker(s) to the Issue	Bankers to the Issue in this case being Axis Bank Limited, HDFC Bank Limited, ICICI Bank Limited, Indian Bank, Industrial Development Bank of India Limited and Standard Chartered Bank
Board/ Board of Directors	Board of Directors of Varun Industries Limited
Co-Lead Manager	Co-Lead Manager to the Issue, in this case being Indbank Merchant Banking Services Ltd.
Companies Act / Act	The Companies Act, 1956 as amended from time to time
Compliance Officer	Shri. Rajendra Kumar Haran, President-Legal & HRD and Company Secretary
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time being NSDL and CDSL
Depository Participant	A person registered as such under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992
Designated Stock Exchange / BSE	Bombay Stock Exchange Limited
Director(s)	Director(s) of our Company unless otherwise specified
Employee	All or any of the following - (a) a permanent employee of our Company as of Issue Opening Date and based, working and present in India or out of India on the date of submission of Application Form; (b) a Director of our Company, whether a whole time Director, part time Director or otherwise, except any Promoters or members of the Promoter Group, as of Issue Opening Date and based and present in India as on the date of submission of the Application Form; (c) a permanent employee as defined in sub-clauses (a) or (b) of a subsidiary of our Company whether in India or out of India
Equity Share(s) / Share(s)	Equity Share(s) of our Company of the face value Rs. 10/- each, unless otherwise specified in the context thereof
Equity Shareholder(s)	Person(s) holding Equity Share(s) of our Company unless otherwise specified in the context thereof
Face Value	Face Value of Equity Share of our Company, in this case being Rs. 10/- each
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under
FII	Foreign Institutional Investor as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and registered with SEBI
Financial Year / Fiscal / FY	Period of twelve months ended March 31 of that particular year, unless stated otherwise
First Applicant	The Applicant whose name appears first in the Application Form

Grading / IPO Grading	IPO Grading (Initial Public Offering Grading) is a service aimed at facilitating the assessment of equity issues offered to public. The grade assigned to any individual issue represents a relative assessment of the fundamentals of that issue in relation to the universe of other listed equity securities in India. Such grading is assigned on a five-point scale with a higher score indicating stronger fundamentals
IDBI Capital	IDBI Capital Market Services Limited
IMBSL	Indbank Merchant Banking Services limited
Indian GAAP	Generally Accepted Accounting Principles in India
Issue / IPO / Offer	This public issue of 90,00,000 equity shares of Rs. 10/- each at a price of Rs. 60/- each aggregating to Rs. 5,400 lacs
Issue Closing Date	The date on which the Issue closes for subscription
Issue Opening Date	The date on which the Issue opens for subscription
Issue Period	The period between the Issue Opening Date and Issue Closing Date and includes both these dates
Issue Price	The price at which the Equity Shares will be issued by our Company i.e. Rs. 60/- per Equity Share
Issue Size	90,00,000 Equity Shares of our Company at a price of Rs. 60/- for cash aggregating to Rs. 5,400 lacs
Issuer	Varun Industries Limited
Lead Manager / Lead Merchant Banker	Lead Manager to the Issue, in this case being IDBI Capital Market Services Limited
Lead Managers	Lead Manager to the Issue, in this case being IDBI Capital Market Services Limited and Co-lead Manager to the Issue, in this case being Indbank Merchant Banking Services Limited collectively referred as Lead Managers
Memorandum of Association / MoA	Memorandum of Association of Varun Industries Limited
Mutual Fund	Mutual Funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time
Net Issue / Net Issue to the public	The Issue less the Promoters' Contribution i.e. 65,70,000 Equity Shares of our Company at a price of Rs. 60/- for cash aggregating to Rs. 3,942 lacs
NRI / Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended from time to time
NSE	National Stock Exchange of India Limited
Promoters' Contribution	The amount to be brought in by our Promoters not less than one day prior to the Issue Opening Date for which the Promoters shall be allotted Equity Shares from the Issue. Our Promoters shall bring in Promoters' Contribution of 24,30,000 Equity Shares at a price of Rs. 60/- for cash aggregating Rs.1,458 lacs.
Prospectus	The Prospectus filed with the ROC containing inter alia the Issue price and the number of Equity Shares to be issued and certain other information
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies for the Public Issue
Qualified Institutional Buyer(s) / QIB(s)	Qualified Institutional Buyer(s) as defined under clause 2.2.2 B (v) of SEBI (DIP) Guidelines 2000 i.e. public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million

Refund Banker	For the purpose of this Issue means, Standard Chartered Bank
Registrar / Registrar to the Issue	Registrar to the Issue, in this case being Bigshare Services Private Limited
Registered Office	13, Shankeshwar Darshan, A.G. Pawar Cross Lane, Byculia (E), Mumbai - 400 027
ROC / RoC	The Registrar of Companies, Maharashtra, Mumbai
Retail Individual Investor(s)	Individual applicants (including HUFs applying through their Karta or through their authorized signatory) who have applied for Equity Shares for an amount less than or equal to Rs. 100,000 in this Issue
Retail Portion	32,85,000 Equity Shares of our Company at a price of Rs. 60/- for cash aggregating to Rs. 1,971 lacs available for allocation on proportionate basis
Stock Exchange(s)	BSE and NSE
Venture Capital Funds / VCF	Venture Capital Funds (as defined under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996) registered with SEBI in India

### COMPANY/INDUSTRY RELATED TERMS

Term	Description
Buffing	Giving a final finishing & polishing to a semi finished Stainless Steel item(s)
CIDCO	City and Industrial Development Corporation
CHA	Customs House Agent
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CIT	Commissioner of Income Tax
Deburring	Deburring is a finishing method used in industrial settings and manufacturing environments
DEPB	Duty Entitlement Pass Book
DG Sets	Diesel Generator Sets
DGFT	Directorate General of Foreign Trade
DRI	Directorate of Revenue Intelligence
EEFC	Exchange Earners' Foreign Currency
EEPC	Engineering Export Promotion Council
EPCG	Export Promotion Capital Goods
FDBP	Foreign Documentary Bill Purchased
FDUBP	Foreign Documentary Usance Bill Purchased
Helipad	The word helipad is a grammatical contraction of helicopter landing pad, meaning a landing area for helicopters
IDRA Act	Industries (Development and Regulation) Acts, 1951
IEC	Importer Exporter Code
ISO 9001:2000	International Standard Organization 9001:2000 Certification Standard
ITAT	Income Tax Appellate Tribunal
Kv	Kilo Volts
Kw	Kilo Watts
Rain Water Harvesting	Rain Water Harvesting is a way to capture the rain water when it rains, store that water and use it later
Rig(s)	A rig is a general term used to describe a wide variety of machines, which is used to penetrate the surface of the earth's crust.
RCC	Reinforced Cement Concrete
SICOM	State Industrial Investment Corporation of Maharashtra Limited
SS	Stainless Steel
Vasai Project	Our Company's Project at S. No. 14/3, Village Valiv, Vasai - Vajreshwari Road, Taluka Vasai, Vasai (E), District Thane - 401 208 where we have our manufacturing, packaging facilities and warehouse used for Stainless Steel Kitchenware and Houseware items.

## ABBREVIATIONS

Abbreviation	Full Form
A/c.	Account
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BV	Book Value per share
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
DEA	Department of Economic Affairs
DIN	Director Identification Number
DP	Depository Participant
EBITDA	Earning Before Interest Tax Depreciation and Amortization
ECS	Electronic Clearance System
EFT	Electronic Fund Transfer
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
ESIC	Employees' State Insurance Corporation
ESOP	Employee Stock Option Plan
ESPS	Employee Stock Purchase Scheme
EU	European Union
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations there under and amendments thereto
FI(s)	Financial Institution(s)
FII(s)	Foreign Institutional Investor(s) [as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time] registered with SEBI under applicable laws in India
FIEO	Federation of Indian Export Organisations
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GDP	Gross Domestic Products
GIR Number	General Index Register Number
GoI/GOI	Government of India
HUF	Hindu Undivided Family
INR/Rs./Rupee	Indian National Rupee
IPO	Initial Public Offering
ISO	The International Organization for Standardization
I. T. Act	The Income Tax Act, 1961, as amended from time to time
I. T. Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise
Km	Kilo Meter
LM	Lead Manager
Ltd.	Limited
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs

MD	Managing Director
MMT	Million Metric Tonnes
Mn	Million
MOU	Memorandum Of Understanding
M/s.	Messrs
MT	Metric Tonnes
Mts./mtrs	Meters
MW	Mega Watt
n/a	Not Applicable
NAV	Net Asset Value
NEFT	National Electronic Fund Transfer
No.	Number
NOC	No Objection Certificate
NR	Non-Resident
NRE Account	Non-Resident External Account
NRI(s)	Non-Resident Indians
NRO Account	Non-Resident Ordinary Account
NSDL	National Securities Depository Limited
OCB	Overseas Corporate Body
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
QIB	Qualified Institutional Buyer
Qty.	Quantity
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
ROE	Return on Equity
RONW	Return on Net Worth
RTA	Registrar & Transfer Agent
RTGS	Real Time Gross Settlement
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
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended, including instructions and clarifications issued by SEBI from time to time
Sec.	Section
SIA	Secretariat for Industrial Assistance
Std.	Standard
Sq.	Square
TPA	Tonnes per Annum
TPD	Tonnes per day
UAE	United Arab Emirates
UK	United Kingdom (of Great Britain and Northern Ireland)
U/s.	Under Section
USA	United States of America
USD/ \$/ US\$	The United States Dollar, the legal currency of the United States of America
VAT	Value Added Tax
w.e.f.	With effect from

## SECTION II – RISK FACTORS

### FORWARD LOOKING STATEMENTS

This Prospectus contains certain “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “contemplate”, “seek to”, “future”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about us 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 but are not limited to -

- General economic and business conditions in India;
- Our ability to successfully implement our growth strategy and expansion plans and to successfully achieve the objectives for which funds are being raised through this Issue;
- Prices of raw materials we consume and the products we produce.
- Changes in laws and regulations relating to the industry in which we operate;
- Changes in political and social conditions in India;
- Any adverse outcome in the legal proceedings in which our Company is or may be involved; and
- The loss or shutdown of operations of our Company at any times due to strike or labour unrest or any other reason.

For further discussion of factors that could cause our actual results to differ, please refer to the “Risk Factors” beginning from page no. ix of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the members of issue management team nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the Lead Managers will ensure that investors in India are informed of material developments until the grant of listing and trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to this Issue.

## **PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA**

In this Prospectus, unless the context otherwise requires, 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. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off. The fiscal year of our Company commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to twelve months.

In this Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and all references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. The word "lacs" or "lac" means "one hundred thousand" and the word "million" means "ten lacs" and the word "crore" means "ten million". Throughout this Prospectus, all figures have been expressed in lacs unless otherwise stated. All references to "US\$", "U.S. Dollar" "USD" or "U.S. Dollars" are to United States Dollars, the official currency of the United States of America. All references to "India" contained in this Prospectus are to the Republic of India.

Industry data used throughout this Prospectus has been obtained from various industry publications and other authenticated published data. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Prospectus is reliable, it has not been independently verified neither by our Company nor the Lead Manager. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

**For additional definitions, please refer to the section titled "Definitions and Abbreviations" starting from page no. V of this Prospectus.**

## RISK FACTORS

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

To obtain, a complete understanding of our Company, the investor should read this section in conjunction with the sections titled “Business Overview” starting from page no. 49 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” starting from page no. 140 in this Prospectus as well as the financial and the other information contained in this Prospectus.

These risks are not the only ones that we face. Our business operations could also be affected by additional factors that are not presently known to us or we currently consider immaterial to our operations. Unless otherwise mentioned in the relevant risk factors discussed below, we are not in a position to quantify the extent of the Risks specified herein.

### A. INTERNAL RISK FACTORS

#### i) Risk related to our Company

##### 1. Our Company is involved in certain legal proceedings.

Our Company is involved in certain legal proceedings and claims in relation to criminal, customs and taxation matters incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts, tribunals and quasi judicial authorities. Should any new developments arise, such as a change in Indian law or rulings against us by trial or appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business and results of operations. Furthermore, if a claim is determined against us and we are required to pay all or a portion of the disputed amount, it may have a material adverse affect on our results and cash flows. A classification of the legal proceedings instituted against our Company and the monetary amount involved in these cases is given in the following table -

Type of litigation	Total number of pending cases/Show Cause notice	Remarks and amount involved
Customs Cases	1 Show Cause notice  1 Appeal	In respect of 1 Show Cause notice pending before the Directorate of Revenue Intelligence, Mumbai Zone Unit. The amount involved is Rs. 122.97 lacs plus penalty if any awarded.  In the event the Appeal filed by our Company pending before the CESTAT, Mumbai, is dismissed our Company would not be entitled to claim the refund of Rs. 100 lacs which is already deposited by our Company.
Criminal Cases	1 Case	The criminal case pending before the Chief Judicial Magistrate, Bikaner, Rajasthan and does not have any quantifiable financial implication.
Taxation Cases	16 Cases	In respect of 16 cases pending before various Judicial/Quasi-judicial authorities. The amount involved is Rs. 3550.20 lacs.

For more information regarding litigation of our Company, please refer to the section titled “Outstanding Litigations and Material Developments” beginning on page no. 152 of this Prospectus.

## 2. Our Promoters are involved in certain legal proceedings

### a) Criminal Case filed against our Promoters

A criminal case has been filed under the provisions of Drugs & Cosmetics Act 1940 against our Promoters.

No. of pending cases	Pending Against	Remarks and amount involved
1	Shri. Kiran N. Mehta	Pending before the Chief Judicial Magistrate, Bikaner, Rajasthan. The amount involved cannot be quantified.
1	Shri. Kailash S. Agarwal	Pending before the Chief Judicial Magistrate, Bikaner, Rajasthan. The amount involved cannot be quantified.
1	Shri. Virendra N. Mehta	Pending before the Chief Judicial Magistrate, Bikaner, Rajasthan. The amount involved cannot be quantified.

### b) Customs Cases filed by our Promoters

No. of pending cases	Pending Against	Remarks and amount involved
1	Shri. Kiran N. Mehta	Pending before CESTAT Mumbai, amount involved is Rs. 5 lacs.
1	Shri. Kailash S. Agarwal	Pending before CESTAT Mumbai, amount involved is Rs. 5 lacs.

For more information regarding litigation of our Promoters, please refer to the section titled “Outstanding Litigations and Material Developments” beginning on page no. 152 of this Prospectus.

## 3. Risk associated with Contingent Liabilities

Contingent liabilities as on July 31, 2007, are as under –

1. In respect of Income Tax matters under appeal, which consist of demand for the F.Y. 01-02 Rs. 19.06 lacs, F.Y. 03-04 Rs. 164.10 lacs, F.Y. 04-05 Rs. 33.85 lacs and refund of F.Y. 00-01 Rs. 197.34 lacs and F.Y. 02-03 Rs. 23.15 lacs. Net refund due Rs. 3.48 lacs (P.Y. Net Demand Rs. 1034.54 lacs).
2. Deposits in the Balance Sheet include Rs. 100 lacs deposited with Custom Department against the fine and penalty levied by them. However, an appeal has been filed with Customs, Excise & Service Tax Appellate Tribunal, West Zone, Mumbai challenging the Order in Original passed by the Commissioner of Customs.
3. Corporate Guarantee issued in favour of Banks for their credit facility to M/s Varun Jewels Pvt. Ltd. of Rs. 5,000.00 lacs.
4. Corporate Guarantee issued in favour of Banks for their credit facility to M/s Shri Sai Jewels Pvt. Ltd. of Rs. 1,500.00 lacs.
5. Corporate Guarantee issued in favour of Bank for credit facility to M/s K.K. Enterprises of Rs. 1,000.00 lacs.

**4. We have a high total debt equity ratio of 3.42 as at July 31, 2007.**

Our business activities require a large amount of working capital. Therefore, we have availed working capital funding of about Rs.28,796.50 lacs as on July 31, 2007. We have undertaken expansion activity by setting up a Project at Vasai, Thane, Maharashtra, Steel Re-rolling Mill at Jodhpur, Rajasthan and Windmills at Jaisalmer, Rajasthan within a short span of 3 years. These projects have been funded through a mix of debt and internal accruals. Consequent to this, our total debt to equity ratio as on July 31, 2007 has increased to 3.42 from 2.24 as on March 31, 2006. Our capacity to service these debts depends on our continued profitability and availability of liquid assets. In case we are unable to achieve the desired growth, due to internal constraints or external factors like adverse developments in the industry, we may find it difficult to service the debt and this may affect our profitability and growth adversely.

**5. Our growth strategy to diversify into other businesses carries high risk.**

Recently, we have ventured into the business of manufacturing of Stainless Steel Kitchenware and Houseware items, Stainless Steel Re-rolling Mill, Power generations through Windmills, Oil drilling and extraction, Mining of Iron ore. The Company has developed an in-house manufacturing and warehousing facility for Stainless Steel Kitchenware and Houseware items at Vasai (E), district Thane near Mumbai and also set up a Stainless Steel Re-rolling Mill at Jodhpur, Rajasthan for manufacturing stainless steel sheets to be used as the main raw material for its Vasai plant. The commercial production at the Vasai manufacturing unit has commenced from September 2007. Currently, our Company has started trial runs at the Stainless Steel Re-rolling Mill Plant at Jodhpur and the commercial production is expected to commence soon. Our Company has also set up wind turbine generators in Jaisalmer, Rajasthan in the Financial Year 2006 and 2007. We have also entered into an agreement with Shri. Anjaneya Kadam, Hubli (Karnataka) in the Financial Year 2006, for a period of 20 years to operate the iron ore mine and buy the entire quantity of the material. In Financial Year 2007, our Company has ventured into oil drilling and extraction by bidding for the tender of oil drilling and extraction. All these businesses would require additional management time, substantial financial and other resources. Our inability to manage such rapid expansion and diversification effectively or to ensure the continued adequacy of our current systems may have a material adverse effect on our overall business.

**6. Properties owned by the Company not yet registered**

Our Company has acquired properties situated at A-8, Nitin Building and Shop No. 17 Shakeshwar Darshan Co-operative Housing Society Limited, A G Pawar Cross Lane Byculia (E), Mumbai 400 027 by a Deed of Conveyance dated 11.10.2005 and Sale Agreement dated 1.3.2007 respectively. The said Deed of Conveyance and Sale Agreement are not registered and our Company may be penalized under the provisions of Registration Act 1908 for non-compliance of such provisions.

**ii) Risk related to our Business**

**7. High cost of raw material and our inability to pass it on to the consumers may put pressure on our profit margins.**

We earn our major revenue from exports of Stainless Steel Kitchenware and Houseware items. This business is dependent on main raw material – stainless steel sheets of different size and types and the prices of these raw materials are driven by the prices of stainless steel. The cost of the raw material constitutes more than 90% of the total cost in our trading business. If there is any sudden increase in prices of our main raw material and if we are unable to pass the incidence of the same to our customers, our performance may be affected adversely.

**8. We do not have any long-term contracts with our Customers.**

We do not have any long-term contracts with our buyers and any change in the buying pattern of our customers can adversely affect the business of our Company. We have good business relations with our customers and have received continued business from them in the past due to our emphasis on quality, timely shipment of goods, after sales service and aggressive marketing, however, there is no certainty that the same will continue in the years to come. A change in buying patterns may adversely affect our business and profitability.

**9. Our Company is exposed to foreign currency risk.**

We are an export-oriented enterprise, earned an export income of about Rs. 74,003.42 lacs that constitutes 97.27 % of our total income of about Rs. 76,078.33 lacs in Financial Year 2007. We receive these export revenues in USD. We have also availed foreign currency loans (For further details please refer to the section titled “Auditors Report” starting from page no. 104 of this Prospectus). We are therefore susceptible to exchange rate fluctuations. We have not entered into any forward exchange contracts to hedge exchange rate fluctuations risk. The exchange rate between the rupee and other currencies is variable and may continue to fluctuate in the future. Fluctuations in the exchange rates may affect us to the extent of revenues and businesses from overseas. Further, if the current trend of rupee appreciation continues, it may affect our export revenues adversely, thereby having an impact on our profitability.

**10. Our Promoters may have a conflict of interest as some of our Promoter group entities are in the same line of business.**

Our Promoters are significant shareholders of our two Subsidiary Companies viz. Varun Jewels Private Limited and Shri Sai Jewels Private Limited and are the only directors of these subsidiaries. These subsidiaries are engaged in the business of export of rough, polished, cut semi-precious, precious stones and polished diamonds. Our Company also earned revenue from exports of cut and polished diamond. The Promoters’ business decisions as the directors of the Subsidiary Companies may directly conflict with the interests of our Company. Our Promoters also hold key managerial roles in these Subsidiary Companies, which may require their time and efforts.

Further, our Promoters, viz. Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal are the only partners of a partnership firm M/s. K. K. Enterprises, which is engaged in export of stainless steel utensils and export of rough, polished, cut semi-precious, precious stones and polished diamonds. M/s. K. K. Enterprises is thus engaged in the same line of business activity as our Company.

Hence, our Company may not get the full benefit of the Promoters’ focused attention and managerial skills. Also, in the future, our Promoter Group may include other entities having businesses similar to that of our Company. This may result in conflict of interest with respect to business strategies of our Company.

For further information on Promoter group companies/entities, please refer to “Group Companies” and “Subsidiaries of Our Company” beginning on page no. 137 and page no. 77 respectively of this Prospectus.

**11. Availability of adequate labour, work stoppages and other labour problems could adversely affect our business.**

We require skilled and unskilled labour for successful running of our existing operations. Any shortage of adequate labour and stoppage due to any labour related issues may affect smooth running of our operations.

**12. Changes in the lifestyle are shifting end consumers preference from metal wares to plastic and glassware items.**

World wide, there is change in the lifestyle of the consumers, which is changing their living habits. Nowadays, many of the households prefer to have plastic and glassware items instead of metal items. Due to the changes in lifestyle, our stainless steel kitchenware and houseware products would continue to face competition from plastic and glassware items, which may adversely affect our revenue growth and profitability in future.

**13. If we are unable to implement our growth strategies as per our plans and in a timely manner, our business and results of operations could be adversely affected.**

As a part of our growth strategy, we have made an investment of about Rs.5,500 lacs in warehousing and the manufacture of stainless steel kitchenware and houseware items at Vasai, Thane (Maharashtra) and about Rs.2,900 lacs in the Stainless Steel Sheet Re-rolling Mill at Jodhpur, Rajasthan. Our success will depend on many other things like our ability to assess the potential domestic as well as exports demands for our products, time our capital investments, control input costs, attract new customers and in international markets, maintain and enhance our position with our current customers in India and maintain sufficient operational and financial controls. Our growth strategy may place significant demands on our management and other resources.

Our growth strategies involve risks and difficulties, many of which are beyond our control and accordingly there can be no assurance that we will be able to complete our plans on schedule or without incurring additional expenditures or at all. If market conditions change, if operations do not generate sufficient funds or for any other reasons, we may decide to delay, modify or forego some aspects of our growth strategies. Our future results of operations may be adversely affected if we are unable to implement our growth strategies successfully.

**14. Our commitments in various business ventures will require substantial financial and manpower resources and in case of our inability to arrange the same may have a material adverse effect on our overall business and profitability.**

Our Company has ventured into oil drilling and extraction business, by bidding for such projects apart from our principal business of exporting stainless steel kitchenware and houseware items and general merchandize items. In the event of our Company being awarded the contracts based on the bid documents submitted by us, our Company would have commitments aggregating to Rs. 76,300 lacs with various external agencies and entities. Our Company believes that its existing infrastructure facilities and current financial position are not adequate enough to meet these large commitments. In case, we are not able to meet the required commitments, there can be an adverse impact on the business and profitability of our Company. For details of the commitments made/received by our Company please refer to section titled “Business Overview” beginning on page no. 49 of this Prospectus.

**15. Dependency on our associates and external agencies for Oil and Petroleum business ventured by our Company.**

Our Company has on the basis of the technical collaboration with our associates and external agencies, ventured into oil and petroleum sector. Our Company is totally dependent on the performance by our associates and these external agencies for the fulfillment of the said commitments. In the event of non-performance, our Company may have to suffer financial loss as well as loss of reputation in the market.

For details of the Understanding/Agreements entered into by our Company with our associates and external agencies, please refer section titled “Business Overview” beginning on page no. 49 of this Prospectus.

**16. Dependency on financial institutions/banks for funding of projects**

Our Company has on the basis of the technical collaboration with its associates, have ventured into Oil & Petroleum Sector. In the event of our Company being awarded the contract against the bid documents submitted, our Company shall require to undertake financial commitments aggregating upto Rs. 76,300 lacs for the fulfillment of the said commitments. In that event our Company would be totally dependent on the financial institutions/banks or on other third party for funding of these projects as no firm arrangements have been made for the same.

**17. We currently enjoy certain benefits, which may not be available to us in the future.**

Our Company gets benefit of DEPB and/or duty draw back on the exports of stainless steel kitchenware and houseware items. Gradually, Government is reducing the various benefits available to exports. Such non-availability of any export benefits in the future may adversely affect our results of operations and profitability.

**18. The performance of our facility at Vasai district Thane may be hampered on account of frequent power cuts in the region.**

Our manufacturing facility at Vasai, Thane (Maharashtra) is facing acute shortage of electricity supply and may increase our dependency on the usage of DG sets. Though, we have sufficient back up for our power requirement through the DG sets however the same can increase our cost of power and may have an adverse impact on our manufacturing cost.

**19. Some of the regulatory approvals for the Jodhpur Stainless Steel Re-rolling Mill are yet to be received and any delay or non-receipt of such approvals may cause delay in the said projects.**

There are certain licenses/permissions/consents for the said projects, which are yet to be obtained. Delay in receipt of such approvals may adversely affect the implementation of the said projects and may affect our operations and profitability. For details of licenses applied for, please refer to section titled “Government/Statutory and Business Approvals” beginning on page no. 163 of this Prospectus.

**20. We would be dependent on external suppliers for key raw materials and components.**

We would be dependent on the external suppliers of key raw materials and components required for our manufacturing operations. The failure of our suppliers to deliver these raw materials or components in the necessary quantities or to adhere to delivery schedules or specified quality standards/technical specifications, could adversely affect our production processes and our ability to deliver orders on time and at the desired level of quality giving rise to contractual penalties or liability, for failure to perform contracts, and a loss of customers and damage our reputation which may adversely affect us.

**21. Dependency on third party contractors for certain business operations**

We have obtained a license from the Maharashtra Pollution Control Board with regard to our proposed manufacturing facility at Vasai to manufacture stainless steel kitchenware and houseware items. Under the said license our Company is not permitted to use any chemical, plating, pickling, buffing, painting or surface treatment. Our Company will have to outsource these activities and will be entirely dependent on such third party contractors. For details please refer to section titled “Government/Statutory and Business Approvals” beginning from page no.163 of this Prospectus.

**22. Dependency on third party suppliers of steel products marketed and exported by us**

Our Company does not have any long-term contract for the supply of stainless steel products with the present suppliers of the products exported by our Company and therefore our Company is totally dependant on the third party suppliers of the stainless steel products. Our Company generally procures these products from the third party manufacturers after raising purchase orders on them. Most of the purchase orders raised by the Company can be terminated with or without cause usually at short notice without termination related penalties.

Even after the full operation from the in-house manufacturing plant we would be still dependant on third party manufactures for the procurement of the Stainless Steel Kitchenware and Houseware items to the extent of 70-75% of our total requirement.

**23. We are new entrants in the manufacturing of stainless steel kitchenware and houseware items.**

We are a new entrant in the manufacturing of stainless steel kitchenware and houseware items. Though, our Promoters have been in the business of exports of stainless steel kitchenware and household items for more than two decade yet they have no prior experience of the manufacturing activities. This may hinder our ability to operate the proposed plant in a commercially successful manner and may adversely affect our results of operations and financials.

**iii) Risks related to our project**

**24. Retail business of stainless steel kitchenware and houseware items in India a new business venture for us.**

Our operations are currently restricted to exports only, now, we have decided to enter the domestic markets. We are a new entrant in the domestic retail business of stainless steel kitchenware and houseware items and have no prior experience for the same. This may affect our results of operations adversely.

**25. Our Company proposes to deploy the proceeds of the Issue for brand building and launching our products in the domestic market and for working capital margin.**

The objects of the proposed issue are for incurring expenditure for launching of our Stainless Steel Kitchenware and Houseware items as well as Brand building in the domestic market and for working capital margin. The objects of the issue will enable our Company to expand our revenues, enter the domestic market and improve our margins, however, the same will not lead to creation of any net tangible assets, like land and building or plant and machinery. For more information please refer to section titled “Objects of the Issue” on page 25 of this Prospectus.

**iv) Other Incidental Risks**

**26. Our success depends upon our ability to attract and retain our key managerial employees.**

Our success depends on the continued services and performance of our key managerial employees. Our ability to sustain our growth depends, in large part, on our ability to attract, train, motivate and retain skilled and unskilled personnel. Our inability to hire and retain experienced and qualified personnel will impair our ability to continue to expand our business. Any increase in the rate of attrition for our experienced employees, would adversely affect our growth strategy. Further, we do not maintain ‘key man’ life insurance for our management team or other key personnel except Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Sanjay C. Bhandari. The loss of the services of our senior management or other key personnel could seriously impair our ability to continue to manage and expand our business, which may adversely affect our financial condition.

## 27. We are subject to restrictive covenants in debt facilities provided to us by our lenders

We have a significant amount of indebtedness. We have availed short-term loans and long term borrowing facilities from certain banks. Under the sanction letters issued to our Company, the lending banks have imposed certain restrictions on us regarding effecting any change in the capital structure of our Company, change in shareholding pattern of our Company, formulating scheme of amalgamation or reconstitution or implementing any scheme of expansion, investing in share capital of other corporate bodies, lending or advancing funds to or placing deposits with any other concerns, entering into borrowing arrangement with other banks, financial institutions, undertake guarantee obligations on behalf of other company, declaration of dividend [(a) except out of profits arrived at after payment of banks dues and (b) in the event of default of our repayment obligations to the banks], withdrawal of loans/deposits secured from directors and Promoters in our Company, right to appoint a nominee director, etc. shall be made only with the prior approval of our Company's bankers/lenders.

## 28. Negative Cash flows

Though our Company has positive cash flows from operating activities, there have been negative cash flows from the other activities during the last five financial years ended 31.03.2007 and four month period ended 31.07.2007 –

Particulars	31.07.2007	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
	4 months	12 months	12 months	12 months	12 months	12 months
Cash flow from Investing activities	(1,057.36)	(2,549.29)	(3,809.07)	(2,568.16)	(1,002.63)	(42.89)
Cash flow from Financing activities	(678.80)	(942.99)	-	-	(675.15)	(428.56)
<b>Net Cash flow</b>	-	-	<b>(437.90)</b>	<b>(119.16)</b>	<b>(40.24)</b>	-

For further details, please refer to 'Annexure XVII - Statement of Cash Flow from the Restated Financial Statement' under section titled "Auditors Report" beginning on page no. 104 of this Prospectus.

## 29. The Promoters and Promoter Group will continue to control and exercise substantial influence over our Company.

Post this Issue and listing of the Equity Shares, our Promoters and Promoter Group will continue to hold 60.36% of the paid-up capital of our Company. As a result, our Promoters will have the ability to exercise significant influence over the decisions of our Company, as they will be able to determine the outcome of most of the actions requiring the approval of the shareholders and/or our Board. The interests of our Promoters may conflict with the interests of our other investors and the investors may not agree with the manner in which they exercise their powers of management or voting rights.

## 30. Attrition rates at the entry level are very high for the retail sector

The retail sector competes with other emerging service sectors in its ability to hire and retain people with requisite skill-sets in addition to competition amongst the players in the sector. Hence, availability of trained manpower poses a key risk for the retail sector. As organized retail grows rapidly, there will be further pressure on existing players, as new entrants would look for trained manpower at various levels.

**31. Our Promoters has disassociated from several companies in recent past.**

Our Promoters Shri Kiran Mehta and Shri Kailash Agarwal have on earlier occasions disassociated themselves from various companies promoted by them. They had disassociated themselves by either striking off the name of companies with the Registrar of Companies or by selling their entire shareholding in the said companies and also by resigning from directorship of the said companies. For further details, please refer the sub-section titled “Disassociated Companies” beginning on page no. 137 of this Prospectus.

**32. We operate in a highly competitive industry, which could limit our ability to grow.**

Most of the end-users for some of our products are price conscious. Pricing is one of the factors that play an important role in selecting these products. The market for stainless steel kitchenware and houseware items is highly competitive with both the organized and unorganized players. Some of our competitors may have longer industry experience and greater financial, technical and other resources, which may enable them to react faster. Growing competition may result in a decline in our market share and force us to reduce our margins. We are focusing more on the higher end of the market for few products for better returns and margins. This segment of the market requires a greater variety of designs and patterns. The distinguishing factor in this segment is the appealing aesthetic look of the products, for which a lot of creativity is required. Our inability to successively create new designs or patterns may have an adverse impact on our profitability.

**33. We may infringe on the intellectual property rights of others.**

We cannot determine with certainty whether we are infringing upon any existing third-party intellectual property rights, which may force us to alter our technologies, obtain licenses or significantly cease some portions of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims. Regardless of whether such claims that we are infringing patents or other intellectual property rights have any merit, those claims could: (a) adversely affect our relationships with current or potential customers; (b) result in costly litigations; (c) cause product shipment delays or stoppages; (d) divert management's attention and resources; (e) subject us to significant liabilities; (f) require us to enter into royalty or licensing agreements; and (g) require us to cease certain activities.

**34. Any future equity offerings or issue of options under any employee stock option scheme may lead to dilution of your shareholding in our Company.**

Subscribers of Equity Shares in this Issue may experience dilution of their shareholding to the extent of any future equity offerings and to the extent additional options that may be issued under our employee stock option scheme.

## **B. EXTERNAL RISK FACTORS**

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

Our performance and the quality and growth of our business are necessarily dependent on the health of the overall Indian economy. A slowdown in the Indian economy could adversely affect our business. India's economy could be adversely affected by a general rise in interest rates, weather conditions adversely affecting agriculture, commodity and energy prices or various other factors. In addition, the Indian economy is in a state of transition. The share of the service sector of the economy is rising while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy or future volatility in global commodity prices could adversely affect our business.

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

The role of Central and State Governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. The present Government of India, which was formed in May 2004, consists of a coalition of political parties. Any political instability could delay the reform of the Indian economy and could have a material adverse effect on the market for our Equity Shares. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

### **3. The price of our Equity Shares may be highly volatile.**

The prices of our Equity Shares on the Stock Exchanges may fluctuate after listing as a result of several factors including -

- a) Volatility in Indian and global securities market;
- b) Our results of operations and performance;
- c) Performance of our competitors and perception in the Indian market about investment in industry sector in which we operate;
- d) Changes in the estimates of our performance or recommendations by financial analysts;
- e) Significant development in India's economic liberalization and de-regulation policies; and
- f) Significant development in India's fiscal and environmental regulations.

There can be no assurance that the price at which our Equity Shares will initially be traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue.

### **4. Future sales by current shareholders could cause the price of our Equity Shares to decline.**

If our existing shareholders sell a substantial number of their Equity Shares, the market price of our Equity Shares may fall. Sales or distributions of substantial amounts of Equity Shares of our Company by existing holders or the perception that such sales or distributions could occur, may adversely affect prevailing market prices for our Equity Shares.

### **5. Natural disasters could disrupt our operations and result in loss of revenues and increased costs.**

Our plants are vulnerable to man-made and natural disasters such as, explosions, earthquakes, storms and floods as well as to terrorist attacks or other enemy actions. The occurrence of a man-made or natural disaster, terrorist attack, enemy action or other accidents could disrupt the operations of our facilities and result in loss of revenues and increased costs.

**6. Any disruption affecting our manufacturing facilities could have a material adverse effect on our business, financial condition and results of operations.**

Any significant interruption to our operations as a result of industrial accidents, floods, severe weather or other natural disasters could materially and adversely affect our business, financial condition and results of operations. There can be no assurance that such events or natural disasters if occur, our manufacturing ability and capacity would not be materially and adversely impacted.

We are also subject to mechanical failure and equipment shutdowns. In such situations, undamaged manufacturing facilities may be dependent on or interact with damaged sections of our facilities and accordingly, are also subject to being shut down. If such events occur, our manufacturing capacity may be materially and adversely impacted. In the event we are forced to shut down any of our manufacturing facilities for a significant period of time, it would have a material adverse effect on our earnings, our other results of operations and our financial condition as a whole.

**7. Our success depends on the smooth supply of raw materials and transportation of our products from our plants to our customers, which are subject to various uncertainties and risks.**

We depend on various forms of transport, such as air, sea borne freight, rail and road, to receive raw materials and to deliver the products from our facilities to our customers. These transportation facilities may not be adequate to support our operations. Further, disruptions of transportation services because of weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, or other events could impair the ability of our suppliers to deliver raw materials and our ability to supply our products to our customers.

**8. Multiplicity of local taxes and levies including octroi and sales tax has impacted the growth of organized retail.**

Each state in India has different local taxes and levies including sales tax, octroi etc., which has enhanced the complexity for organized retailers as well as added to their costs. Incidence of various levies as well as the requirement to mention the Maximum Retail Price (MRP) on various products has led to organized retailers functioning in a sub optimal level, impacting their competitiveness vs. unorganized players who also gain by way of tax evasion. Changes in these local taxes and levies can impact our performance adversely.

## Notes to Risk Factors

1. Investors are advised to refer to the section titled “Basis for Issue Price” on page no. 31 of this Prospectus before making any investment in this Issue.
2. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in accordance with the SEBI Guidelines and in consultation with BSE, the Designated Stock Exchange. For more information, please refer to the section titled “Issue Procedure” beginning from page no.185 of this Prospectus.
3. Public Issue of 90,00,000 Equity Shares of Face Value Rs. 10/- each at a price of Rs. 60/- for cash (at a premium of Rs. 50/- per Equity Share) aggregating Rs. 5,400 lacs, comprising Promoters’ Contribution of 24,30,000 Equity Shares of Rs. 10/- each at a price of Rs. 60/- for cash aggregating to Rs. 1,458 lacs. The Net Issue to the Public is of 65,70,000 equity shares of Rs. 10/- each at a price of Rs. 60/- for cash aggregating to Rs. 3,942 lacs.
4. Pre-Issue Networth of our Company as on March 31, 2007 is Rs. 10,144 lacs and as on July 31, 2007 is Rs 10949.58 and Post-Issue Networth will be Rs. 16,349.58 lacs.
5. The book value per Equity Share of our Company as on March 31, 2007 is Rs. 77.36 and as on July 31, 2007 is Rs. 83.50.
6. The average cost of acquisition of Equity Shares of Rs. 10/- each by our Promoters, is as under -

Name of the Promoter	Average cost of acquisition per Equity Share (Rs.)
Shri. Kiran N. Mehta	1.25/-
Shri. Kailash S. Agarwal	9.59/-
Shri. Virendra N. Mehta	1.25/-

7. Other than as disclosed either in related party transaction or otherwise in this Prospectus, our Promoters/directors/key management personnel have no interest, other than in reimbursement of expenses incurred and normal remuneration and benefits arising out of the shareholding in our Company or out of any business relation with any of the ventures in which they are interested. For details of related party transactions, please refer to the section titled “Auditors Report” starting from page no.104 of this Prospectus.
8. The Company has with effect from April 21, 2005 changed its name from Varun Continental Limited to its present name. For more details please refer page76 of the Prospectus.
9. There are no material events occurring after the Balance Sheet date, which have an impact on the financial statements as on July 31, 2007.
10. Our Company and the Lead Managers will keep the investors informed of any material change/development and all information shall be made available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
11. Trading in Equity Shares for all investors shall be in dematerialized form only

***Investors are free to contact the Lead Manager(s) and/or Issuer for any clarification or information or for any complaint pertaining to the Issue, which we will be obliged to attend. For contact details, please refer to the cover page of this Prospectus.***

## SECTION III – INTRODUCTION

### SUMMARY

*This is only a summary and does not contain all information that one should consider before investing in the Equity Shares offered by our Company. Investors should read this entire Prospectus, including the information on the section titled “Risk Factors” beginning from page no. IX and the section titled “Financial Statements” and related notes beginning from page no. 104 of this Prospectus before taking any decision to invest in the Equity Shares offered by our Company.*

#### **Industry Summary**

Stainless steel, the magical metal entered the households, specially the kitchen, as a fashion and one of the best options for the safety and hygiene of the family. Some of the advantages of using stainless steel kitchenware and houseware items are that they have corrosion resistance capacity, strength, toughness, heat resistance power, aesthetic look and long life with low maintenance requirement.

#### **Domestic Scenario**

India is a huge market for kitchenware and houseware products mainly comprising Indian manufacturers, exporters and suppliers. The stainless steel industry in India is in an upbeat mood. Stainless Steel production in India is rapidly growing every year and stainless steel in India is perceived as a “metal for utensils”. Today about 75% of the end use of stainless steel is in kitchenware and houseware segment. India being such a culturally rich and diverse country has a special place for beautiful and utilitarian pottery and kitchenware. The Indian Kitchenware industry continues to respond to consumer demand for quality, durability, style and attention to health concerns. Multi-versatile cookware that functions as bake ware, serve ware and dinnerware is becoming increasingly popular as the casual entertaining trend continues.

Considering the prevalent traditional patterns, players in the unorganized sector dominate the industry. However, looking at the existing market potential and growth envisaged, a paradigm shift has been witnessed recently. This is marked by entry of many organized and corporate players in the market. The total demand in the industry consists of new demand and replacement demand. The price of the stainless steel kitchenware and houseware products comprises two elements viz. cost of raw material (a) steel and making charges i.e. cost of labour (b) cost of capital.

#### **International Scenario**

India has a very favorable placing in the kitchenware and houseware segment, based on its structure and resources; it carries various advantages while competing in international market like being a labour intensive industry carries the edge of relative cost advantage, abundant supplies of the raw material used in these products, requirement of relatively less investment/technical know-how and can be set-up on small scale is also advantageous to a capital starving country like India.

As witnessed in other segments, competition is also expected from the Chinese suppliers in the international scenario. However, considering the enormity of the market size, there is enough scope to be explored. Further, it is also important to note that Chinese industry is structured in a manner which favors bulk supplies rather than addressing divergent requirements in small lots. Also, Chinese suppliers lack aesthetic product finishing required to make an impact in the market.

## **Outlook of the Industry**

The overall buoyancy in the economy is expected to continue in the coming years as well. The increase in disposable income levels has increased the replacement demand of stainless steel kitchenware and houseware. Increasing shift of population from rural areas to urban areas also marks change in lifestyle of the people has given boost to the industrial demand for these products. Further, the changing lifestyle, tastes and preferences towards fashionable items of the consumers also has a major impact on the demand of kitchenware and houseware products.

For more details, please refer to the section titled “Industry Overview” beginning from page no. 43 of this Prospectus.

## ***Business Summary***

The main business activity of our Company is export of stainless steel kitchenware and houseware items and general merchandize items. We have an export income of about Rs. 74,003.42 lacs that constitutes 97.27 % of our total income (Rs. 76,078.33 lacs) in Financial Year 2007. We earn our major revenue from exports of stainless steel kitchenware and houseware items.

In the very first year of our operation, our Company received the Export Excellence Award for the year 1996-97 by Engineering Export Promotion Council from Shri. Ram Krishna Hegde, the then Hon’ble Union Minister of Commerce. Since then, our Company has continuously received award every year. For more information regarding awards received by our Company, please refer to the para “Major events in the history of our company since inception” under section titled “History and Corporate Structure” beginning on page no. 74 of this Prospectus.” Our Company also awarded with ISO 9001:2000 in the year 2003 from Bureau of Indian Standards for Quality Management system. Year after year by strengthening our sales and marketing network, comprising of experienced professionals and customer setup, our Company has become India’s largest exporter of stainless steel kitchenware and houseware items. (Source: [www.kitchenware-manufacturers.com/industry-overview.html](http://www.kitchenware-manufacturers.com/industry-overview.html))

Today, our Company has a wide range of 1500 varieties of kitchenware, houseware, tableware, cutlery and other items in superior quality and variety of finishes, which is procured by a network of 80 dedicated suppliers spread across the country and we are exporting these products to many countries all across the globe, mainly to American Countries, European Union, Far East and Australia, African countries and Middle East.

As a process of backward integration and to increase our profit margin we have set up an in-house manufacturing and warehousing facility at Vasai (E), district Thane near Mumbai at a total cost of around Rs. 5,500 lacs. We have constructed a warehouse, guesthouse and plant building and set up a manufacturing facility to manufacture various stainless steel kitchenware and houseware items. Commercial production from this has already commenced from September 2007.

Having achieved a global presence in the international market and further looking at the prospects of the industry, we are planning to develop a well-established Brand image and set up sales and distribution network in India to foray into the domestic market by supplying our products to various retail chains.

For more details on our business and on our competitive strength, please refer to the section titled “Business Overview” starting from page no. 49 in this Prospectus.

## THE ISSUE

<b>Equity Shares Offered</b>	<b>90,00,000 Equity Shares</b>
<b>Out of Which:</b>	
Promoters' Contribution in this Issue	24,30,000 Equity Shares
<b>Offer To The Public</b>	<b>65,70,000 Equity Shares</b>
<b>Out of Which:</b>	
Retail portion (minimum 50% of the net offer to public)	At least 32,85,000 Equity Shares (Allocation on proportionate basis)
Non-retail portion (maximum 50% of the net offer to public)	Not more than 32,85,000 Equity Shares (Allocation on proportionate basis)
Under subscription in any of the above-mentioned Retail portion and Non-retail portion categories, shall be allowed to be met through over subscription in any other category.	
Equity Shares outstanding prior to this Issue	1,31,12,800 Equity Shares
Equity Shares outstanding after this Issue	2,21,12,800 Equity Shares
<b>Use of Issue proceeds</b>	For details of the use of Issue proceeds, please refer to the section titled "Objects of the Issue" beginning on page no. 25 of this Prospectus.

## SUMMARY OF FINANCIAL, OPERATING AND OTHER DATA

The following summarized adjusted financial position of our Company has been prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and restated as described in the Auditor's Report of M/s. Chunnilal & Company, Chartered Accountants dated October 1, 2007 in the section titled "Financial Statements" starting from page no. 104 in this Prospectus. Investors should read this financial data in conjunction with our financial statements for each of Financial Year ended March 31, 2003, 2004, 2005, 2006, 2007 and the four month period ended July 31, 2007 including the Notes thereto and the Reports thereon, which appears under the section titled "Auditors Report" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as reflected in the Financial Statements starting from page no. 104 and page no. 140 respectively of this Prospectus.

### Summary Statement of Profit & Loss Account on Standalone basis, as restated

	(Rs. in Lacs)					
For the period ended	31.07.2007 4 months	31.03.2007 12 months	31.03.2006 12 months	31.03.2005 12 months	31.03.2004 12 months	31.03.2003 12 months
<b>INCOME</b>						
<b>Sales:</b>						
Export Sales	29,708.52	74,003.42	59,498.97	52,784.48	32,289.17	12,158.44
Local Sales	-	-	4.26	-	22.98	81.00
Sale of Wind Power	126.85	194.82	140.80	-	-	-
Export Incentives	787.91	1,648.99	1,112.60	4,582.38	5,546.31	2,001.61
Other Income	92.09	231.10	193.29	165.89	191.30	186.36
<b>TOTAL</b>	<b>30,715.37</b>	<b>76,078.33</b>	<b>60,949.92</b>	<b>57,532.75</b>	<b>38,049.76</b>	<b>14,427.41</b>
<b>EXPENDITURE</b>						
Materials Consumed (including packing material)	27,409.29	67,750.26	55,631.55	52,510.79	34,552.95	12,425.30
Personnel Cost	240.92	574.72	270.76	182.41	149.97	90.05
Administration Expenses	229.57	780.41	627.19	735.30	522.21	266.19
Selling and Distribution Expenses	248.48	966.06	918.86	1,685.77	1,442.20	557.09
Depreciation	161.12	404.94	180.95	48.19	32.25	26.52
Interest and Financial charges	1207.38	2,718.08	1,193.20	638.21	537.87	435.80
<b>Total Expenditure</b>	<b>29,496.76</b>	<b>73,194.47</b>	<b>58,822.52</b>	<b>55,800.67</b>	<b>37,237.46</b>	<b>13,800.95</b>
Net Profit before tax and extraordinary items	1,218.61	2,883.86	2,127.41	1,732.08	812.31	626.46
<b>Taxation</b>						
Income Tax	375.00	800.00	455.00	145.00	-	-
Deferred tax	31.36	94.30	266.33	257.30	0.08	33.86
Fringe Benefit Tax	7.90	26.70	11.31	-	-	-
Wealth Tax	1.55	4.77	3.95	2.27	-	-
<b>Net Profit before extraordinary items</b>	<b>802.80</b>	<b>1,958.09</b>	<b>1,390.82</b>	<b>1,327.51</b>	<b>812.23</b>	<b>592.6</b>
<b>Extra-ordinary items</b>						
Profit/(Loss) on sale of Fixed assets	0.46	(6.38)	-	0.13	-	0.99
Profit/(Loss) on sale of current investments	2.58	-	51.98	(3.00)	-	8.28
<b>Net Profit after Extraordinary Items</b>	<b>805.84</b>	<b>1,951.71</b>	<b>1,442.80</b>	<b>1,324.64</b>	<b>812.23</b>	<b>601.87</b>

**Summary Statement of Assets and Liabilities on Standalone basis, as restated**

**(Rs. In Lacs)**

Particulars	As at					
	31 <sup>st</sup> July, 2007	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005	31 <sup>st</sup> March, 2004	31 <sup>st</sup> March, 2003
	4 months	12 months	12 months	12 months	12 months	12 months
<b>A. Fixed Assets:</b>						
Gross Block	7,572.66	6,463.77	5,006.84	2,928.19	317.79	268.67
Less: Depreciation	866.94	721.30	329.10	148.15	104.58	78.47
<b>Net Block</b>	<b>6,705.72</b>	<b>5,742.47</b>	<b>4,677.74</b>	<b>2,780.04</b>	<b>213.21</b>	<b>190.2</b>
Capital Work in Progress & Advances	2,673.87	2,799.66	1,335.29	1,651.71	634.12	-
<b>Total</b>	<b>9,379.59</b>	<b>8,542.13</b>	<b>6,013.03</b>	<b>4,431.75</b>	<b>847.33</b>	<b>190.20</b>
<b>B. Investments</b>	<b>1,057.33</b>	<b>1,045.70</b>	<b>203.26</b>	<b>138.57</b>	<b>1.25</b>	<b>1.25</b>
<b>C. Current Assets, Loans and Advances:</b>						
Inventories	7,318.14	7,076.97	5,781.96	7,274.43	4,821.72	3,983.23
Sundry Debtors	27,053.88	20,548.42	14,804.76	4,638.92	5,140.53	5,036.78
Cash and Bank Balances	3,789.97	3,226.71	3,488.00	2,586.94	2,616.93	2,000.67
Other Current Assets	1,074.96	1,350.59	1,023.40	1,494.73	1,269.20	1,935.27
Loans and Advances	3,936.94	5,273.19	5,405.18	3,991.61	2,936.59	1,625.68
<b>Total</b>	<b>43,173.89</b>	<b>37,475.88</b>	<b>30,503.31</b>	<b>19,986.63</b>	<b>16,784.97</b>	<b>14,581.63</b>
<b>D. Liabilities and Provisions:</b>						
Secured Loans	33,892.59	31,558.45	20,503.51	14,503.64	10,110.06	6,602.56
Unsecured Loans	3,541.43	2,502.44	-	-	-	4.01
Current Liabilities	4,473.58	2,191.71	6,764.69	1,786.05	657.6	2,003.47
Provisions	70.41	15.51	11.45	13.49	9.11	8.00
Deferred tax Liability	683.22	651.86	557.56	291.23	33.93	33.86
<b>Total</b>	<b>42,661.23</b>	<b>36,919.97</b>	<b>27,837.21</b>	<b>16,594.41</b>	<b>10,810.70</b>	<b>8,651.90</b>
<b>E. Net Worth (A+B+C-D)</b>	<b>10,949.58</b>	<b>10,143.74</b>	<b>8,882.39</b>	<b>7,962.54</b>	<b>6,822.85</b>	<b>6,121.18</b>
<b>F. Represented by</b>						
1.Share Capital	1,311.28	1,311.28	1,311.28	655.64	327.82	163.91
2.Reserves	9,638.30	8,832.46	7,571.11	7,307.27	6,495.78	5,958.40
Less: Misc Expenses	-	-	-	0.37	0.75	1.13
Net Reserves	9,638.30	8,832.46	7,571.11	7,306.90	6,495.03	5,957.27
<b>Net Worth</b>	<b>10,949.58</b>	<b>10,143.74</b>	<b>8,882.39</b>	<b>7,962.54</b>	<b>6,822.85</b>	<b>6,121.18</b>

**Summary Statement of Consolidated Profit and Loss Account, as restated**

	<b>(Rs. In Lacs)</b>	
<b>For the period ended</b>	<b>31.07.2007</b>	<b>31.03.2007</b>
	<b>4 months</b>	<b>12 months</b>
<b>INCOME</b>		
<b>Sales:</b>		
Export Sales	37,735.32	92,535.30
Sale of Wind Power	126.85	194.82
Export Incentives	787.91	1,648.99
Other Income	125.55	286.34
<b>TOTAL</b>	<b>38,775.63</b>	<b>94,665.45</b>
<b>EXPENDITURE</b>		
Materials Consumed (including packing material)	35,058.01	85,350.30
Personnel Cost	246.48	595.43
Administration Expenses	252.85	856.53
Selling and Distribution Expenses	252.12	976.52
Depreciation	162.81	407.02
Interest and Financial charges	1,496.39	3,264.22
<b>Total Expenditure</b>	<b>37,468.66</b>	<b>91,450.02</b>
<b>Net Profit before tax and extraordinary items</b>	<b>1,306.97</b>	<b>3,228.19</b>
<b>Taxation</b>		
Income Tax	408.40	918.00
Deferred Tax	31.53	94.40
Fringe Benefit Tax	8.00	27.20
Wealth Tax	1.57	4.80
Tax of earlier year written back	--	(1.54)
<b>Net Profit before extraordinary items</b>	<b>857.47</b>	<b>2,185.33</b>
<b>Extra-ordinary items</b>		
Profit/(Loss) on sale of Fixed assets	0.46	(6.38)
Profit/(Loss) on sale of current investments	11.70	--
<b>Net Profit after Extraordinary Items before Minority Interest</b>	<b>869.63</b>	<b>2,178.95</b>
Balance Brought Forward	2,053.02	1,457.16
Balance Brought Forward of Subsidiary	--	261.39
Capital Profit (Before Acquisition) trfd to Capital Reserves*	--	(216.98)
Share of Minority Interest*	(31.03)	(237.14)
<b>Balance Available For Appropriation</b>	<b>2,891.62</b>	<b>3,443.38</b>
<b>APPROPRIATIONS</b>		
Proposed Dividend	--	590.08
Provision for Tax on Dividend	--	100.28
Transfer to General Reserve	--	700.00
<b>Balance Carried Forward</b>	<b>2,891.62</b>	<b>2,053.02</b>

\* From balance brought forward of profit and loss account of subsidiaries, company's share of pre acquisition profit of subsidiaries has been transferred to capital reserves and balance share has been transferred to minority interest.

**Summary Statement of Consolidated Assets and Liabilities, as restated**

		<b>(Rs. In Lacs)</b>	
	<b>Particulars</b>	<b>31.07.2007</b>	<b>31.03.2007</b>
		<b>4 months</b>	<b>12 months</b>
<b>A</b>	<b>Fixed Assets:</b>		
	Gross Block	7,593.88	6,484.98
	Less: Depreciation	870.70	723.37
	<b>Net Block</b>	<b>6,723.18</b>	<b>5,761.61</b>
	Capital Work in Progress & Advances	2,673.86	2,799.66
	<b>Total</b>	<b>9,397.04</b>	<b>8,561.27</b>
<b>B</b>	<b>Investments</b>	<b>382.22</b>	<b>377.04</b>
<b>C</b>	<b>Current Assets, Loans and Advances:</b>		
	Inventories	7,318.14	7,076.97
	Sundry Debtors	36,703.23	29,307.56
	Cash and Bank Balances	5,291.14	4,490.51
	Other Current Assets	1,051.43	1,352.23
	Loans and Advances	4,123.42	5,742.88
	<b>Total</b>	<b>54,487.36</b>	<b>47,970.15</b>
<b>D</b>	<b>Liabilities and Provisions:</b>		
	Secured Loans	40,632.48	37,971.75
	Unsecured Loans	4,442.44	3,403.44
	Current Liabilities	6,247.81	3,544.36
	Provisions	79.72	25.94
	Deferred tax Liability	683.50	651.96
	<b>Total</b>	<b>52,085.95</b>	<b>45,597.45</b>
<b>E</b>	<b>Minority Interest</b>	<b>947.18</b>	<b>916.14</b>
<b>F</b>	<b>Net Worth (A+B+C-D-E)</b>	<b>11,233.49</b>	<b>10,394.87</b>
<b>G</b>	<b>Represented by</b>		
	1.Share Capital	1,311.28	1,311.28
	2. Reserves	9,922.55	9,083.95
	Less: Misc Expenses	0.34	0.36
	Net Reserves	9,922.21	9,083.59
	<b>Net Worth</b>	<b>11,233.49</b>	<b>10,394.87</b>

## GENERAL INFORMATION

### Varun Industries Limited

Our Company was originally incorporated as Varun Continental Limited on March 8, 1996 under the Companies Act, 1956 vide registration no. 11-97945 and received the Certificate for Commencement of Business on March 15, 1996 from the Registrar of Companies, Maharashtra, Mumbai. The name of our Company was changed to Varun Industries Limited w.e.f. April 21, 2005. Our registered office earlier located at Dwarkesh Market, Dr. A.M. Road, Near Central Bank, Bhuleshwar, Mumbai - 400 002, was shifted to its present location w.e.f. July 24, 1996.

### Registered and Corporate Office of our Company

13, Shankeshwar Darshan,  
A.G. Pawar Cross Lane, Byculla (E),  
Mumbai - 400 027, Maharashtra  
Tel. No.: +91-22-2372 7400 / 2378 5252  
Fax No.: +91-22-2374 8686  
E-mail: [ipo@varun.com](mailto:ipo@varun.com)  
Website: [www.varun.com](http://www.varun.com)

Registration No.: 11-97945  
CIN: U28990MH1996PLC097945

### Warehouse

S. No. 14/3, Village Valiv,  
Vasai - Vajreshwari Road, Taluka Vasai,  
Vasai (E), District Thane - 401 208, Maharashtra  
Tel. No.: +91-250-245 1782 / 83 /2451 441  
Fax No.: +91-250-245 1781/245 3434

### Manufacturing Plants

#### *(a) Stainless Steel Kitchenware and Houseware Manufacturing Plant, Vasai*

S. No. 14/3, Village Valiv,  
Vasai - Vajreshwari Road, Taluka Vasai,  
Vasai (E), District Thane - 401 208, Maharashtra  
Tel. No.: +91-250-245 1782 / 83 /2451 441  
Fax No.: +91-250-245 1781/245 3434

#### *(b) Stainless Steel Sheet Re-rolling Mill, Jodhpur*

E-371, Marudhar Industrial Estate, Phase II, Basni,  
Jodhpur (Rajasthan) – 342 005  
Tel. No.: +91-291-274 6622/33  
Fax No.: +91-291-274 6644

### Registrar of Companies

Registrar of Companies, Maharashtra, Mumbai  
100, Everest Building, Marine Lines,  
Mumbai – 400 002

## Board of Directors

Sr. No.	Name of Director	Designation
1.	Shri. Kiran N. Mehta	Chairman and Managing Director
2.	Shri. Kailash S. Agarwal	Joint Managing Director
3.	Shri. Virendra N. Mehta	Whole-time Director
4.	Shri. D. K. Mukhopadhyay	Independent Director
5.	Shri. S. Rajagopal	Independent Director
6.	Shri. S. K. Srivastav	Independent Director

For details of our Directors, please refer to section titled “Our Promoters” and “Our Management” beginning on page no. 102 and 87 respectively of this Prospectus.

## Company Secretary & Compliance Officer

Shri. Rajendra Kumar Haran  
 President -Legal & HRD and Company Secretary  
 13, Shankeshwar Darshan,  
 A.G. Pawar Cross Lane, Byculia (E),  
 Mumbai - 400 027  
 Tel. No.: + 91-22-2374 6868  
 Fax No.: + 91-22-2374 8686  
 E-mail: haranrk@varun.com

**The investors are requested to contact the above-mentioned Compliance Officer in case of any Pre-issue related clarification. In case of Post-Issue related problems such as non-receipt of letters of allotment/share certificates/credit of securities in depositories beneficiary account/refund orders etc., Investors may contact Compliance Officer or Registrar to the Issue.**

## Legal Advisor to the Issue

**M/s. ANS Law Associates**  
 Advocates & Solicitors  
 41-A, Filmcenter, 4<sup>th</sup> Floor  
 68, Tardeo Road, Mumbai - 400 034  
 Tel: +91-22-6660 4761  
 Fax: +91-22-6660 4763  
 Email: anslaw@vsnl.net  
 Contact Person: Mr. Sharad Abhyankar

## Bankers to the Company

**Indian Bank**  
 Mumbai Fort Branch  
 United India Building,  
 Sir P. M. Road, Fort.  
 Mumbai - 400 001  
 Tel. No.: +91-22-2266 2462  
 Fax No. +91-22-2266 0769  
 E-mail: mumbaifort@indianbank.co.in

**UCO Bank**

Flagship Corporate Branch  
1<sup>st</sup> Floor, Mafatlal Centre, Nariman Point,  
Mumbai 400 021  
Tel. No.: +91-22-2202 6449  
Fax No.: +91-22-2202 5338  
E-mail: bo.narimanpt@ucobank.co.in

**State Bank of Travancore**

Corporate Finance Branch  
112-115, Tulsiani Chambers  
215, Nariman Point  
Mumbai 400 021  
Tel. No.: +91-22-3028 7001  
Fax No.: +91-22-3028 7014  
E-mail: cfb@sbt.co.in

**Bank of India**

Breach Candy Branch  
“Sky Scraper” A, 4/697  
Bhulabhai Desai Road  
Mumbai - 400 026  
Tel No: +91 22 2367 8907  
Fax No.: +91 22 2368 0768  
E-mail: breach@vsnl.net

**Issue Management Team****Lead Manager to the Issue****IDBI Capital Market Services Limited**

5<sup>th</sup> Floor, Mafatlal Centre,  
Nariman Point, Mumbai - 400 021  
Tel. No.: +91-22-2289 7529/21  
Fax No.: +91-22-2283 8782  
Website: [www.idbicapital.com](http://www.idbicapital.com)  
E-Mail: [varun.ipo@idbicapital.com](mailto:varun.ipo@idbicapital.com)  
Contact person: Mr. Ajesh Dalal/ Mr. Indrajit Bhagat  
Registration No.: INM00010866

**Co-Lead Manager to the Issue****IndBank Merchant Banking Services Limited**

I Floor, Khivraj Complex I,  
No. 480, Anna Salai, Nandanam,  
Chennai – 600 035  
Tel. No.: +91-44-2431 3094 - 97  
Fax No.: +91-44-2431 3093  
Website: [www.indbankonline.com](http://www.indbankonline.com)  
E-Mail: [varunipo@indbankonline.com](mailto:varunipo@indbankonline.com)  
Contact person: Mr. Sanjay Varghese  
Registration No.: IMN000001394

**Registrars to the Issue****Bigshare Services Private Limited**

E/2, Ansa Industrial Estate, Sakivihar Road,  
Sakinaka, Andheri (E), Mumbai - 400 072  
Tel: +91-22-2847 0652, 4043 0200  
Fax: +91-22-2847 5207  
Website: [www.bigshareonline.com](http://www.bigshareonline.com)  
E-Mail: [ipo@bigshareonline.com](mailto:ipo@bigshareonline.com)  
Contact person: Mr. Ashok Shetty  
Registration No.: INR000001383

**Bankers to the Issue****Axis Bank Limited**

Universal Insurance Building, Ground Floor,  
Sir.P.M.Road, Fort, Mumbai 400 001  
Tel: +91-22-6610 7625  
Fax: +91-22-6610 7354  
Website: [www.axisbank.com](http://www.axisbank.com)  
E-Mail: [roshan.mathais@axisbank.com](mailto:roshan.mathais@axisbank.com)  
Contact person: Mr. Roshan Mathais  
Registration No.: INBI00000017

**HDFC Bank Limited**

26A, Narayan Properties, Off Saki Vihar Road,  
Sakinaka, Chandivili, Andheri (E), Mumbai - 400 072  
Tel: +91-22-2856 9228  
Fax: +91-22-2856 9256  
Website: [www.hdfcbank.com](http://www.hdfcbank.com)  
E-Mail: [clayton.mendonca@hdfcbank.com](mailto:clayton.mendonca@hdfcbank.com)  
Contact person: Mr. Clayton Mendonca  
Registration No.: INBI00000063

**ICICI Bank Limited**

Capital Markets Division  
30, Mumbai Samachar Marg,  
Mumbai – 400 001  
Tel: +91-22-2262 7600  
Fax: +91-22-2261 1138  
Website: [www.icicibank.com](http://www.icicibank.com)  
E-Mail: [venkataraghavan.t@icicibank.com](mailto:venkataraghavan.t@icicibank.com)  
Contact person: Mr. Venkataraghavan T A  
Registration No.: INBI00000004

**Indian Bank**

United India Building, Sir PM Road,  
Fort, Mumbai – 400 001.  
Tel: 91 22 22662462;  
Fax: +91-22-22658975;  
Website: [www.indianbank.in](http://www.indianbank.in);  
E-Mail: [mumbai@indianbank.co.in](mailto:mumbai@indianbank.co.in);  
Contact person: Mr. Raj Gupta  
Registration No.: INBI00000053

**Industrial Development Bank of India Limited**

Cash Management Services,  
224-A, Mittal Court, A-Wing,  
Nariman Point, Mumbai - 400 021  
Tel: +91-22-6658 8264  
Fax: +91-22-2288 0131  
Website: www.idbibank.com  
E-Mail: a\_rodrigues@idbibank.com  
Contact person: Mr. Alphonse Rajesh Rodrigues  
Registration No.: INBI00000076

**Standard Chartered Bank**

270, D. N. Road,  
Fort, Mumbai - 400 001  
Tel: +91 22 2268 3965 / 2209 2213 / 2268 3958  
Fax: +91 22 2209 6069  
Website: www.standardchartered.co.in  
E-mail: Rajesh.Malwade@in.standardchartered.com  
Contact Person: Mr. Rajesh Malwade  
Registration No.: INBI00000885

**Refund Banker to the Issue****Standard Chartered Bank**

270, D. N. Road,  
Fort, Mumbai - 400 001  
Tel: +91 22 2268 3965 / 2209 2213 / 2268 3958  
Fax: +91 22 2209 6069  
Website: www.standardchartered.co.in  
E-mail: Rajesh.Malwade@in.standardchartered.com  
Contact Person: Mr. Rajesh Malwade  
Registration No.: INBI00000885

**Broker to the Issue**

All brokers registered with SEBI and member of the Recognized Stock Exchange can act as brokers to the Issue

**Auditor of the Company****M/s. Chunnilal & Company**

Chartered Accountants  
A/102 Shreeji Kiran, Opposite Dwarkadheesh Temple,  
Tejpal Road, Vile Parle (E)  
Mumbai - 400057  
Tel. No.: +91-22-2616 6822  
Fax: No. +91-22-2616 6811  
Email: chunnilalr@vsnl.net  
Contact Person: Shri. Chunnilal Choudhary

### Statement of Inter-Se Allocation of responsibilities amongst the Lead Manager and Co-lead Manager

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the Lead Manager and Co-lead Manager as under -

S. No	Activities	Responsibility	Co-ordinator
1.	Capital Structure with the relative components and formalities such as type of instruments etc.	IDBI Capital	IDBI Capital
2.	Due diligence of our Company's operations/management/business plans/legal, etc.	IDBI Capital	IDBI Capital
3.	Finalizing of Pricing and allocation	IDBI Capital	IDBI Capital
4.	Drafting and design of the Draft Prospectus and of statutory advertisement including news paper advertisements and brochure/memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with the SEBI (DIP) Guidelines and other stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI.	IDBI Capital	IDBI Capital
5.	Drafting and approval of Issue and statutory publicity material, etc.	IDBI Capital	IDBI Capital
6.	Drafting and approval of all corporate advertisement, brochure and other publicity material.	IDBI Capital & IMBSL	IDBI Capital
7.	Appointment of Advertising Agency	IDBI Capital & IMBSL	IDBI Capital
8.	Appointment of Registrar, Bankers and Printer	IDBI Capital & IMBSL	IDBI Capital
9.	Marketing of the Issue, which will cover inter alia, <ul style="list-style-type: none"> <li>Formulating marketing strategies, preparation of publicity budget</li> <li>Finalize Media and PR strategy</li> <li>Finalizing centers for holding conference for brokers, etc.</li> <li>Finalize collection centers</li> <li>Finalize brokers</li> <li>Follow up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material</li> </ul>	IDBI Capital & IMBSL	IMBSL
10.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement.	IDBI Capital & IMBSL	IDBI Capital
11.	Post issue activities including management of issue, co-ordination with Registrar and Bank, Refund to investors etc.	IDBI Capital	IDBI Capital
12.	The post-offer activities of the Issue will involve essential follow up steps, which will include finalization of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refunds business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable arrangements with the Issuer Company.	IDBI Capital	IDBI Capital

The selection of the various agencies like the Registrar to the Issue, Bankers to the Issue, brokers, advertising agencies, printer etc. will be finalized by us in consultation with the LMs in terms of the interse allocation of responsibilities. Even if other intermediaries will handle many of these activities, the designated LM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with us.

**Credit Rating**

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

**IPO Grading Agency****CRISIL Limited**

1061, Solitaire Corporate Park,  
Andheri – Ghatkopar Link Road  
Andheri (E), Mumbai – 400 093  
Tel. No.: +91-22-6758 8000 - 09  
Fax No. +91-22-6758 8088  
E-Mail: research@crisil.com  
Contact Person: Shri. Vishal Thakkar

**IPO Grading**

We have appointed CRISIL Limited as IPO Grading Agency for grading of proposed Initial Public Offering of our Company. This IPO Grading Agency has assigned a CRISIL IPO Grade “1/5” (pronounced “one on five”) indicating ‘the fundamentals of this Issue are poor related to the other listed equity securities in India’ to the Initial Public Offering of our Company.

CRISIL vide its letter no. VIL\AA\21-08-07\06 dtd September 17, 2007 has issued above-mentioned IPO Grading with the rationale/description for the said grading. For more details of the rationale/description, one may refer their above-mentioned letter included in Material Contracts and Documents for Inspection.

IPO Grading concept is relatively new and the investors should carefully consider all of the information provided in this Prospectus including IPO Grading information and should make their own judgment prior to making any investment in this Issue. This IPO Grading does not take cognizance of the issue price of our Equity Shares and it is not a recommendation to buy, sell or hold our Equity Shares.

**Trustees**

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

**Monitoring Agency**

As our Issue size is less than 50,000 lacs, we have not appointed any monitoring agency to monitor the utilization of issue proceeds, as the same is not required as per SEBI Guidelines.

**Appraising Entity**

The project for which the present public issue is being made is not appraised by any project appraising entity.

**Underwriting**

The present issue of Equity Shares is not underwritten.

## CAPITAL STRUCTURE

The Share Capital of our Company as on the date of filing of this Prospectus with RoC is as under -

Sr. No.	Particulars	Aggregate Nominal Value (Rs.)	Aggregate value at Issue Price (Rs.)
<b>A.</b>	<b>Authorized Capital</b>		
	3,00,00,000 Equity shares of Rs. 10/- each	30,00,00,000	
<b>B.</b>	<b>Issued, Subscribed and Paid up Capital before this Issue</b>		
	1,31,12,800 Equity Shares of Rs. 10/- each fully paid up.	13,11,28,000	
<b>C.</b>	<b>Present Issue in terms of this Prospectus</b>		
	90,00,000 Equity Shares of Rs. 10/- each offered at a price of Rs. 60/- per share.	9,00,00,000	54,00,00,000
	<b>Out of above Present Issue</b>		
	<b>Promoters' Contribution in this Issue</b>		
	24,30,000 Equity Shares of Rs. 10/- each to be issued at a price of Rs. 60/- per share to our Promoters.	2,43,00,000	14,58,00,000
	<b>Net Issue to Public in terms of this Prospectus</b>		
	65,70,000 Equity Shares of Rs. 10/- each offered at a price of Rs. 60/- per share.	6,57,00,000	39,42,00,000
<b>D.</b>	<b>Issued, Subscribed and Paid up Capital after this Issue</b>		
	2,21,12,800 Equity Shares of Rs. 10/- each	22,11,28,000	
<b>E.</b>	<b>Share Premium Account</b>		
	Before this Public Issue	Nil	
	After this Public Issue	45,00,00,000	

## Notes to the Capital Structure

### 1. History of changes made in the Authorized Share Capital

Our Authorized Capital was increased from Rs.5,50,00,000/- divided into 55,00,000 Equity Shares of Rs.10/- each to Rs.15,00,00,000/- divided into 1,50,00,000 Equity Shares of Rs.10/- each vide shareholders' resolution dated August 19, 2004. It was further increased to Rs 30,00,00,000/- divided into 3,00,00,000 Equity Shares of Rs.10/- each through an Extra Ordinary General Meeting held on December 8, 2006.

### 2. Share Capital History

Date of Allotment	Number of Equity Shares	Cumulative Equity Shares	Face Value per Equity Share (Rs.)	Issue Price per Equity Share (Rs.)	Nature of Consideration	Reasons for Allotment	Cumulative paid-up Capital (Rs.)
March 8, 1996	700	700	10/-	10/-	Cash	Subscription to Memorandum	7,000
April 10, 1996	15,96,100	15,96,800	10/-	10/-	*Consideration other than cash against takeover of M/s. Varun Exports	Allotment to Shri. Kiran N. Mehta	1,59,68,000
September 16, 1996	36,300	16,33,100	10/-	10/-	Cash	Allotment to Promoters' relatives and associates	1,63,31,000
October 1, 1996	6,000	16,39,100	10/-	10/-	Cash	Allotment to Promoters' relatives and Associates	1,63,91,000
July 24, 2003	16,39,100	32,78,200	10/-	10/-	Bonus	Bonus of one share for every one share held	3,27,82,000
January 27, 2005	32,78,200	65,56,400	10/-	10/-	Bonus	Bonus of one share for every one share held	6,55,64,000
March 9, 2006	65,56,400	1,31,12,800	10/-	10/-	Bonus	Bonus of one share for every one share held	13,11,28,000

\* Varun Exports, the proprietorship concern of Shri. Kiran N. Mehta, which had been in the business of exports of stainless steel utensils, was taken over by our Company. At the time of takeover of this proprietorship concern, the capital account of Shri. Kiran N. Mehta stood at Rs. 1,59,61,775/- against which Varun Industries Limited issued 15,96,100 Equity Shares of Rs. 10/- each at its face value amounting to Rs. 1,59,61,000/- as consideration and balance amount of Rs. 775/- had been paid in cash to Shri. Kiran N. Mehta.

### 3. Promoters' Contribution and Lock-In

a) The details of the Promoter's contribution and lock-in are as under -

#### Three years lock-in

Pursuant to the SEBI Guidelines, our Promoters shall lock in an aggregate of 20% of the post-issue Equity Share capital of our Company for a period of three years from the date of allotment in this Issue. The Equity Shares, which are being locked-in, are not ineligible for computation of Promoters' contribution under Clause 4.6 of the SEBI Guidelines.

The details of the Promoters' Equity Shares locked-in for a period of three years are as under -

Name of Promoter	Date of Allotment/ Acquisition of Equity Shares	Date when made fully Paid-up	Consideration (Cash, bonus, other)	No. of Equity Shares	Face Value (Rs.)	Allotment/ Acquisition Price (Rs.)	% of Post Issue paid-up capital	Lock-in Period
Shri. Kiran N. Mehta	Mar. 9, 2006	Mar. 9, 2006	Bonus	44,22,560	10/-	Nil	20.00%	3 years

#### One Year lock-in

Other than the lock-in of the Promoters' shares as stated above, the entire Pre-issue capital of our Company will be locked in for a period of one year from the date of allotment in this issue. The details of one-year lock-in of Equity Shares of our Promoters, Promoters' group and other Equity Shareholders for a period of one year are as under -

Name of Equity Shareholder	Date of Allotment/ Acquisition of Equity Shares	Date when made fully Paid-up	Consideration (Cash, bonus, other)	No. of Equity Shares	Face Value (Rs.)	Allotment/ Acquisition Price (Rs.)	% of Post Issue paid-up capital	Lock-in Period
Shri. Kiran N. Mehta - Promoter	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	83,020	10/-	-	0.38	1 Year
	Dec. 26, 2005 (Note: 2)	Dec. 26, 2005	Cash	8,000	10/-	10/-	0.04	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	19,90,240	10/-	-	9.00	1 Year
<b>Sub-total</b>				<b>20,81,260</b>			<b>9.41</b>	<b>1 Year</b>
Shri. Kailash S. Agarwal - Promoter	Mar. 8, 1996 (Note: 1)	Mar. 8, 1996	Cash	100	10/-	10/-	0.00	1 Year
	May 2, 2001 (Note: 2)	May 2, 2001	Cash	25,100	10/-	10/-	0.11	1 Year
	Jul. 24, 2003 (Note: 1)	Jul. 24, 2003	Bonus	25,200	10/-	-	0.11	1 Year
	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	50,400	10/-	-	0.23	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	1,00,800	10/-	-	0.46	1 Year
	Apr. 24, 2007 (Note: 2)	Apr. 24, 2007	Cash	41,34,280	10/-	10/-	18.70	1 Year
<b>Sub-total</b>				<b>43,35,880</b>			<b>19.61</b>	<b>1 Year</b>

Shri. Virendra N. Mehta - Promoter	Mar. 8, 1996 (Note: 1)	Mar. 8, 1996	Cash	100	10/-	10/-	0.00	1 Year
	Jul. 24, 2003 (Note: 1)	Jul. 24, 2003	Bonus	100	10/-	-	0.00	1 Year
	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	200	10/-	-	0.00	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	400	10/-	-	0.00	1 Year
<b>Sub-total</b>				<b>800</b>			<b>0.00</b>	<b>1 Year</b>
Shri. Parasmal C. Mehta	Mar. 8, 1996 (Note: 1)	Mar. 8, 1996	Cash	100	10/-	10/-	0.00	1 Year
	Jul. 24, 2003 (Note: 1)	Jul. 24, 2003	Bonus	100	10/-	-	0.00	1 Year
	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	200	10/-	-	0.00	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	400	10/-	-	0.00	1 Year
<b>Sub-total</b>				<b>800</b>			<b>0.00</b>	<b>1 Year</b>
Smt. Meena K. Mehta	Mar. 8, 1996 (Note: 1)	Mar. 8, 1996	Cash	100	10/-	10/-	0.00	1 Year
	Feb. 15, 1999 (Note: 2)	Feb. 15, 1999	Cash	6,000	10/-	14/-	0.03	1 Year
	Jul. 24, 2003 (Note: 1)	Jul. 24, 2003	Bonus	6,100	10/-	-	0.03	1 Year
	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	12,200	10/-	-	0.06	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	24,400	10/-	-	0.11	1 Year
<b>Sub-total</b>				<b>48,800</b>			<b>0.22</b>	<b>1 Year</b>
Smt. Anuradha K. Agarwal	Mar. 8, 1996 (Note: 1)	Mar. 8, 1996	Cash	100	10/-	10/-	0.00	1 Year
	Jul. 24, 2003 (Note: 1)	Jul. 24, 2003	Bonus	100	10/-	-	0.00	1 Year
	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	200	10/-	-	0.00	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	400	10/-	-	0.00	1 Year
<b>Sub-total</b>				<b>800</b>			<b>0.00</b>	<b>1 Year</b>
Mr. Navratanmal C. Mehta	Mar. 8, 1996 (Note: 1)	Mar. 8, 1996	Cash	100	10/-	10/-	0.00	1 Year
	Jul. 24, 2003 (Note: 1)	Jul. 24, 2003	Bonus	100	10/-	-	0.00	1 Year
	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	200	10/-	-	0.00	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	400	10/-	-	0.00	1 Year
<b>Sub-total</b>				<b>800</b>			<b>0.00</b>	<b>1 Year</b>

Shri. Champalal J. Bhandari	Sept. 16, 1996 (Note: 1)	Sept. 16, 1996	Cash	1,000	10/-	10/-	0.00	1 Year
	Jul. 24, 2003 (Note: 1)	Jul. 24, 2003	Bonus	1,000	10/-	-	0.00	1 Year
	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	2,000	10/-	-	0.01	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	4,000	10/-	-	0.02	1 Year
<b>Sub-total</b>				<b>8,000</b>			<b>0.04</b>	<b>1 Year</b>
Smt. Leelakumari C. Bhandari	Sept. 16, 1996 (Note: 1)	Sept. 16, 1996	Cash	1,100	10/-	10/-	0.00	1 Year
	Jul. 24, 2003 (Note: 1)	Jul. 24, 2003	Bonus	1,100	10/-	-	0.00	1 Year
	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	2,200	10/-	-	0.01	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	4,400	10/-	-	0.02	1 Year
<b>Sub-total</b>				<b>8,800</b>			<b>0.04</b>	<b>1 Year</b>
Shri. Sanjay C. Bhandari	Sept. 16, 1996 (Note: 1)	Sept. 16, 1996	Cash	1,000	10/-	10/-	0.00	1 Year
	Jul. 24, 2003 (Note: 1)	Jul. 24, 2003	Bonus	1,000	10/-	-	0.00	1 Year
	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	2,000	10/-	-	0.01	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	4,000	10/-	-	0.02	1 Year
<b>Sub-total</b>				<b>8,000</b>			<b>0.04</b>	<b>1 Year</b>
M/s. S. K. Enterprise	Sept. 16, 1996 (Note: 1)	Sept. 16, 1996	Cash	1,100	10/-	10/-	0.00	1 Year
	Jul. 24, 2003 (Note: 1)	Jul. 24, 2003	Bonus	1,100	10/-	-	0.00	1 Year
	Jan. 27, 2005 (Note: 1)	Jan. 27, 2005	Bonus	2,200	10/-	-	0.01	1 Year
	Mar. 9, 2006 (Note: 1)	Mar. 9, 2006	Bonus	4,400	10/-	-	0.02	1 Year
<b>Sub-total</b>				<b>8,800</b>			<b>0.04</b>	<b>1 Year</b>
Ms. Ami Patel (Note: 3)	Oct. 4, 2006 (Note: 2)	Oct. 4, 2006	Cash	21,87,500	10/-	40/-	9.89	1 Year
<b>Sub-total</b>				<b>21,87,500</b>			<b>9.89</b>	<b>1 Year</b>
<b>Grand Total</b>				<b>86,90,240</b>			<b>39.30</b>	<b>1 Year</b>

Notes:

1. The Shares acquired by the concerned shareholder through the issue of the shares by the company
2. The Shares acquired by the concerned shareholder through the transfer of the shares by the other shareholder
3. As per the Share Purchase Agreement dated September 27, 2006 executed by and between Shri. Kiran N. Mehta and Ms. Ami Patel, Ms. Ami Patel had agreed to purchase 50,00,000 equity shares of our Company held by Shri. Kiran N. Mehta @ of Rs. 40 /- each and had also agreed to pay the consideration for the said shares in installments. Accordingly, Shri. Kiran N. Mehta transferred 16,00,000 and 34,00,000 equity shares of our Company held by him to Ms. Ami Patel on October 3, 2006 and October 4, 2006 respectively. Since Ms. Ami Patel was unable to pay consideration for entire 50,00,000 equity shares, 28,12,500 equity shares of our Company were transferred back into the account of Shri. Kiran N. Mehta by Ms. Ami Patel on March 29, 2007. For further details, please refer to the section titled "Shareholders Agreements" starting from page no. 79 of this Prospectus.

- b) Other than as stated above in tables, the entire additional Promoters' Contribution of 24,30,000 Equity Share in this Issue, will be locked-in for the period of one year from the date of allotment of those Equity Shares.
  - c) The written consent has been obtained from Shri. Kiran N. Mehta (Promoter) for inclusion of such number of his existing shares subject to lock -in to the extent of 20% of Post-Issue Paid-up Equity Share Capital.
  - d) The written consent has been obtained from existing shareholders for inclusion of such number of his existing shares and from Promoters for the entire additional Promoters' Contribution of 24,30,000 Equity Share in this Issue for lock-in for a period of one year from the date of allotment.
  - e) The Promoters' Contribution has been brought in to the extent that it is not less than the specified minimum lot of Rs. 25,000/- per application from each individual and Rs. 1,00,000/- from companies, as applicable.
  - f) In terms of clause 4.16.1 (b) of the SEBI Guidelines, locked in Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter Group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
  - g) In terms of clause 4.16.1 (a) of the SEBI Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
  - h) In terms of clause 4.15 of the SEBI Guidelines, locked-in securities held by Promoters may be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan. Provided that the securities which are locked in as minimum Promoters' Contribution under clause 4.11.1, may be pledged, only if, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of this issue.
4. Save and except issuance of all those Equity Shares issued as Bonus Issue from the date of inception of our Company, we have not capitalized the reserves till date.
  5. Our Company, our Directors, our Promoters, Promoter Group Companies, their respective Directors and the Lead Manager have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares issued by our Company through this Prospectus.
  6. An over-subscription to the extent of 10% of the Issue size can be retained for the purpose of rounding off to the nearest multiple of one Equity Share while finalizing the allotment.
  7. Allotment shall be on a proportionate basis rounded off to the nearest integer subject to the minimum allotment being equal to the minimum application size. In case of over-subscription the proportionate allotment will be subject to the reservation for Retail Individual Investors as below -
    - a) A minimum of 50% of the net offer to the public will initially be made available for allotment to retail individual investors.
    - b) The balance net offer to the public shall be made available for allotment to applicants other than retail individual investors.

8. Under-subscription, if any, in the Retail or Non Institutional categories would be allowed to be met with spill over interse from any other category, at the sole discretion of our Company in consultation with the Lead Manager.

**9. Shareholding pattern of our Company prior and post this Issue -**

Particulars	Pre Issue		Post Issue	
	No. of Shares	% Holding	No. of Shares	% Holding
<b>Promoters</b>				
Shri. Kiran N. Mehta	65,03,820	49.60	79,61,820	36.01
Shri. Kailash S. Agarwal	43,35,880	33.07	53,07,880	24.00
Shri. Virendra N. Mehta	800	0.01	800	0.00
<b>Sub Total (A)</b>	<b>1,08,40,500</b>	<b>82.67</b>	<b>1,32,70,500</b>	<b>60.01</b>
<b>Promoter Group</b>				
Smt. Meena K. Mehta	48,800	0.37	48,800	0.22
Smt. Leelakumari C. Bhandari	8,800	0.07	8,800	0.04
Shri. Champalal J. Bhandari	8,000	0.06	8,000	0.04
Shri. Sanjay C. Bhandari	8,000	0.06	8,000	0.04
Mr. Navratanmal C. Mehta	800	0.01	800	0.00
Mr. Parasmal C. Mehta	800	0.01	800	0.00
Smt. Anuradha K. Agarwal	800	0.01	800	0.00
<b>Sub Total (B)</b>	<b>76,000</b>	<b>0.58</b>	<b>76,000</b>	<b>0.34</b>
<b>Promoters &amp; Promoter Group (A + B)</b>	<b>1,09,16,500</b>	<b>83.25</b>	<b>1,33,46,500</b>	<b>60.36</b>
<b>Others</b>				
Ms. Ami Patel	21,87,500	16.68	21,87,500	9.89
M/s. S. K. Enterprise	8,800	0.07	8,800	0.04
<b>Sub Total (C)</b>	<b>21,96,300</b>	<b>16.75</b>	<b>21,96,300</b>	<b>9.93</b>
<b>Public Issue (D)</b>	<b>-</b>	<b>-</b>	<b>65,70,000</b>	<b>29.71</b>
<b>Total Equity Shares (A + B + C + D)</b>	<b>1,31,12,800</b>	<b>100.00</b>	<b>2,21,12,800</b>	<b>100.00</b>

10. Particulars of top ten shareholders as on the date of filing of this Prospectus with RoC are as under –

Sr. No.	Name of Shareholder	No. of Shares	Pre Issue % Holding
1.	Shri. Kiran N. Mehta	65,03,820	49.60
2.	Shri. Kailash S. Agarwal	43,35,880	33.07
3.	Ms. Ami Patel	21,87,500	16.68
4.	Smt. Meena K. Mehta	48,800	0.37
5.	Smt. Leelakumari C. Bhandari	8,800	0.07
6.	M/s. S. K. Enterprise	8,800	0.07
7.	Shri. Champalal J. Bhandari	8,000	0.06
8.	Shri. Sanjay C. Bhandari	8,000	0.06
9.	Shri. Virendra N. Mehta	800	0.01
	Shri. Navratanmal C. Mehta	800	0.01
	Shri. Parasmal C. Mehta	800	0.01
	Smt. Anuradha K. Agarwal	800	0.01

11. Particulars of top ten shareholders ten days prior to the date of filing of this Prospectus with RoC are as under -

Sr. No.	Name of Shareholder	No. of Shares	Pre Issue % Holding
1.	Shri. Kiran N. Mehta	65,03,820	49.60
2.	Shri. Kailash S. Agarwal	43,35,880	33.07
3.	Ms. Ami Patel	21,87,500	16.68
4.	Smt. Meena K. Mehta	48,800	0.37
5.	Smt. Leelakumari C. Bhandari	8,800	0.07
6.	M/s. S. K. Enterprise	8,800	0.07
7.	Shri. Champalal J. Bhandari	8,000	0.06
8.	Shri. Sanjay C. Bhandari	8,000	0.06
9.	Shri. Virendra N. Mehta	800	0.01
	Shri. Navratanmal C. Mehta	800	0.01
	Shri. Parasmal C. Mehta	800	0.01
	Smt. Anuradha K. Agarwal	800	0.01

12. Particulars of top ten shareholders two years prior to the date of filing of this Prospectus with SEBI are as under -

Sr. No.	Name of Shareholder	No. of Shares	Pre Issue % Holding
1.	Shri. Kiran N. Mehta	64,04,800	97.69
2.	Shri. Kailash S. Agarwal	100,800	1.54
3.	Smt. Meena K. Mehta	24,400	0.37
4.	Smt. Leelakumari C. Bhandari	4,400	0.07
5.	M/s. S. K. Enterprise	4,400	0.07
6.	Shri. Champalal J. Bhandari	4,000	0.06
7.	Shri. Sanjay C. Bhandari	4,000	0.06
8.	Shri. Mahesh Bhandari	4,000	0.06
9.	Smt. Sharmila Bhandari	4,000	0.06
10.	Shri. Virendra N. Mehta	400	0.01
	Shri. Navratanmal C. Mehta	400	0.01
	Shri. Parasmal C. Mehta	400	0.01
	Smt. Anuradha K. Agarwal	400	0.01

13. The following are the details of the Equity Shares sold or purchased by our Promoter(s) and our Promoter Group and Directors, during the period of six months preceding the date on which the Prospectus is filed with RoC -

Transferee	Transferor	Date on which Shares Purchased/Sold or Transferred	Number of Equity Share	Face Value (Rs.)	Consideration	Purchase/ Sale Price (Rs.)
Shri. Kailash S. Agarwal	Shri. Kiran N. Mehta	April 24, 2007	41,34,280*	10	Cash	10

\* The call option exercised by Shri. Kailash S. Agarwal pursuant to the Shareholders' Agreement dated November 11, 2000. For further details, please refer to the section titled "Shareholders Agreements" starting from page no.79 of this Prospectus.

14. Our Company does not have any outstanding Employees Stock Option Plan.

15. The total number of members of our Company as on the date of filing this Prospectus is 12.

16. Our Company has not availed any bridge loan against the proceeds of this Issue.
17. Applicant cannot make an application for more than the number of Equity Shares offered to the public, i.e., the Net Issue to the Public of 65,70,000 Equity Shares, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
18. The Equity Shares offered through this public issue shall be made fully paid-up as the entire money of Rs. 60/- per share (i.e. Face Value of Rs. 10/- + Premium of Rs. 50/-) is being called on application.
19. The Equity Shares will be issued and traded on the Stock Exchange only in dematerialized form. Hence the market lot of the Equity Shares is 1 (One share).
20. There are no outstanding warrants, options or right to convert debentures, loans or other instruments convertible into Equity shares.
21. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed or application monies refunded on account of non-listing or under subscription etc.
22. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise or if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
23. Our Company has not made any public issue since its inception.
24. Our Company undertakes that at any given time, there shall be only one denomination for the Equity Shares of our Company and we shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
25. Our Company has not revalued its assets since inception.
26. As per the loan agreements entered into by us with our lenders, we are required to obtain consent from them prior to altering our capital structure. Accordingly, we have obtained consents of our lenders for the present issue, the details of the same are as under -

<b>Sr. No.</b>	<b>Bank</b>	<b>Letter Dated</b>
1.	Indian Bank	May 24, 2007
2.	UCO Bank	July 13, 2007
3.	State Bank of Travancore	June 8, 2007
4.	Central Bank of India	July 16, 2007
5.	Syndicate Bank	August 21, 2007
6.	Bank of India	June 14, 2007

27. The following are the details of the shareholding of our Promoter – Shri. Kiran N. Mehta indicating transfers/transfer back of shares due to share purchased agreements entered with Ms. Ami Patel and Shri. Kailash S. Agarwal -

Date on which Shares Purchased Sold or Transferred	Transferor	Transferee	Number of Equity Share	Face Value (Rs.)	Consideration	Purchase/Sale Price (Rs.)	Cumulative No. of Equity Shares
As on January 27, 2005				10			64,04,800
December 26, 2005	Shri. Mahesh Bhandari	Shri. Kiran N. Mehta	4,000	10	Cash	10	64,08,800
December 26, 2005	Smt. Sharmila Bhandari	Shri. Kiran N. Mehta	4,000	10	Cash	10	64,12,800
March 9, 2006		Shri. Kiran N. Mehta	64,12,800	10	Bonus 1:1		1,28,25,600
October 3, 2006	Shri. Kiran N. Mehta	Ms. Ami Patel	16,00,000*	10	Cash	40	1,12,25,600
October 4, 2006	Shri. Kiran N. Mehta	Ms. Ami Patel	34,00,000*	10	Cash	40	78,25,600
March, 29, 2007	Ms. Ami Patel	Shri. Kiran N. Mehta	28,12,500*	10	---	---	1,06,38,100
April 24, 2007	Shri. Kiran N. Mehta	Shri. Kailash Agarwal	41,34,280**	10	Cash	10	65,03,820

\* As per the Share Purchase Agreement dated September 27, 2006 executed by and between Shri. Kiran N. Mehta and Ms. Ami Patel, Ms. Ami Patel had agreed to purchase 50,00,000 equity shares of our Company held by Shri. Kiran N. Mehta @ of Rs. 40 /- each and had also agreed to pay the consideration for the said shares in installments. Accordingly, Shri. Kiran N. Mehta transferred 16,00,000 and 34,00,000 equity shares of our Company held by him to Ms. Ami Patel on October 3, 2006 and October 4, 2006 respectively. Since Ms. Ami Patel was unable to pay consideration for entire 50,00,000 equity shares, 28,12,500 equity shares of our Company were transferred back into the account of Shri. Kiran N. Mehta by Ms. Ami Patel on March 29, 2007. For further details, please refer to the section titled “Shareholders Agreements” starting from page no.79 of this Prospectus.

\*\* The call option exercised by Shri. Kailash S. Agarwal pursuant to the Shareholders’ Agreement dated November 11, 2000. For further details, please refer to the section titled “Shareholders Agreements” starting from page no.79 of this Prospectus.

28. Ms. Ami Patel currently hold 21,87,500 equity shares in our company, which constitute 16.68% of the pre-issue capital of the company. She holds a Bachelor’s degree in Commerce & Masters in Business Administration and presently is providing counseling online/personal for formulation of different kind of marketing strategies, marketing plan, assistance, etc. As on date, she has no intention to take control of company.

## OBJECTS OF THE ISSUE

The objects of the present issue of Equity Shares is to raise capital for funds required for -

- To meet the expenditure required for launching of our Stainless Steel Kitchenware and Houseware items as well as Brand building in the domestic market
- Meeting the margin money requirement for enhanced working capital;
- Gaining the benefits of listing of our Equity Shares

The main object clause of the Memorandum of Association and objects incidental to the main object enable our Company to undertake its existing activities and the activities for which funds are being raised through the present Issue.

## Funds Requirement

The total estimated funds requirement for the above-mentioned Objects of this Issue is as under –

(Rs. in lacs)		
Sr. No.	Particulars	Amount
1.	Brand building and launching of our Company's products in the domestic markets	1,000
2.	Margin money for working capital requirements	4,074
3.	Public Issue expenses	450
	<b>Total</b>	<b>5,524</b>

## Means of Finance

The above mentioned fund requirement is proposed to be funded by way of this Issue and Internal accruals. The proposed means of finance are as under –

(Rs. in lacs)		
S. No.	Particulars	Amount
1.	Proceeds from this Present Public Issue	5,400
2.	Internal Accruals	124
	<b>Total</b>	<b>5,524</b>

We have sufficient internal accruals to meet the shortfall of funds, if any. As per the audited Profit and Loss account for Financial Year ended on March 31, 2007, our cash profit stands at about Rs. 2,357 lacs.

## Details of Objects

### 1. Brand building and launching of our Company's products in the domestic markets

Brands are a means of differentiating an entity's products and services from those of its competitors. Customers pay a substantial price premium for a popular brand and remain loyal to that brand. In line with our Company's plans to launch our products in the domestic market, we propose to develop a well-established Brand image and set up sales and distribution network in India. This would, inter alia, include -

- Sales promotion
- Advertisement
- Training and staff development
- Setting-up of branch offices
- Establishing logistic network
- Selection and training of distributors

Total expenditure to be incurred on these activities is estimated round Rs. 1,000 lacs. The details of the same is as under -

#### a. Sales Promotion (Rs. 200 lacs)

We have planned to launch our stainless steel kitchenware and houseware items as well as to establish our Brand name in the domestic market. In order to achieve this, we have to undertake various sales promotion activities like gift offers, pamphlets, brochures, free distribution of samples, arranging/participation in exhibitions, booking of stalls in trade fairs, etc. as required for developing awareness of our stainless steel kitchenware and houseware items in among the customers. We estimate to incur an expenditure of about Rs. 200 lacs for this purpose.

#### b. Advertisement (Rs. 700 lacs)

We are proposing to enter into the domestic market in branded segment of stainless steel kitchenware and houseware items. This will require huge investment for creating initial awareness in the domestic market and constant endeavor for sales promotion of our stainless steel kitchenware and houseware items on regular basis. As a brand building exercise, we shall be releasing periodic advertisements in print media and electronic media at national level. We estimate to incur an expenditure of about Rs. 700 lacs for this purpose.

#### c. Training and Staff development (Rs. 10 lacs)

We have planned to develop in house training facilities for our marketing team. We shall train our marketing personnel by sending them to other professional centers for updating their skills and knowledge. Regular conferences will be arranged for these employees for their personality development and improving customer relationship. We estimate to incur an expenditure of about Rs. 10 lacs for this purpose.

#### d. Setting up of Branch Offices (Rs. 50 lacs)

Initially, we are planning to have our rented/leased branch offices at metro centers and thereafter across the country. These offices would co-ordinate with our distributors and our retail chain customers. We estimate to incur an expenditure of about Rs. 50 lacs towards initial deposit for lease rental and furnishing of those branch offices at metro centers.

**e. Establishing logistic network (Rs. 30 lacs)**

In order to manage the distribution of our stainless steel kitchenware and houseware items, we propose to set up our network of rented/leased warehousing and transportation across the country. This will also include arranging the proper mode of transportation for timely supply of our stainless steel kitchenware and houseware items and warehousing facility for the storage of these items. We estimate to incur an expenditure of about Rs. 30 lacs for this purpose.

**f. Selection and Training of Distributors (Rs. 10 lacs)**

In order to build up a strong distribution network, we would follow systematic approach of selection of our distributors by placing advertisement and hiring the expert agencies for developing the distribution network. We shall also train our distributors for marketing our stainless steel kitchenware and houseware items. We estimate to incur an expenditure of about Rs. 10 lacs for this purpose.

**2. Margin Money for Working Capital Requirement**

We have estimated additional Margin Money required for Working Capital at around Rs. 4,074 lacs, the details of the same are as under –

(Rs. in lacs)

Sr. No.	Particulars	No. of days	Financial Year 2008-09
<b>(A)</b>	<b>Current Assets</b>		
1	Accounts Receivable	90	29,843
2	Finished goods	35	10,365
3	Work in Progress	15	4,442
4	Raw Material	30	8,884
			53,534
<b>(B)</b>	<b>Current Liabilities</b>		
1	Accounts payable	40	11,846
<b>(C)</b>	<b>Working Capital Requirement (A-B)</b>		<b>41,688</b>
<b>(D)</b>	<b>Existing Working Capital limit</b>		<b>25,394</b>
<b>(E)</b>	<b>Gap (C-D)</b>		<b>16,294</b>
<b>(F)</b>	<b>Margin Requirement (% of facility)</b>		<b>25%</b>
<b>(G)</b>	<b>Additional Margin Money requirement (E x F)</b>		<b>4,074</b>

**3. Issue Expenses**

The total expenses of this Issue are estimated to be approximately Rs. 450 lacs. The Issue related expenses include, among others, issue management fees, brokerage and printing and distribution expenses, legal fees, advertisement expenses, registrar and depository fees and listing fees.

(Rs. in lacs)

Sr. No.	Particulars	Amount
1.	Lead Management, Marketing and Selling Commissions	245.00
2.	IPO Grading Expenses	4.43
3.	Advertisement and Marketing Expenses	100.00
4.	Printing and Stationery, Distribution, Postage, etc.	81.12
5.	Others (Registrar fees, legal fees etc.)	19.45
	<b>Total</b>	<b>450.00</b>

**Year Wise Deployment of Funds**

We expect to incur around Rs. 400 lacs in Financial Year 2007-08, around Rs. 400 lacs in Financial Year 2008-09 and the balance amount of around Rs. 200 lacs in Financial Year 2009-10 towards launching our Company's products in the domestic markets and Brand building expenses.

**Interim Use of Funds**

The Board of Directors of our Company in compliance with Clause 49 of the listing Agreement has formed an Audit Committee, which would monitor the interim use of Funds. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by our Board of Directors from time to time.

**Monitoring of Utilization of Funds**

As our Issue size is less than 50,000 lacs, we have not appointed any monitoring agency to monitor the utilization of issue proceeds, as the same is not required as per SEBI Guidelines. Our Board of Directors will monitor the utilization of proceeds of this issue on a regular basis.

We will disclose the utilization of the proceeds raised through this Issue under a separate head in our financial statements clearly specifying the purpose for which such proceeds have been utilized. No part of this Issue proceeds will be paid by us as consideration to our Promoters, Directors, key managerial personnel or companies promoted by our Promoters save and except in the normal course of business.

## **BASIC TERMS OF ISSUE**

The Equity Shares now being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, the terms of this Prospectus and Application Form and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Equity Shares. Further to the above, the Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI/Government of India/Stock Exchanges and/or other authorities, as in force on the date of this Issue and to the extent applicable.

### **Ranking of Equity Shares**

The Equity Shares to be issued shall, subject to the Memorandum and Articles of Association of our Company, rank pari passu with the existing Equity Shares of our Company in all respects including rights in respect of dividend. The Allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of allotment.

### **Face Value and Issue Price**

The Equity Shares of face value of Rs. 10/- each are being offered in terms of this Prospectus at a price of Rs 60/- per Equity Share, at a premium of Rs. 50/- each. At any given point of time there shall be only one denomination of Equity Shares of our Company, subject to applicable laws.

### **Rights of the Equity Shareholder**

Subject to applicable laws, the equity shareholders shall have the following rights unless prohibited by law-

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers;
- 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, 1956 and Articles of Association of our Company.

For further details on the main provisions of our Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to the section titled "Main Provisions of Articles of Association of our Company" beginning on page no. 202 of this 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 dematerialized form for all investors. Since trading of our Equity Shares is in dematerialized 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 100 Equity Shares. For details of allocation and allotment, please refer to the sub-section titled "Basis of Allotment" starting from page no.197 of this Prospectus.

**Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Issue amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheque(s) having been returned unpaid or withdrawal of applications, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest as per Section 73 of the Companies Act, 1956.

If the number of Allottees in this proposed Issue is less than 1,000 Allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

**Withdrawal of the Issue**

Our Company, in consultation with the Lead Manager reserves the right not to proceed with this Issue anytime after the Issue Opening Date without assigning any reason thereof.

Please refer to the section titled “Terms of the Issue” beginning from page no. 181 of this Prospectus for other Issue related terms and more details.

## **BASIS FOR ISSUE PRICE**

Investors should read the following summary along with the section titled “Risk Factors” beginning on page ix and the section titled “Financial Statements” beginning on page 104 of this Prospectus to get a more informed view before making the investment decision. The trading price of the Equity Shares of our Company could decline due to these risks and the investor may lose all or part of his investment.

## **QUALITATIVE FACTORS**

### **Brand Recognition**

Our Company is India’s largest exporter of the stainless steel kitchenware and houseware items and our Brand “Varun” is well established in export market for this segment. We have received various awards for our export performance like “Leading Exporter of Kitchenware and Houseware Products”, “Niryat Shree” award presented by Federation of Indian Export Organization. We have also received “Top Exporter of the year award” for previous many years and “Star Performer Award for 2005-06” received on June 1, 2007 awarded by EEPC under the aegis of Government of India. We have obtained trademarks for our various brands and have been recognized as a Star Trading House (earlier known as Four Star Export House) by Government of India. We have also obtained “ISO 9001:2000” from Bureau of Indian Standards for Quality Management system which reflects our credentials, track record and our quality of management.

### **Few Competitors**

The Stainless Steel kitchenware and cookware export segment does not have any developed organized players in the country. However, there are a number of small and big players in this business who are unorganized and we face a very low level of competition from these players. We are exporting our products to many countries around the world. We believe that our exports to vast number of countries enhance our competitiveness by understanding the needs and requirements of varied customers located in different countries. Having customers base located in many countries reduces the geographic and political risks in our business. Further our vast distribution network allows us to deliver kitchenware products and household products to our customers faster than our competitors.

### **Multiple Product Capability**

We have developed a range of products in order to meet the varied requirements of our customers belonging to different countries. Currently we export a range of about 1500 products of stainless steel Kitchenware, Cutleries, Petware and other Household items. The entire range covers all varieties of high-chrome corrosion resistant Storage, Tableware, Dining ware, Cooking and serving utensils, a variety of cutlery, pots, spoons, ladles and tins items. This broad range of products allows our customers to source most of their product categories from a single vendor and enables us to expand the business from existing customers, as well as attract the potential new customers.

### **Presence in the International Market**

We are a Government recognized Star Trading House (earlier known as Four Star Export House). We earn more than 90% of our total income from exports. We have well-established presence in the international market with a well-established brand. Currently we export to many countries mainly to American countries, European Union, Far East and Australia, African countries and Middle East. We are focusing more on the higher end of the market for few products for better profits. This segment of the market requires a greater variety of designs and patterns. The distinguishing factor in this segment is the appealing aesthetic look of the products.

## Backward Integration

We have undertaken the process of backward integration by setting up a stainless steel utensils manufacturing unit at Vasai district Thane (Maharashtra) on a plot of land admeasuring 32,400 sq. meters. We have recently constructed one of the biggest warehousing facilities in India admeasuring about 23,658 sq. meters with an arrangement for simultaneous loading of 26 containers and unloading of 6 containers with rolling shutters and collapsible gates for handling our export products of stainless steel kitchenware and houseware items. We have systematically gone for automatic handling for loading/unloading, shifting of series of measures such as luggage lift, fork lift, tow truck, scissor lift, ramps and other measures to reduce man power and improve efficiency. We have set up a stainless steel re-rolling mill at Jodhpur, Rajasthan for manufacturing stainless steel sheets of various types and sizes, which are required as the main raw material for our in-house manufacturing plant at Vasai. This would help us in decreasing our dependency on our existing suppliers for timely supply of raw material and in increasing our profit margins.

## Integrated Business Model

We have an integrated business model with capabilities across design and development, marketing and distribution and sourcing of stainless steel kitchenware and houseware products. Our multi-stream business model enables us to offer multi-country and multi-product delivery choice to our global customers. We also believe that our capabilities across marketing & distribution and sourcing, together with our relationships with varied small and big manufacturing units, strengthen our ability to upgrade our business model. Further to strengthen our business model, we have backward integrated our business in manufacturing sector and established a manufacturing facility at Vasai district Thane (Maharashtra) for stainless steel kitchenware and houseware items.

## Profit Making Dividend Paying Company

Our Company is a profit earning company since its inception. Our exports have increased more than six times in last four years from Rs. 12158.44 lacs in fiscal 2003 to Rs. 74003.42 lacs in fiscal 2007 registering a CAGR of more than 57%. The following are the details of our profit after tax and dividend paid in last five years -

(Rs. in lacs)					
For the Financial Year ended on March 31,	2007	2006	2005	2004	2003
Profit Before Tax	2883.86	2127.41	1732.08	812.31	626.46
Profit After Tax	1951.71	1442.80	1324.64	812.23	601.87
Dividends (%)	45	45	40	30	20

## Experienced and Dedicated Management Team

Our Promoters have experience of more than two decades in the current business activities carried out by our Company. Our key managerial personnel are also well experienced in the field of stainless steel household utensils. We have successfully executed the growth strategy by developing new customers and strengthening our customer relationships.

## Diversified Business

We are currently in the business of exporting stainless steel kitchenware and houseware items and other merchandize products. We have wide range of 1500 varieties of Kitchenware, Tableware, Cutlery and other items, which is procured by a network of about 80 dedicated suppliers spread across the country. Recently, we have ventured into other businesses like electricity generation through windmill. We are also venturing into, Iron and Ore Mining and Oil and Gas drilling.

## QUANTITATIVE FACTORS

Information presented in this section is derived from our Company's restated financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are as under -

### 1. Adjusted Earning per Share (EPS) (on face value of Rs. 10/- per share)

Financial Year ended on	EPS (Rs.)	Weight used
March 31, 2005	10.10	1
March 31, 2006	11.00	2
March 31, 2007	14.88	3
<b>Weighted Average EPS</b>	<b>12.79</b>	

Note:

- The Earning Per Share has been computed on the basis of the restated profits and losses of the respective years.
- The denominator considered for the purpose of calculating Earnings Per Share is the weighted average number of Equity Shares (As per AS-20) outstanding during the year.

### 2. Price/Earning (P/E) Ratio in relation to Issue Price of Rs. 60/- per share – 4.03

- Based on year ended March 31, 2007, EPS of Rs. 14.88 per Equity Share of Face Value of Rs. 10/- each, the P/E Multiple is 4.03 times at an issue price of Rs. 60/-.
- P/E for Trading Industry

Highest	462.3
Lowest	4.9
Average	131.0

(Source: Capital Market – Vol. XXII/16 October 08 – 21, 2007, Segment – Trading)

Note: The above-mentioned Industry P/E given in the table is not strictly comparable. The same has been derived from the Trading industry as a whole. This whole segment being broader in nature and may not include Companies which are mainly engaged in the business of trading of stainless steel kitchenware and houseware items as done by our Company.

### 3. Weighted Average Return on Net Worth (RONW):

Year ended	RONW (%)	Weight Used
March 31, 2005	16.64	1
March 31, 2006	16.24	2
March 31, 2007	19.24	3
<b>Weighted Average RONW</b>	<b>17.81</b>	

### 4. Minimum Return on Net Worth after issue needed to maintain EPS at Rs.14.88 is 21.17%.

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

<b>Net asset Value (NAV) per Equity share</b>	<b>Rs.</b>
As on March 31, 2007	77.36

Net Asset Value per Equity Share after this Issue is Rs. 73.94 and our Issue Price is Rs. 60 per Equity Share.

**6. Comparison with Industry Peer Set\***

<b>Name of the Company</b>	<b>B.V. (Rs.)</b>	<b>EPS (Rs.)</b>	<b>P/E</b>	<b>RONW %</b>
Varun Industries Limited**	77.36	14.88	4.03	19.24

\* The details on the comparison of accounting ratios of our Company with other listed entities has not been given as we are mainly in the business of export of Stainless Steel Kitchenware and Houseware items and there are no listed peers in the same line of business with a similar size.

\*\* B.V., EPS and RONW for our Company are as per the restated audited statements by our Auditors. For details, please refer to the section titled “Financial Statements” starting from page no. 104 of this Prospectus.

7. The Issue Price is 6 times of the face value of Rs. 10/- of the Equity Shares.

**CONCLUSION**

The Equity Shares are being issued at a price of Rs. 60 per Equity Share. The issue price is 6 times the face value of the shares. The pre-issue book value of the shares as on March 31, 2007 is Rs. 77.36 per Equity Share. The average PE multiple of the industry sector is 39.5. This present Issue of Equity Shares is at a PE multiple of 4.03 times, which is much lower than the average PE multiple in the trading industry. The minimum return on networth required to be earned to maintain the weighted average EPS of Rs. 14.88 is 21.17%.

Taking into account the above qualitative and quantitative factors, the Issue Price of Rs. 60 per Equity Share of our Company is justified.

## STATEMENT OF TAX BENEFITS

To,  
The Board of Directors  
VARUN INDUSTRIES LIMITED,  
13, Shankeshwar Darshan,  
A.G. Pawar Cross Lane,  
Byculla (East),  
Mumbai – 400027.

Dear Sirs,

We hereby report that the enclosed annexure states the tax benefits available to **VARUN INDUSTRIES LIMITED** (The “Company”) and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on 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 and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue, particularly in view of the fact that there could be different interpretations of legislation.

Unless otherwise specified, sections referred to below are sections of the Income tax Act, 1961. All the provisions set out below are subject to conditions specified in the respective sections.

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

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

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

For CHUNNILAL & CO.  
Chartered Accountants

Sd/-

[C.A. CHUNNILAL CHOUDHARY]  
Proprietor  
Membership No. 37784  
Dated: 1<sup>st</sup> October 2007

Annexure: Statement Of Tax Benefit

## **TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS**

As per the existing provisions of the Income Tax Act, 1961(The Act) and other laws for the time being in force, the following Special and General tax benefits and deductions are and will interalia be available to M/s Varun Industries Limited and its Shareholders.

### **I. TAX BENEFITS UNDER INCOME TAX ACT 1961.**

#### **1. TO THE COMPANY**

##### **i. SPECIAL TAX BENEFITS**

The Company is entitled to 100% deduction u/s 80-IA of the Income Tax Act, 1961 in respect of its profits from Wind Power Generation Plant at Rajasthan for 10 consecutive Assessment Years falling within a period of initially fifteenth Assessment Years, subject to satisfaction of all conditions mentioned in aforesaid provisio.

##### **ii. GENERAL TAX BENEFITS**

- a. In accordance with, and subject to the provisions of section 32 of the income-Tax act, the company will be entitled to claim depreciation on tangible and specified intangible assets;
- b. In terms of Clause (iia) of Sub-section (1) of Section 32 of the Act, the Company is entitled to further deduction of 20% as additional depreciation on new plant & machinery acquired and installed after 31<sup>st</sup> March 2005, subject to the conditions specified therein.
- c. Dividend income (whether interim or final), in the hands of the company as distributed or paid by any other Indian Company on or after April 1, 2003 is completely exempt from Tax in the hands of the Company, under section 10(34) of the IT Act.
- d. Long-term capital gains would be subject to Tax at the rate of 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1) (b) of the IT Act. However, as per the proviso to Section 112(1) (b), the long term capital gains resulting on transfer of listed securities or units, [not covered by section 10(36) and 10(38)], would be subject to Tax at the rate of 20% with Indexation benefits or 10% without Indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
- e. Long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st day of October 2004 and such sale is subject to Securities Transaction Tax, as per the provisions of section 10(38) of the IT Act.
- f. Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to Tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the IT Act. However, such income earned by the company shall not be exempt for the purpose of computing Tax on Book Profit as per the provisions of section 115JB of the Act.
- g. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the Company would be entitled to exemption from Tax on gains arising from transfer of the long term capital asset [not covered by section 10(36) and 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 provided that the investment made on or after the 1<sup>st</sup> day of April, 2007 in the manner specified assets by an assessee during any financial year does not exceed fifty lakh rupees. Where the long term specified assets is transferred or converted in to 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.

- h. In terms of Section 115JAA (1A) of the Act tax credit shall be allowed for any assessment year commencing on or after April 01, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. The credit is available for set off only when tax becomes payable under the normal provisions and that tax credit can be utilized to set off any tax payable under the provisions in excess of MAT payable for that relevant year. Such MAT credit shall not be available for set off beyond 5 years succeeding the year in which the MAT credit initially arose.
- i. The Company can carry forward and set off the unabsorbed depreciation allowance, if any, against its income of the future years. As per the provisions of Section 72(1) of the I.T. Act, the Company is also entitled to carry forward and set off its unabsorbed business losses for a period up to eight subsequent years for set off against its business income.
- j. Under Section 35D of the Act, the Company will be entitled to a deduction equal to 1/5th of the expenditure of the nature specified in the said section, including expenditure incurred on present issue, such as Brokerage and other charges, by way of amortization over a period of 5 successive years, beginning with the previous year in which the new unit commences production, subject to the stipulated limits.

## **2. TO THE MEMBERS OF THE COMPANY**

### **i. TO RESIDENT SHAREHOLDERS**

- a. 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 as per the provisions of section 10(34) of the IT Act.
- b. Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from Tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act.
- c. As per the provisions of Section 112(1)(b) of the IT Act, long-term capital gains would be subject to Tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by sections 10(36) and 10(38), would be subject to Tax at the rate of @ 20% with Indexation benefits or 10% without Indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
- d. Long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and the sale is subject to Securities Transaction Tax, as per the provisions of section 10(38) of the IT Act.
- e. Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to Tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the IT Act.
- f. 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.

- g. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the shareholders would be entitled to exemption from Tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section provided that the investment made on or after the 1<sup>st</sup> day of April, 2007 in the manner specified assets by an assessee during any financial year does not exceed fifty lakh rupees. Where the long term specified assets is transferred or converted in to 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.
- h. 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 IT Act, the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by sections 10 (36) and 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.

## ii. TO NON-RESIDENT INDIAN SHAREHOLDERS

- a. 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 as per the provisions of section 10(34) of the IT Act.
- b. Any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act will be exempt from Tax to the extent of Rs.1,500 per minor child per year in accordance with the provisions of section 10(32) of the IT Act.
- c. 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 IT Act, long term capital gains arising from the transfer of an Indian company's shares [not covered by sections 10(36) and 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.
- d. In case of a shareholder being a non-resident India, 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 IT Act, the nonresident Indian shareholder would be entitled to exemption from long term capital gains [not covered by sections 10(36) and 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.
- e. In accordance with the provisions of Section 115G of the IT Act, Non Resident Indians are not obliged to file a return of income under Section 139(1) of the IT 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 IT Act.

- f. In accordance with the provisions of Section 115H of the IT Act, when a Non Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the IT 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.
- g. 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 IT 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 IT Act. In accordance with and subject to the conditions and to the extent specified in Section 112(1) (b) of the IT Act, Tax on long term capital gains arising on sale on listed securities or units not covered by sections 10(36) and 10(38) will be, at the option of the concerned shareholder, 10% of capital gains (computed without Indexation benefits) or 20% of capital gains (computed with Indexation benefits) as increased by a surcharge and Education cess at an appropriate rate on the Tax so computed in either case.
- h. 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 1st of October 2004 and such sale is subject to Securities Transaction Tax.
- i. As per the provisions of section 111A, 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 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
- j. 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.
- k. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the shareholders would be entitled to exemption from Tax on long term capital gains [not covered by sections 10(36) and 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.
- l. 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 IT Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 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.

- m. As per the provisions of Section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the Tax treaty to the extent they are more beneficial to the Non-Resident.
- n. Under the first proviso of Section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency, which was utilized in the purchase of the shares. However, the benefit will be available only when the shares are transferred in a manner other than as specified in section 10(38) of Act.

### iii. TO OTHER NON-RESIDENTS

- a. 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, under section 10(34) of the IT Act.
- b. Any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act will be exempt from Tax to the extent of Rs.1500 per minor child per year, in accordance with the provisions of section 10(32) of the IT Act.
- c. In accordance with and subject to the conditions and to the extent specified in Section 112(1) (b) of the IT Act, Tax on long term capital gains arising on sale on listed securities or units before 1st October 2004 will be, at the option of the concerned shareholder, 10% of capital gains (computed without Indexation benefits) or 20% of capital gains (computed with Indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the Tax so computed in either case.
- d. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction Tax.
- e. As per the provisions of section 111A, 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 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
- f. 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.
- g. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the shareholders would be entitled to exemption from Tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 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.
- h. 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 IT Act, the shareholder

would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 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.

- i. As per the provisions of Section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the Tax treaty to the extent they are more beneficial to the Non Resident.

#### **iv. TO FOREIGN INSTITUTIONAL INVESTORS (FIIs)**

- a. In accordance with and subject to the conditions and to the extent specified in Section 115AD of the IT Act, Tax on long term capital gain [not covered by sections 10(36) and 10(38)] will be 10% 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 recognized stock exchange or a unit of an equity oriented mutual fund effected on or after 1st 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 IT Act are not available to FIIS.
- b. As per the provision of Section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the Tax treaty to the extent they are more beneficial to the Non Resident.
- c. Long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction Tax, as per the provisions of section 10(38) of the IT Act.
- d. 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.
- e. In accordance with and subject to the conditions and to the extent specified in /section 54EC of the IT Act, the shareholders would be entitled to exemption from Tax on long term capital gains [not covered by sections 10 (36) and 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.
- f. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the IT Act, the shareholders would be entitled to exemption from long term capital gain Tax not covered by sections 10(36) and 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.
- g. Under Section 10(34) of the Act, Income earned by way of dividend from domestic company referred to in section 115-O of the Act is exempt from Income-tax in the hands of the Share Holders.

**v. TO MUTUAL FUNDS**

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

**vi. TO VENTURE CAPITAL COMPANIES/ FUNDS**

- a. In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of Section 10(23FB) of the IT 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.
- b. Venture Capital Fund, operating under the Registered Trust Deed or a venture capital scheme made by Unit Trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette set up for raising funds for Investment in a Venture Capital Undertaking is exempt from income-Tax.

**II. BENEFITS 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.

**III. BENEFITS UNDER THE GIFT TAX ACT**

As provisions of Gift tax Act has ceased to apply in respect of gifts made on or after October 1, 1998, any gift of shares will not attract gift tax.

**Notes:**

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2007 and will be available only to the sole / first named holder in case the shares are held by joint holders.
2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has fiscal domicile.
3. In view of the individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her participation in the scheme. The tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislations may not have direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

## SECTION IV - ABOUT OUR COMPANY

### INDUSTRY OVERVIEW

Years ago a metal was invented which changed the way people live today. It was a metal that silvery, shining, stylish, glamorous and tempting on one hand and strong, sturdy, durable, did not corrode or stain on the other. With its widening consumer base across socio-economic stratum of the society the flashing metal was popularly accepted in thousands of households around the world. Thus it was that stainless steel came to be recognized as the metal of the century. It was not very much later that this magical metal entered the kitchen as a fashion statement and also a very best option for the safety and hygiene of the family.

#### Advantages of Stainless Steel Kitchenware and Houseware items

- Corrosion Resistance: It gives protection against rust.
- Strength: Stainless steel has high tensile strength, excellent fatigue properties and good weld ability.
- Toughness and impact resistance: Stainless steel of certain grades has high toughness from elevated temperatures to sub zero temperatures.
- Formability: It is possible to bend and form different shapes.
- Heat resistance: Special high Chromium and Nickel alloyed grades resist high temperature and retain strength.
- Better aesthetic look: This is one single characteristic that scores over other materials.
- Low on maintenance: Stainless steel normally requires only a periodic wash with soap and water to maintain its original finish.
- Long term value: When the total life cycle costs are considered, stainless steel is often the least expensive material option available

#### Overview of Indian Stainless Steel industry

The Indian Iron and Steel industry has scaled new heights in the post- independent India to become the tenth largest producer of steel in the world. Today, India has an installed capacity of about 33 million tonnes and employ over half a million people directly with a cumulative capital investment of about Rs. 90,00,000 lacs. The contribution of the private sector and the public sector is about 68 percent and 32 per cent, respectively. Indian stainless steel industry is expected to grow by 12 % annually. Out of the total production 70 % is used for domestic consumption and remaining 30 % for exports.  
(Source: Indian Stainless Steel Development Association)

#### Stainless Steel Utensils Industry

India is one of the huge markets comprising many Indian manufacturers, exporters and suppliers of kitchenware and houseware. These vendors are scattered all over Indian market, nurturing the requirements of large variety of buyers who are scattered throughout India and Overseas. Different varieties of cookware are available for different purpose to different segments.

The Ministry of Steel has been constantly interacting with the Ministries of Commerce and Finance for taking steps to make steel industry more competitive and vibrant for a positive national growth. The measures, inter alia, include Rationalization of custom duty, Duty Entitlement Pass book Scheme (DEPB) rates, export incentives, income tax and project financing by financial institutions. The stainless steel industry in India is in an upbeat mood. Stainless Steel production in India is rapidly growing every year and Stainless steel in India is perceived as a “metal for utensils”. Today about 75% of the end use market of stainless steel is in kitchenware and houseware segment.

(Source: Indian Stainless Steel Development Association)

India being such a culturally rich and diverse country has a special place for beautiful and utilitarian pottery and kitchenware. The Indian Kitchenware industry continues to respond to consumer demand for quality, durability, style and attention to health concerns. Multi-versatile cookware that functions as bake ware, serve ware and dinnerware is becoming increasingly popular as the casual entertaining trend continues. (Source: Kitchenware Manufacturers)

The industry is placed between consumer durables and Fast Moving Consumer Goods (FMCG) industries as it carries some common features of both industries. Some of the basic features of the industry are explained as under -

### **1. Raw Materials**

The basic raw materials required for the industry are metals. Basically, the major metal used in production of these items is stainless steel, which is an alloy comprising two basic metals as under -

- **Steel** – Stainless steel is the major raw material, which is an alloy of iron and carbon. In India there are abundant iron-ore mines available for foreseeable future and carbon supplies are generally met by coal reserves, which are also available. The industry historically has never faced any concerns of shortage apart from some temporary phases in case of exceptional demand (e.g. from Chinese growth story in 2005). Pointless to mention that in case of any short-term price surge, the industry has soon experienced oversupply to moderate the prices.
- **Nickel** – Nickel also cases minor share in composition of stainless steel alloy. It is introduced to provide strength and durability to the product. It also serves as thin product differentiating line between different manufacturers.

### **2. Processing**

Manufacturing process in this industry is characterized by meticulous labour efforts rather than capital and technical rigor. However, as is the case with most of the consumer industry, establishing consumer presence and brand image is a demanding task. Also to set-up distribution and marketing network also requires some hard work.

### **3. Consumption**

These products are generally consumed in the households. Majority of demand of superior quality and brand conscious products comes from urban households. The major factors determining the consumption of these items are urbanization, number of households and disposable income levels of the households.

### **4. Fragmentation of Industry**

The industry is also characterized by existence of numerous manufacturers, suppliers and vendors in the market. The industry is dominated by number of small players taking account of small shares in the entire market.

### **5. Unorganized Players**

Considering the prevalent traditional patterns, the industry holds its pockets in the unorganized sector. However, looking at the existing market potential and growth envisaged, a gradual shift in the paradigm has been witnesses recently. This is marked by entry of many organized and corporate players in the market.

## 6. Availability of Alternatives

Considering the qualities which stainless steel possesses and the cultural framework of the society, it seems that there is practical alternative to the products. However the houseware and kitchenware are also comprehended by copperwares, plastic ware and glassware. Traditionally supplies have been closely managed by each country from within or neighboring countries to meet its domestic consumption. However in view of globalization era in last 15 years, there has been growing international trade. In view of consumption and supply economics in the international scenario, there are two major suppliers apparent, India and China, which feeds to other parts of the globe. However due to superior product quality and finishing methodology practiced in India, it has clear edge and price competitiveness.

### Determinants of Industry Demand and Price

#### Determinants of Demand

Historically, there have been two classifications of the total demand in the industry, as under -

1. New demand
2. Replacement demand

The factors determining demand for the consumer houseware and kitchenware products includes -

- *Number of Households*

Demand for houseware and kitchenware items is derived from the households and so any addition to the number of households implies additional demand for these products. Growth in households is the largest contributor to the new demand.

- *Disposable Income*

The consumer spending depends on the disposable income available to the households and as in case of other consumer industries, the demand and consumption of the kitchenware and houseware products is directly proportional to the consumption demand. Also, with increase in disposable income levels, the turnaround time of existing kitchenware and household items also reduces, hence increasing the replacement demand.

- *Urbanization*

The shift of population from rural areas to urban areas also marks change in lifestyle and cultures of the people. Apparently, this change is favorable to the industrial demand for kitchenware and houseware industries.

- *Cultural Changes*

Changing lifestyle, tastes and preferences towards fashionable items of the consumers also has a major impact on the demand of kitchenware and houseware products.

## Determinants of Price

The price of the stainless steel kitchenware and houseware products comprises two elements viz. cost of raw material a) steel and making charges i.e. cost of labour b) cost of capital.

- *Cost of raw material*

Cost of stainless steel is directly related to the commodity price of steel and nickel. Amongst this, major part of the cost is constituted by steel. Empirical trend suggests that prices of steel have shown medium to long-term stability with few jigs in the short run.

- *Making Charges*

Since the production process being labour intensive, the making charges are related to the wage levels prevalent in the economy. Further, the wage levels are dependent on the availability of semi-skilled and unskilled labour and inflation rate prevailing in the economy. Historically, our country has witnessed abundance of semi-skilled and unskilled labour and shortage of it is not envisaged in foreseeable future. Making Charges varies from product to product as per its design and labour hour needed.

## Synergy between Demand and Prices

Since the houseware and kitchenware products are predominantly used products in household, their demand is having different synergies in different markets. In developed economies having matured markets, the demand is relatively less elastic which might not be the case in developing economies like India where the demand is more sensitive to price changes. This means that surge in prices might not have proportional impact on the demand for the products in the international markets but not vice-versa.

## Outlook of the Industry

### Domestic

The overall buoyancy in the economy seen in last 3 years is expected to continue in the coming years as well. The increase in disposable income levels has increased the replacement demand of stainless steel kitchenware and houseware. Increasing shift of population from rural areas to urban areas also marks change in lifestyle of the people and has given boost to the industrial demand for these products. Further, the changing lifestyle, tastes and preferences towards fashionable items of the consumers also has a major impact on the demand for kitchenware and houseware products.

### Households

According to the 2001 Census of India, the total number of households in India is about 192 million (constitutes about 138 million of rural and about 54 million of urban), up from 147 million in 1991. The growing trend is also expected to grow in future with growth due to increasing trends of urbanization, nuclear families and availability of means to meet the financial needs through housing loans.

### Income Demographics

The population of India is over 1 billion and accounts for one sixth of the entire world's population and is second only to China with one quarter of the world's youth living in India. 54% of the Indian population is below the age of 25. In 2001 the productive population (age 25-44) was 278 million which, by 2013, will grow to 369 million; a growth of 33%.

Average household income in urban areas has grown at compounded annual growth rate of 5% in the last decade. This has resulted in large and growing high-middle class population of about 300 million people.

The higher income households (earning > \$2,000 per annum) are expected to increase from 52.6 million (28%) in 2002 to 106.6 million (48%) by 2010.

(Source: Table H-7 India: Census of India 2001, Office of the Registrar General, India)

### **Social Demographics**

With spread of education and awareness coupled with the wave of consumerism in the recent past, the attitude of Indian consumers have also changed which has resulted in change in tastes and preferences of the consumers ultimately changing their purchasing habits. Consumers have now transformed from traditional commodity and cost conscious approach to contemporary branded and quality conscious approach.

### **Market Reaction**

There has been few organized players entering the market place by foraying into branded space also which has led to evolution of branding activities, betterment of product quality and emergence of consumerism in this segment also. But these brands are still limited to regional grounds and the overall share of the branded goods in this segment is slated to explode in future. Exceptional growth in value added products and national/regional brands are pretty apparent from the current market trends.

### **Rural Markets**

Penetration of value added products in rural markets is very low but it has lot of potential to carry the future growth. There are rural households who have disposable income (especially after the real estate boom in the country) but the impulse to buy value added kitchenware and houseware items have not yet developed due to lack of distribution reach.

### **Government Policies**

Government policies have also been in favor of the industry as reduction in indirect taxes on houseware and kitchenware products has helped in revival of the industry in last couple of years. Opening up of economy has also contributed in nurturing of healthy competition amongst the peers.

### **Way Ahead**

Mere branding will not yield customer acceptance, unless the same is supported by innovation, differentiation and value addition. It has to be realized that in a market structure crowded with mushrooming unorganized players who tend to commodize the product category, only innovators can be the consumer conscious towards quality products. Also traditional dealer network also plays a very important role in expansion and establishment in domestic markets. The traditional dealer network needs to be supported by satisfactory return on investment to motivate them and ultimately spread the legs of a company.

## **International**

With opening up of economy, there has been noticeable growth in the international trade across all segments and products. Till recently India's share in the total international trade was as low as 0.5% but gradually things are changing and India's share has also been expanding.

## **India Advantage**

India has a very favorable placing in the Kitchenware and houseware segment, based on its structure and resources; it carries various advantages while competing in international market. Certain advantages enjoyed are mentioned below -

- The kitchenware and houseware segment, being a labour intensive industry carries the edge of relative cost advantage as compared to other countries in the west as the cost of labour is lower in India.
- India has abundant supplies of the raw material used in these products, as there are valuable natural resources of iron ore and coal available in parts of the country.
- Considering the fact that the industry requires relatively less investment/technical know-how and can be set-up on small scale is also advantageous to a capital starving country like India.

## **Declining Export Incentives**

Under the fiscal policies practiced by the Indian government in the recent years, it has been observed that various benefits available on exports in form of Duty Entitlement Pass Book (DEPB) license, Duty Drawback and tax sops offered on income derived from exports have been regularly trim down.

## **Chinese Competition**

As witnessed in other segments, competition is also expected from the Chinese suppliers in the international scenario. However, considering the enormity of the market size, there is enough scope to be explored. Further, it is also important to note that Chinese industry is structured in a manner which favors bulk supplies rather than addressing divergent requirements in small lots. Also, Chinese suppliers lack aesthetic product finishing required to make an impact in the market.

## **BUSINESS OVERVIEW**

### **OUR BUSINESS**

Our Company, promoted by Shri. Kiran Mehta, Shri. Kailash Agarwal and Shri. Virendra Mehta was incorporated on March 8, 1996 with the main object to carry on the business of manufacturers, exporters, importers, traders in stainless steel kitchenware and houseware items. Our Company took over Varun Exports, the proprietorship concern of Shri. Kiran N. Mehta on April 10, 1996, which had been in the business of exports of stainless steel utensils.

In the very first year of our operation, our Company received the Export Excellence Award for the year 1996-97 by Engineering Export Promotion Council from Shri. Ram Krishna Hegde, the then Hon'ble Union Minister of Commerce. Since then, our Company has continuously received award every year. For more information regarding awards received by our Company, please refer to the para "Major events in the history of our company since inception" under section titled "History and Corporate Structure" beginning on page no. 74 of this Prospectus." Our Company also awarded with ISO 9001:2000 in the year 2003 from Bureau of Indian Standards for Quality Management system. Year after year by strengthening our sales and marketing network, comprising of experienced professionals and customer setup, our Company has become India's largest exporter of stainless steel kitchenware and houseware items. (Source: [www.kitchenware-manufacturers.com/industry-overview.html](http://www.kitchenware-manufacturers.com/industry-overview.html))

Today, our Company has wide range of 1500 varieties of kitchenware, houseware, tableware, cutlery and other items of various types. We procure these products through a network of 80 dedicated suppliers spread across the country and we are exporting these products to many countries all across the globe, mainly to American Countries, European Union, Far East and Australia, African countries and Middle East".

As a process of backward integration and to increase our profit margin we have set up an in-house manufacturing and warehousing facility at Vasai (E), district Thane near Mumbai at a cost of around Rs.5,500 lacs. We have constructed a warehouse, guesthouse and set up a manufacturing facility to manufacture various stainless steel kitchenware and houseware items. Our Company has also set up a Stainless Steel Sheet Re-rolling Mill at Jodhpur, Rajasthan as a process of backward integration at a cost of around Rs.2,900 lacs. The stainless steel sheets produced in our Stainless Steel Sheet Re-rolling Mill, Jodhpur will be used as main raw material at our Vasai Plant. The commercial production at the Vasai manufacturing unit has commenced from September 2007. Currently, our Company has started trial runs at the Stainless Steel Re-rolling Mill Plant at Jodhpur and the commercial production is expected to commence soon.

Having achieved a well-established presence in the international market and further looking at the prospects of the industry, we are planning to develop a well-developed Brand and set up sales and distribution network in India to foray into the domestic market by supplying our products to various retail chains. In furtherance to the business diversification strategy, recently, we have ventured into other businesses like power generation through Windmill, Iron & Ore Mining and Oil and Gas drilling.

## OUR FACILITIES

### A. Manufacturing Facility and Warehouse at Vasai

#### 1. Land

We have acquired a plot of land admeasuring 32,400 sq. meters at Vasai (E) district Thane near Mumbai on August 8, 2003 for a consideration of Rs. 324.00 lacs. We have incurred an amount of about Rs. 383.61 lacs towards the total cost of land including registration and other charges. The location of our land offers the following advantages -

- Proximity to the Nhava-Sheva Port provides inbound efficiency of raw materials and outbound efficiency of finished goods to be exported.
- Being about 2 kms from the National Highway - 8 (i.e. Ahmedabad - Mumbai highway), about 4.5 kms from Vasai Railway Station and about 40 kms from Mumbai Airport, serves better connectivity with the rest of the country.
- Linked to National Highway – 8 through 20 meters wide Vasai -Vajreshwari Road.
- Proximity to the Corporate Office in Mumbai for better control over the site operations.

#### 2. Building

The construction of the warehouse and plant building was carried out by Shapoorji Pallonji and Company Ltd., one of the renowned construction companies in India. This RCC structure construction is in compliance with the rules and norms laid down by CIDCO and in terms of plans approved by them. We also have rainwater-harvesting facility with arrangement for storage of about one-lac litres of natural rainwater. The total cost of construction was around Rs.3,550 lacs and the total constructed area of our Vasai facility is about 28,400 sq. meters.

##### (i) Warehouse

We have one of the biggest warehousing facilities in India admeasuring 23,657.58 sq. meters with an arrangement for simultaneous loading of 26 containers and unloading of 6 containers with rolling shutters and collapsible gates. This warehouse is fully operational and we are using it for our export business of stainless steel kitchenware and houseware items. As an additional facility, we have constructed a helipad on the top of the warehouse to cater to our future requirements. We have systematically gone for automatic handling for loading/unloading, shifting of series of measures such as luggage lift, fork lift, tow truck, scissor lift, ramps and other measures to reduce man power and improve efficiency.

The other salient features of the warehouse are as under -

- Six staircases connecting ground to upper floors
- Two luggage lifts of 3 metric tonnes capacity each
- One truck lift for movement of loaded truck
- Heavy duty mirror polished Kotastone flooring for easy maintenance and movement

The details of total area of construction is as under -

Particular	Area (in sq. meters)
Ground floor with 6 meters height	6,395.54
1 <sup>st</sup> mezzanine at 3 meters level	2027.98
First floor with 6 meters height	6,395.54
2 <sup>nd</sup> mezzanine floor at 3 meters level	2027.98
Terrace floor	6395.54
Loading/unloading platform	415.00
<b>Total</b>	<b>23,657.58</b>

## ii) Plant Building

We have constructed the plant building admeasuring 4234.75 sq. meters with an arrangement for simultaneous loading/unloading at 5 platforms with rolling shutters and collapsible gates. The salient features of our plant building are as under –

- 3 stair cases connecting ground to upper floor
- Arrangement for two luggage lifts for movement of materials
- Heavy duty mirror polished Kotastone flooring for easy maintenance and movement

The details of total area of construction is as under -

Particular	Area (in sq. meters)
Ground floor with 6 meters height	1,756.27
First mezzanine floor with 3 meters level	639.21
Terrace floor	1756.27
Loading/unloading platform	83.00
<b>Total</b>	<b>4234.75</b>

## iii) Guesthouse

We have also constructed a guesthouse nearby the above-mentioned warehouse and plant. The total constructed area of this guesthouse is about 479.00 sq. meters. It has five fully furnished bedrooms with attached toilets, drawing cum dining, kitchen and other facilities for stay. The details of total area of construction of this guesthouse is as under –

Particular	Area (in sq. meters)
Ground floor with 3 meters/ 4 meters height	217.00
First floor with 3 meters height	200.00
Second floor, terrace and Canopy	62.00
<b>Total</b>	<b>479.00</b>

## iv) Show Room

We have a well laid out showroom displaying more than 1500 categories of stainless steel kitchenware and houseware samples. This showroom is well connected through cameras on video conferencing enabling our customers in India and abroad to have a close view of the entire range of products to facilitate marketing of our products.

## v) Office

We have a well equipped marketing and administrative office, spread over more than 400 sq. meters of area with state of art facilities including video conferencing. This office has all the required facilities to cater to the needs of handling day-to-day operations of the warehouse and manufacturing facility.

### 3. Manufacturing Facility - Stainless Steel Kitchenware and Houseware Manufacturing Facilities

#### Plant and Machinery

We have recently set up a facility to manufacture various stainless steel kitchenware and houseware items at Vasai with an installed capacity of 100 metric tonnes per day. The total cost incurred on the plant and machinery and moulds and dyes, including the installation charges and other incidental expenses, was around Rs.1,139 lacs. The commercial production of this manufacturing facility has commenced from September 2007

The following are the details of the plant and machineries -

(Rs. in lacs)					
Sr. No.	Particulars	Capacity	No.	Cost per unit	Amount
1	Hydraulic Press	300 Ton	2	27.50	55.00
2	High Power Double Action Press		6	36.13	216.75
3	Cutting Press	100 Ton	2	13.75	27.50
4	Cutting Press	50 Ton	1	8.75	8.75
5	Cutting Press	40 Ton	1	8.00	8.00
6	Cutting Press	30 Ton	1	6.25	6.25
7	Star Cutting	20 Ton	1	2.25	2.25
8	Stamp Press	20 Ton	2	1.50	3.00
9	Figson Press	12 Ton	1	3.00	3.00
10	Hand Press	6 Ton	2	0.43	0.85
11	Power press Circle Cutting	30 Ton	1	4.25	4.25
12	Power press Circle Cutting	50 Ton	1	13.75	13.75
13	Power press Circle Cutting	100 Ton	1	27.50	27.50
14	Single Action Press	10 Ton	2	5.00	10.00
15	Cutting Beeding Machine		10	0.73	7.25
16	Cutting Machine	4.25 " length	10	1.25	12.50
17	Circle Cutting Dye ring punch	8 pcs	1	3.75	3.75
18	Cup Rolling		1	16.25	16.25
19	Rolling Machine		27	1.70	46.00
20	Heavy Rolling Machine		5	0.40	2.00
21	Rolling Machine Double Hydraulic		9	4.25	38.25
22	Emboss Pillar	100 Ton	1	13.25	13.25
23	Emboss Pillar	50 Ton	3	6.75	20.25
24	Emboss Pillar	30 Ton	1	6.25	6.25
25	Punch Grinder		1	0.43	0.43
26	Weighing Machine	200 kg	2	1.00	2.00
27	Deburring Motor	3 HP	101	0.51	51.47
28	Cover Beeding Machine		1	1.00	1.00
29	Lathe Machine 16 Inch		2	6.63	13.25
30	Lathe Machine 14 Inch		1	6.38	6.38
31	Lathe Machine 5 Feet		1	1.00	1.00
32	Grinder Machine		4	0.14	0.55
33	Drill Machine		1	0.38	0.38
34	Heating Machine		1	8.10	8.10
35	Spot Welding Machine		2	2.00	4.00
36	Dye Pressing Punch & WPS Punch	1 Set	1	12.50	12.50
38	Weighing Machine				0.51
	<b>Sub-Total</b>				<b>654.15</b>

The following are the details of moulds and dyes –

(Rs. in lacs)

Sr. No.	Type of Moulds & Dyes	Amount
1	Desert Spoon	31.58
2	Tea Spoon	31.58
3	Serving Spoon – Pan	21.48
4	Serving Spoon – Oval	
5	Cooking Spoon – Oval	19.33
6	Cooking Spoon – Multi	
7	Cooking Spoon – Laddle	
8	Stock Pot - 2 Qtz	21.41
9	Stock Pot - 3 Qtz	
10	Stock Pot - 20 Qtz	17.84
11	Cover - 2 Qtz	
12	Cover - 16 Qtz	14.88
13	Cover - 20 Qtz	
14	Desert Soup Spoon - Design15	55.78
15	Desert fork – Design25	
16	Knife Design	36.84
17	Serving Spoon – Multi	21.48
18	Serving Spoon – Laddle	
19	Serving Spoon – Turner	17.18
20	Cooking Spoon – Pan	
21	Cooking Spoon – Turner	20.41
22	Cooking Spoon – Skimmer	
23	Cooking Spoon – Fork	
24	Stock Pot – 5 Qtz	21.41
25	Stock Pot – 8 Qtz	
26	Cover - 3 Qtz	28.56
27	Cover - 5 Qtz	
28	Cover - 8 Qtz	
29	Cover - 12 Qtz	
	<b>Total</b>	<b>359.76</b>

#### 4. Technical Aspects and Proposed Capacity Utilisation

The project consists of four productions lines viz. cutting, pressing, polishing and packing machines. The production capacity from these lines is to the tune of 100 MT per day, which works out to be an annual capacity of about 30,000 MT. The cost of production per MT is detailed as under –

Cost of 1MT of Re-rolled steel (Rs.)	70,000.00
% of wastage	38%
Qty of wastage (MT)	0.38
Sales price of wastage (Rs.)	14,440.00
Net cost of Re-rolled steel (Rs.)	55,560.00
Qty of output (MT)	0.62
Net Cost of Raw material (Rs.)	89,612.90
Polishing cost (Rs.)	25,000.00
Labour charges (Rs.)	10,000.00
<b>Total Cost per MT (Rs.)</b>	<b>124,612.90</b>

The production output from the project would be as under -

Particulars	Financial Year 2008	Financial Year 2009	Financial Year 2010
Production capacity per day	100	100	100
No. of working days in a years	150	300	300
Annual Capacity (in MT)	15,000	30,000	30,000
Capacity utilization	60%	65%	70%
Production Qty. (in MT)	9,000	19,500	21,000

The above considerations are based on the assumption of our Management.

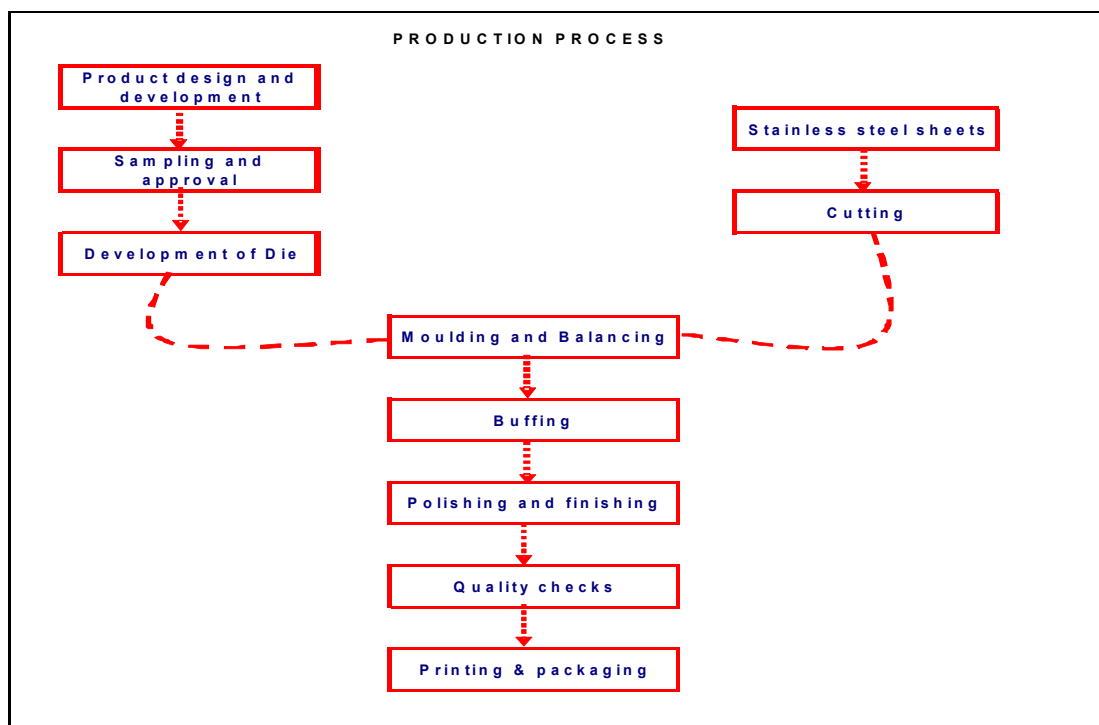
## 5. Manufacturing Process

The manufacturing process though does not require much of technical expertise, but requires meticulous coordination among different activities. Every successful product gracing the display of a shop is the result of research and development working in tandem with the changing aesthetic tastes of the end user. Some of the key activities involved in manufacturing process are –

- Cutting the steel sheets in appropriate sizes
- Moulding the sheet pieces in order to give shape to the utensil
- Balancing to attain quality as per specification
- Buffing and polishing to give finer finishing to the product which would be outsourced from the third party local vendors

When our products reach the storage house, every item is rechecked by the quality control division and packed. After packing, the products are carefully sorted and stored. The colorful cartons made of eco-friendly, recyclable paper are used to transport our goods to different parts of the world.

The pictorial display of the manufacturing process in the form of a process flow chart is given below –



## 6. Utilities

### a. Raw Material

The main raw material is stainless steel sheets of different thickness and different types. The stainless steel sheets to be produced from our Stainless Steel Sheet Re-rolling Mill, Jodhpur will be transported to the manufacturing facility at Vasai and used as raw material. For the balance raw material requirement, we will raise purchase orders on raw material suppliers on the basis of the orders procured by us. Currently, we have not entered into any long-term supply contract with raw material suppliers.

### b. Power

We have power supply for connected load of 100 KW with maximum demand of 50 KVA from the Maharashtra State Electricity Board. The Maharashtra State Electricity Board, O & M Circle, Vasai by its letter dated November 24, 2004 has permitted to grant an additional power supply on 210 KVA to the extent of 160 KVA (maximum demand) with connected load of 140 KW to our plant at Vasai.

### c. Water

Navghar-Manikpur Municipality (Nagar Parishad) has by its letter ref. No. 5014/2802/06 dated September 28, 2006 has granted permission to our Company for 5 nos ½ inches water connection to our factory site at Vasai. In addition to this, we have bore well with a yield of about 30,000 litres of water per day with a storage capacity of 30,000 litres. We also have rainwater-harvesting facility with arrangement for storage of about one-lac litres of natural rainwater.

### d. Expertise

We have the capability to design and build a unique range of products to meet an extensive range of customer requirements and also design to customer specifications. Designing our products and getting the same manufactured from our suppliers have withstood the test of time and we have been able to meet customer specifications.

## 7. Benefits of the Vasai Facility

We perceive to derive certain strategic advantages and operational convenience by implementation of the warehouse and manufacturing facilities at Vasai. Certain synergies and their respective impact expected to be derived are enumerated as under -

Financial benefits	<ul style="list-style-type: none"> <li>- Elimination of margin of the product suppliers</li> <li>- Better negotiation power with the stainless steel sheet manufacturers</li> <li>- Saving in multiple loading/unloading cost, container stuffing and transportation cost</li> <li>- Saving in transportation cost of utensils, packing material etc.</li> <li>- Avoidance of transit and transportation losses</li> <li>- Economies of scale in procurement and production</li> <li>- Savings in direct and indirect taxes</li> </ul>
Operational benefits	<ul style="list-style-type: none"> <li>- In-house product designing and sampling</li> <li>- Better control over quality check procedures</li> <li>- Time saving will result in prompt response to clients and increased customer satisfaction</li> <li>- Conversion synergy as cutting of different products can be used inter-alia</li> <li>- Reduction in material movement between different agencies</li> <li>- Avoidance of delay in coordinating with external agencies</li> <li>- Avoid duplication of packing activity</li> <li>- Need based production scheduling and effective working capital management</li> </ul>
Other benefits	<ul style="list-style-type: none"> <li>- Synergy in operations, marketing, research and development</li> </ul>

## B. Stainless Steel Sheets Re-rolling Mill at Jodhpur

Our Company has set up a Stainless Steel Sheet Re-rolling Mill with a capacity of 18,000 MTA at Jodhpur, Rajasthan as a step towards backward integration. The total cost of setting up the mill including working capital requirement is about Rs.4,849 lacs, funded by internal accrual of Rs.1,357 lacs, term loan of Rs.2,029 lacs and working capital loan of Rs.1,463 lacs. Currently, our Company has started trial runs and the commercial production is expected to commence soon.

We have set up facilities for drawing of stainless steel sheets of 18 swg to 28 swg from flat 200 series, to be cut in circles of various diameters for captive consumption. The stainless steel circles will be transported to the Vasai facility, which has hitherto been purchasing these items from outside. Thus the entire production of the re-rolling mill is expected to be consumed for in-house production requirements.

### 1. Plant and Machineries

The main items of Plant and Machinery, at the Stainless Steel Sheet Re-rolling Mill are as under -

Sr. No.	Particulars	No. of machines required
1.	Flat Shearing Machine	1
2.	Hot Pusher Furnace	2
3.	5 Hi Hot Back Up Drive	2
4.	4 Hi Back Up Drive	9
5.	4 Hi Work Roll Drive	12
6.	Straightening Drive	4

The other items of machineries are electrical motors, EOT cranes, turner lathe and welding sets.

### 2. Manufacturing Process

The manufacturing process to be followed for manufacture of stainless steel strips (Patta) is as under -

1. Stainless Steel Flat varies in length and size. Generally the thickness comes in 6 mm and 8 mm. Flat shall be sheared into desired sizes called section.
2. These flat pieces are pushed with the help of pusher into Hot Furnace. Minimum temperature required is 1000 degree Celsius. Now red-hot pieces are ready for hot rolling in 5 Hi. Here the pieces are drawn approximately 6-8 times their original size. While the sheet is drawn a shower is kept on round the clock on this 5 Hi. This water is cooled and recycled for use.
3. The output sheet drawn in 5 Hi is oxidized and passed through the pickling process where by the scales/ black coating is removed.
4. In pickling in the first wash the sheets are submerged for around 2 hours for loosening. After 2 hours the sheets are washed in clean water for further drawing.
5. Before drawing the sheets are checked for foil defects, which can damage the sheet as well as the roll.
6. These sheets can be drawn in either Back Up Drive or Work Roll Drive. But since the pressure required is high it is always advisable to draw in Back Up Drive.
7. Immediately after drawing the sheets are annealed in Cold Furnace. Once again some oxidization takes place and are sent for pickling.
8. The sheets are inspected for damage so called 'pathri' is removed by hand grinder.
9. Now after pickling the sheets are drawn in Work Roll Drive. Now the sheets are drawn to maximum size and any further drawing can damage the sheet.
10. Sheets are once again annealed in Cold Furnace. Immediately after annealing uneven sheets are sent for straightening since it is easy to straighten a hot sheet.
11. After annealing the sheets are pickled and dried for inspection.
12. After inspection the sheets are chalked for circle cutting.
13. Once the circles are cut they are packed in jute sacks and are ready for dispatch.

### 3. Utilities

#### a. Raw Material

The main raw material for re-rolling stainless steel sheets is the stainless steel sheets/flats. Our Company will procure the same from suppliers. Currently, we have not entered into any long-term contract with raw material suppliers.

#### b. Power

The approximate requirement of power on the connected loads of various machines at 100% utilization is estimated at 1900 HP. We have also acquired two diesel-generating sets of 500 KVA each, as stand-by arrangement, in case of power cuts.

#### c. Water

The process of manufacturing requires significant amount of water. We propose to meet this requirement by sourcing water supplies from bore wells.

### 4. Human Resource

Stainless steel sheet re-rolling mill is a labor-intensive industry and due to presence of several process industries in the surrounding area, there is adequate availability of requisite skilled labor. The factory would be working in double shift basis from the first year and projected to work in triple shift basis from second year onwards. The manpower requirements, as per our estimates, for various departments including administrative department is 316 for the first year and 536 for the second year and onwards. The total requirement of manpower is estimated as follows -

Particulars	First Year	Second Year
	Two Shifts	Three Shift
Managerial Staff	3	5
Supervisors/Officers	17	26
Skilled Workers/Operators	42	65
Unskilled/ Semi Skilled Workers	254	440
<b>Total</b>	<b>316</b>	<b>536</b>

### 5. Selling Arrangements

The entire production of the Stainless Steel Sheet Re-rolling Mill is earmarked for transfer to the manufacturing facility at Vasai as raw material where it will be processed further for manufacturing of stainless steel kitchenware and houseware products.

## OPERATIONAL PROCESS

The entire operational process of our Company for export of stainless steel kitchenware and houseware can be summarized in the following chart –



## Market of Our Products

We have a wide range of stainless steel houseware and kitchenware products comprising an extensive selection of more than 1500 state-of-the-art Kitchenware, Cutleries, Petware and other Household Accessories. The entire range covers all varieties of high-chrome corrosion resistant Storage, Tableware, Dining ware, Cooking and serving utensils, a variety of cutlery, pots, spoons, ladles and tins.

Our major product categories can be classified as under -

**Serveware:** Tea and Coffee Mugs, Cup and Saucers, Casserole, Bowls, Dinner Plates, Serving Plates, Ice-cream Bowl and Cup, Trays, Glasses, Jugs, Pitchers, Snack Server, Cake Bowl Set, Cake Stand, Tong & Whisk

**Tableware:** Cutlery Sets, Cutlery tool Holder, Bowls, Dinner Plates, Dinner Sets, Pitchers, Snack Server, Cake Bowl Set, Cake Stand, Napkin Holders, Salt & Pepper sets, Bread basket and fruit basket.

**Cookware:** Cheffing dishes, fry pans, cookers etc.

**Storage:** Stock Pots Tea, Coffee, Sugar Pots, Canisters, Jars and See through Canisters & Storage Utensils

**Food Carriers:** Lunch Box, Tiffin and Vacuum Flask

**Bar Accessories:** Cocktail Shakers, Bar Tools Ice Buckets, Wine Cooler, Champagne Bucket, Measures.

**Pet ware:** Pet Dishes and Dog Pots

**Others:** Fancy Dishes, Laundry Baskets & Dustbins, Ashtrays, Bathroom Accessories, Measuring sets.

We export more than 1500 items of stainless steel houseware and kitchenware products. The details of some of the fast selling products of our Company are as under -

**Tiffin Carrier:** Tiffin carrier is a widely used product by office goers all over the world enabling them to relish a fresh home made meal served hot at their work place.

**Soup bowls:** A single piece of stainless steel is cut pressed and moulded into an easy to handle and easy to clean soup bowl.

**Mixing Bowl:** Our varieties of mixing bowls follow the one-piece process too.

**Tumblers:** A wide variety of tumblers are our best selling items in markets all over the world and we have dozens of original designs to offer our customers.

**Petware:** This is an innovative concept wherein stainless steel utensils are used to feed pets in the households.

Our Company is a Government recognized Star Trading House (earlier known as Four Star Export House). We have well-established presence in the international market and we export to many countries mainly to American countries, European Union, Far East and Australia, African countries and Middle East. For the details of sales made in different geographical region during last five Financial Years, please refer the section titled Auditors Report starting from page no. 104 of this Prospectus.

### **Marketing and Selling Arrangements**

Our Company is the largest exporter of stainless steel kitchenware and houseware utensils in India. Our products are marketed in many countries across the globe to diverse customers. To serve consumers from such diverse background, we have successfully followed the principle of customization of products and promotion depending upon respective needs and demand. Our Company has over the past relied on its capability to identify customer tastes and preferences depending upon different geographies, cultures, environment, climate, lifestyle, topography and other socio-economic parameters.

Our Company exports to about 51 to 100 customers every year in order to get reasonable volumes from each client and also to diversify credit risk. Our customers include Buying agents, Wholesalers, Department stores and Trading firms.

Our marketing network is organized in a manner so as to enable smooth running of our business across entire world. We have a large network of distributors and associates to facilitate promotion, sales and distribution, marketing, logistics management of our products in various countries.

The details of our main distributors are as under -

<b>Name of Distributor</b>	<b>Country</b>
White Impex Gen. Trdg.	United Arab Emirates
Sonex Realty, S.A.	Panama
Importadora Nobel's Ltd	Chile
Saphire Exports Inc.	Russia
Ras Enterprises	United Kingdom
Sai Enterprises	Thailand
MNB Variety Imports Pvt. Ltd.	Australia
Zabzugu Enterprises	Ghana
Mohammed Y. Munshi Est.	Saudi Arabia
ETS Frans	Togo

### **Sourcing of Material**

We procure our various products required for exports from more than 80 suppliers. To meet the scale of operations and quality of products, though we have not entered into any long term supply contracts with our suppliers, yet we have developed long term business relationship for procuring the materials from these suppliers over the years. Many of our suppliers dedicatedly work for our products on the design and quality guidelines specified by us.

The details of some of the major suppliers are as under -

- Aradhana Corporation
- Shah Industries
- Ambey Steels
- Amar Enterprises
- Shikhar Steel & Art

### **Competition**

The kitchenware and household utensils market provides an ample demand in the market. The Indian Utensils industry is mainly dominated by the unorganized players. Hence, we do not foresee a severe competition from these players operating at small scale.

### **Our Customers**

The main business activity of our Company is export of stainless steel kitchenware and houseware items and general merchandize items. We earn our major revenue from exports of stainless steel kitchenware and houseware items and remaining from other general merchandize items. The following are the details of main customers for the Financial Year ending on March 31, 2007 -

<b>Sr. No.</b>	<b>Name of the Client</b>
1.	White Impex Gen. Trading – Dubai
2.	Al Rad International Trading Llc – Sharjah
3.	Mukhi Impex- Colon
4.	Wap Logistics (S) Pte Ltd. – Singapore
5.	Poonam Imports – Colon
6.	K V K Diamond LLC – Dubai
7.	Pristine Traders – Hong Kong
8.	N Shah & Co. B.V. B.A. – Belgium
9.	Pt. Fsk Multi Agro TBK – Jakarta
10.	Toepfer International Asia Pte. Ltd – Singapore

**Collaboration**

We have not entered into any technical or financial collaboration for manufacture or export or retail sale of our products.

**Export Obligations**

As on date of filing this Prospectus with SEBI, we do not have any export obligation.

**OUR BUSINESS STRATEGY****Maintain performance and competitiveness of existing business**

We are a consistent performer in export of Kitchenware and household items. This industry does not have organized players in the domestic sector, therefore, we do not face major competition. However there are a number of small and big players in the utensils market, which are unorganized. In the International arena, we have established our Brand and we shall achieve cost benefit through our backward integration. Also the customization of the products category and regular innovation in the products variety would enable us to meet the demand of varied customers.

**Further Strengthening of our Brand**

Our Brand has well-established presence in international market. In line with our Company's plans to launch our products in the domestic market, we propose to develop a well-established Brand and set up sales and distribution network in India. It will help us in tapping the domestic market for our products.

**Integration of Business by setting up manufacturing facility**

Our Promoters have been in the business of exports of stainless steel kitchenware and household items for more than two decades. Now, we have as a backward integration established an integrated manufacturing facility at Vasai to manufacture kitchenware and household items with warehousing facility and has also setup a Stainless Steel Re-Rolling Mill at Jodhpur. This would gear up the growth momentum and we would obtain synergy in operations, marketing, research and development and customer satisfaction.

**Explore opportunities in the retail sector**

In order to establish our market presence in the domestic market, we are exploring opportunities to venture into the retail sector. There are large numbers of retail chains being opened by the big corporate houses in India. We intend to materialize this opportunity by making a tie up with these organizations for the sale of our products. Currently, there are no organized players in India in this segment hence we foresee a higher chances of penetration in the domestic market through retail chains.

## OTHER BUSINESSES

Recently, we have ventured into the business of power generations through Windmills, Oil & Gas drilling and extraction and mining of Iron Ore.

### A. Power Generation

Our Company has successfully diversified in the field of Wind Power Generation by setting up Wind Turbine Generators in Jaisalmer, Rajasthan and has already made an investment of Rs. 2,386.44 lacs as on March 31, 2007.

The Company has commissioned 3 Wind Turbine Generators of Suzlon make 1.25 MW each at Soda Mada and Hansuwa Gorera Village, Jaisalmer Dist. (Rajasthan) in the month of March, 2005 and is earning monthly revenue of about Rs. 16.50 lacs on average basis by generating 5.40 Lacs units monthly. The Company has entered into a Power Purchase Agreement with Ajmer Discom for 20 Years. The present power purchase rate is Rs. 3.06 per unit. Suzlon Energy Ltd. is providing the operation and maintenance services for these machines.

The Company has also successfully installed 2 Wind Turbine Generators of 0.60 MW each in the month of March 2007 at Jaisalmer. The Company has signed Power Purchase Agreement (PPA) with Ajmer Discom at the rate of Rs.3.37 per unit transmitted. The Company is earning monthly about Rs.9 lacs from this capacity addition of 1.20 MW. Suzlon Energy Ltd. providing the operation and maintenance services for these machines.

The Company's total capital investment in this Project is as under:

No. of Machine with Capacity	Site	Amount (Rs. In Lacs)
3 WTGs of 1.25 MW each	At Soda Mada and Hansuwa	1691.08
2 WTGs of 0.60 MW each	At Jaisalmer village	695.36
<b>Total</b>		<b>2386.44</b>

### B. Iron Ore Mining

Our Company also proposes to diversify into mining industry. Our Company has applied for the mining lease for Iron Ore for an area of about 102.32 acres located near Narayanpura village, Sandur Taluka; District Bellary, Karnataka.

We have also entered into an agreement with Shri. Anjaneya Kadam, Hubli (Karnataka) for 20 years to operate the mine and buy the entire quantity of the material available in Mining Area spread over an area of 16.19 hectares (about 40 acres) in Siddapur Village, Range NEB, Sandur taluka district Bellary (Karnataka) in the event of the said Mining Area being leased to Shri. Anjaneya.

### C. Oil and Natural Gas

Our Company along with its' associates has decided to pursue the new business opportunities in the field of oil and gas by providing efficient drilling and work over services in India. Renowned oil and gas drilling Company "NAFTA" Pila Ltd., Poland, which has more than 50 years of experience in land drilling and work over services, will provide technical support to our Company. We have bid for several contracts in this field. We are in the process of building and developing a segment for sourcing and marketing of entire range of oil field equipment. A core team of highly experienced oil industry professionals will be involved in managing the entire gamut of oil and gas business of our Company. Please refer to page 80 of the Prospectus for details of the Contract entered into by the Company.

The Company has been awarded its first contract of approximate value of Rs.433 lacs by ONGC for Operation & Maintenance of ONGC owned Workover Rig (BHEL -120 RIG) at Ankleshwar. The contract is for three year's duration and it will commence from December, 2007.

#### **D. Agro Products**

Considering the opportunities available and potential for future growth in the agro processing industry due to low cost leverage enjoyed by India and declaration of favorable policies by Central Government, Food and Agro products has become a priority industry. We have penetrated into Agro-based products by investing in this sector by equity participation of Rs. 317.97 lacs in the form of strategic stake of 45% in a Kolkata based company called "Sapling Agrotech Private Ltd." This company is a 100% EOU situated in Special Economic Zone (SEZ) near Nandanpur district Burdwan (West Bengal) for producing and exporting White Button Mushroom. This company has entered into technical tie-up with Dalsem Mushroom Projects. B.V., Netherlands for providing technological know how and for buy-back of the entire production.

For details on the Agreements entered into by our Company for all the above-mentioned businesses, please refer to section titled "Our Commercial Agreements" starting on page no.79 of this Prospectus.

### **OUR COMPETITIVE STRENGTHS**

#### **Brand Recognition**

Our Company is India's largest exporter of the stainless steel kitchenware and houseware items and our Brand "Varun" is well established in export market for this segment. We have received various awards for our export performance like "Leading Exporter of Kitchenware and Houseware Products", "Niryat Shree" award presented by Federation of Indian export Organization. We have also received "Top Exporter of the year award" for previous many years and "Star Performer Award for 2005-06" received on June 1, 2007 awarded by EEPC under the aegis of Government of India. We have obtained trademarks for our various brands and have been recognized as a Star Trading House (earlier known as Four Star Export House) by Government of India. We have also obtained "ISO 9001:2000" from Bureau of Indian Standards for Quality Management system which reflects our credentials, track record and our quality of management.

#### **Few Competitors**

The Stainless Steel kitchenware and cookware export segment does not have any developed organized players in the country. However, there are a number of small and big players in this business who are unorganized and we face a very low level of competition from these players. We are exporting our products to many countries around the world. We believe that our exports to vast number of countries enhance our competitiveness by understanding the needs and requirements of varied customers located in different countries. Having customers base located in many countries reduces the geographic and political risks in our business. Further our vast distribution network allows us to deliver kitchenware products and household products to our customers faster than our competitors.

#### **Multiple Product Capability**

We have developed a range of products in order to meet the varied requirements of our customers belonging to different countries. Currently we export a range of about 1500 products of stainless steel Kitchenware, Cutleries, Petware and other Household items. The entire range covers all varieties of high-chrome corrosion resistant Storage, Tableware, Dining ware, Cooking and serving utensils, a variety of cutlery, pots, spoons, ladles and tins items. This broad range of products allows our customers to source most of their product categories from a single vendor and enables us to expand the business from existing customers, as well as attract the potential new customers.

## Presence in the International Market

We are a Government recognized Star Trading House (earlier known as Four Star Export House). We earn more than 90% of our total income from exports. We have well-established presence in the international market with a well-established brand. Currently we export to many countries mainly to American countries, European Union, Far East and Australia, African countries and Middle East. We are focusing more on the higher end of the market for few products for better profits. This segment of the market requires a greater variety of designs and patterns. The distinguishing factor in this segment is the appealing aesthetic look of the products.

## Backward Integration

We have undertaken a project through backward integration by setting up a stainless steel utensils manufacturing unit at Vasai district Thane (Maharashtra) on a plot of land admeasuring 32,400 sq. meters. We have constructed one of the biggest warehousing facilities in India admeasuring about 23,658 sq. meters with an arrangement for simultaneous loading of 26 containers and unloading of 6 containers with rolling shutters and collapsible gates for handling our export business of stainless steel kitchenware and houseware items. We have systematically gone for automatic handling for loading/unloading, shifting of series of measures such as luggage lift, fork lift, tow truck, scissor lift, ramps and other measures to reduce man power and improve efficiency. We have also set up a Stainless Steel Re-Rolling Mill at Jodhpur, Rajasthan for manufacturing stainless steel sheets of various types and sizes, which are required as the main raw material for our Vasai Project. This would help us in decreasing our dependency on our existing suppliers for timely supply of raw material and in increasing our profit margins.

## Integrated Business Model

We have an integrated business model with capabilities across design and development, marketing and distribution and sourcing of stainless steel kitchenware and houseware products. Our multi-stream business model enables us to offer multi-country and multi-product delivery choice to our global customers. We also believe that our capabilities across marketing & distribution and sourcing, together with our relationships with varied small and big manufacturing units, strengthen our ability to upgrade our business model. Further to strengthen our business model, we have expanded our business in manufacturing sector and established a manufacturing facility at Vasai, Thane (Maharashtra) for stainless steel kitchenware and houseware items.

## We are a Profit Making Dividend Paying Company

Our Company is a profit making company since its inception. Our exports have increased more than six times in last four years from Rs. 12158.44 lacs in fiscal 2003 to Rs. 74003.42 lacs in fiscal 2007 registering a CAGR of more than 57%. The following are the details of our profit after tax and dividend paid in last five years -

(Rs. in lacs)					
For the Financial Year ended on March 31,	2007	2006	2005	2004	2003
Profit Before Tax	2883.86	2127.41	1732.08	812.31	626.46
Profit After Tax	1951.71	1442.80	1324.64	812.23	601.87
Dividends (%)	45	45	40	30	20

## Experienced and Dedicated Management Team

Our Promoters have experience of more than two decades in the current business activities carried out by our Company. Our key managerial personnel are also well experienced in the field of stainless steel household utensils. We have successfully executed the growth strategy by developing new customers and strengthening our customer relationships.

## Diversified Business

We are currently in the business of exporting stainless steel kitchenware and houseware items and other merchandize products. We have wide range of 1500 varieties of Kitchenware, Tableware, Cutlery and other items, which is procured by a network of about 80 dedicated suppliers spread across the country. Recently, we have ventured into other businesses like electricity generation through Windmill. We are also venturing into, Iron and Ore Mining and Oil and Gas drilling.

## AWARDS AND CERTIFICATES

The excellence in the performance of our Company has also been recognized by various independent agencies, trade organizations and government agencies. Our Company has received various awards and certificates for its business excellence in the field of exports, quality and product segment. For the details of awards received by our Company, please refer to section titled “History and Corporate Structure” starting from page no. 74 of this Prospectus.

## HUMAN RESOURCE

Our Company has total employee strength of 151 employees as on date of filing this Prospectus performing their duties in various work profiles. The contractual workers supplement the employee strength.

The employee strength is accommodated in the following divisions –

Sr. No.	Divisions / Departments	No. of Employees
1.	<b>Head Office</b>	
a.	International Marketing	19
b.	Research and Development	1
c.	Finance & Accounts	13
d.	Taxation	2
e.	Company Secretarial, Legal, HRD and Administration	13
f.	CMD's Secretariat	3
g.	Projects	1
h.	Domestic Marketing (Chennai Office)	1
	<b>Head Office (Sub-total)</b>	<b>53</b>
2.	<b>Vasai Plant</b>	<b>74</b>
3.	<b>Delhi Office</b>	<b>6</b>
4.	<b>Mining Division</b>	<b>4</b>
5.	<b>Petroleum and Natural Gas Division</b>	<b>5</b>
6.	<b>Jodhpur Plant</b>	<b>8</b>
7.	<b>Business Planning and Development</b>	<b>1</b>
	<b>Total</b>	<b>151</b>

Overall success of our Company depends on excellence in performance of all the business functions when coordinated properly. The role of business leaders thus become all the more important which has to be performed diligently and proficiently. In our Company, well-qualified and experienced individuals play these roles.

For details of the key employees of our Company please refer to section titled “Our Management” starting from page no.87 of this Prospectus.

## Future Requirement of Human Resource

Pursuant to the expansion, our Company may require further strength of qualified professionals for carrying out the business of our Company.

## ESOP/ESPS

Our Company does not have any Employee Stock Option Plan or Employee Stock Option Scheme as on date of filing of this Prospectus.

## INSURANCE

All our Stocks, Plant, Building and Machinery are insured with Insurance Companies. We have taken composite industrial all-risk policy for our plants, stocks (which covers fire risk, loss caused due to earth quake and loss of profit due to fire). All insurance policies are tariff policies and the rates, terms conditions and scope of coverage are determined by the Tariff Advisory Committee, a Government body.

Sr. No.	Insurance Company	Insurance Policy & Date	Particulars	Asset Cover	Sum Insured (Rs.)	Validity
1.	Iffco – Tokio General Insurance Co. Ltd.	11141964 dated 09.10.2006	Std Fire & Special Peril	Stock of Utensils at Survey No. 14/3, Vasai - Vajreshwari Road, Valiv, Vasai (E) Thane – 401202	430,000,000	03.10.2006 to 02.10.2007
2.	Iffco – Tokio General Insurance Co. Ltd.	11118657/0001 dated 31.05.06	Std Fire & Special Peril	Plant & Machinery at J – 277 & J – 279, village Soda Mada, Tehsil, Fetegarh, district Jaisalmer	91,800,000	01.06.2007 to 31.05.2008
		11118657/0002 dated 31.05.06	Std Fire & Special Peril (Policy subject to Agreed Bank Clause)	Plant & Machinery etc. at J – 254, village Hansuwa, Tehsil, Fetegarh, district Jaisalmer	45,900,000	01.06.2007 to 31.05.2008
3.	Iffco – Tokio General Insurance Co. Ltd.	11199024/0001 dated 29.06.07	Std. Fire & Special Peril	Bldg Excl P & F But Incl. Incl. Inte. De at Survey No. 14/3 Vasai Vajreshwari Road, Valiv, Golani, Vasai (E) Thane - 401208	7,568,000	30.06.07 to 29.06.08
				Earthquake Under Plinth at Survey No. 14/3 Vasai Vajreshwari Road, Valiv, Golani, Vasai (E) Thane - 401208	1,032,000	
				Electrical Inst/FFF/Contents at Survey No. 14/3 Vasai Vajreshwari Road, Valiv, Golani, Vasai (E) Thane - 401208	1,050,000	
		Total Sum Insured			<b>9,650,000</b>	
		11199024/0002 dated 29.06.07		Bldg Incl. Inte. Deco (Warehouse) at Survey No. 14/3 Vasai Vajreshwari Road, Valiv, Golani, Vasai (E) Thane - 401208	253,880,000	
				Bldg Incl. Inte. Deco (Reta wall) at Survey No. 14/3 Vasai Vajreshwari Road, Valiv, Golani, Vasai (E) Thane - 401208	32,100,000	

				Earthquake Under Plinth at Survey No. 14/3 Vasai Vajreshwari Road, Valiv, Golani, Vasai (E) Thane – 401208	34,620,000	
				Electrical Inst/FFF/Contents at Survey No. 14/3 Vasai Vajreshwari Road, Valiv, Golani, Vasai (E) Thane – 401208	15,000,000	
		<b>Total Sum Insured</b>			<b>335,600,000</b>	
4.	Iffco – Tokio General Insurance Co. Ltd.	11171643 dated 22.02.2007	Std. Fire & Special Perils Policy	On stocks Survey No. 14/3, Vasai - Vajreshwari Road, Vasai (E) district Thane – 401 208	50,000,000	22.02.2007 to 21.02.2008
5	The New India Assurance Company Limited	311200/46/07/04/00000008	Burglary I. R	Stock in trade at B-165, Rekha Sadan, Lok Vihar, Pitampura, New Delhi – 1100 34	700,000	13.04.2007 to 12.04.2008
6.	The New India Assurance Company Limited	311200/11/07/11/00000021	Std. Fire & Special Perils Policy	Stock in trade at B-165, Rekha Sadan, Lok Vihar, Pitampura, New Delhi – 1100 34	1,000,000	12.04.2007 to 11.04.2008
7.	The New India Assurance Company Limited	311200/48/07/07/00000014	Money Insurance	Stock in trade at B-165, Rekha Sadan, Lok Vihar, Pitampura, New Delhi – 1100 34	2,400,000	23.04.2007 to 22.04.2008
8.	United India Insurance Company Limited	120300/11/07/11/00000019 dated 18.07.07	Std. Fire & Special Peril	2 Wind Mill (Plant and Machinery and Electricals) situated at Jaisalmer Village, Rajashtan	69,536,240	18.07.07 to 17.07.08
9.	Reliance General Insurance Co. Ltd.	110506211100 0138 dated 24.10.2006	Std. Fire & Special Perils Policy	B - 1904, Vardhaman Heights, C.S.No. 758, Corner of T. B. Kadam Marg, A.G. Pawar Lane, Byculla, Mumbai	1,085,000	24.10.2006 to 23.10.2007
10.	Reliance General Insurance Co. Ltd.	110506211100 0137 dated 24.10.2006	Std. Fire & Special Perils Policy	B - 2004, Vardhaman Heights, C.S.No. 758, Corner of T. B. Kadam Marg, A.G. Pawar Lane, Byculla, Mumbai	1,085,000	24.10.2006 to 23.10.2007
11.	New India Assurance Co. Ltd.	120300/11/06/11/00001394 dated 23.03.2007	Std. Fire & Special Perils Policy	On Stocks at Survey No. 14/3, Vasai - Vajreshwari Road, Vasai (E) district Thane – 401 208	270,000,000	23.03.2007 to 22.03.2008
12	Iffco – Tokio General Insurance Co. Ltd.	54038543 dated 12.11.2006	Home and Family Protector Policy	Shri. Kiran N. Mehta and family Fire and Allied Perils Burglary/House Breaking Perils Home Ent. Equip. / Comp & P Cycle Personal Accident Baggage Public Liability	1,855,000 4,55,000 1000 500,000 100,000 10,000	12.11.2006 to 11.11.2007
13	Iffco – Tokio General Insurance Co. Ltd.	54038545 dated 15.11.2006	Home & Family Protector Policy	Shri. Kailash S. Agarwal Fire and Allied Perils Burglary/House Breaking Perils Home Ent. Equip. / Comp & P Cycle Personal Accident Baggage Public Liability	12,00,000 500,000 1000 500,000 100,000 10,000	15.11.2006 to 14.11.2007

14	Iffco – Tokio General Insurance Co. Ltd.	47050235 dated 22.10.2006	Office Protector	Varun Industries Limited 8 – 13, Shankeshwar Darshan, A. G. Pawar Cross Lane, Byculla, Mumbai 400 027	Fire and Allied Perils Money Fidelity Guarantee Fixed Glass and Sanitary Ftg Baggage Public Liability Personal Indemnity	14,000,000 2,500,000 200,000 50,000 25,000 50,000 10,000	22.10.2006 to 21.10.2007
Our Company has also taken life insurance policies of its key managerial person. The details of the said policies are as follows -							
15	LIC of India	902244398 dated 03.01.2003	Life Insurance	Life Insured of Shri. Kailash S. Agarwal	50,00,000		03.01.2008
16	LIC of India	901300729 dated 28.03.1999	Life Insurance	Life Insured of Shri. Kailash S. Agarwal	50,00,000		29.03.2008
17.	HDFC Standard Life Insurance	10092638 dated 01.10.2004	HDFC Endowment Assurance Policy Schedule	Life Assured of Shri. Kiran N. Mehta Endowment Death Benefit Endowment Maturity Benefit	10,000,000 10,000,000		01.10.2019
18.	HDFC Standard Life Insurance	10177934 dated 27.01.05	HDFC Endowment Assurance Policy Schedule	Life Assured of Shri. Sanjay C. Bhandari Endowment Death Benefit Endowment Maturity Benefit	2,500,000 2,500,000		27.01.2025
19.	HDFC Standard Life Insurance	10092518 dated 01.10.2004	HDFC Endowment Assurance Policy Schedule	Life Assured of Shri. Kailash S. Agarwal Endowment Death Benefit Endowment Maturity Benefit	10,000,000 10,000,000		01.10.2019

## OUR PROPERTIES

### Purchase of Property

Except as stated in the section titled "Objects of the Issue", there is no property which the Company has purchased or acquired or propose to purchase or acquire which is to be paid for whole, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus.

The details of the properties occupied/used/owned by us are given below:

#### A. Properties owned by our Company

##### 1. A-8, Nitin Building, Sankeshwar Darshan Co-operative Housing Society Ltd), A P Pawar Cross Lane Byculla (E), Mumbai 400 027.

Our Company has by a deed of conveyance dated 11<sup>th</sup> day of October 2005 executed by and between S C Gupta, the Official Liquidator, High Court Bombay in his capacity as the liquidator of Vikram Projects Limited and our Company acquired the said property. Our Company has taken the possession of the said property from the Official Liquidator, High Court, Bombay. While our Company has paid appropriate stamp duty on the deed of conveyance, the same has not been registered.

**2. Shop No. 10, Shankeshwar Darshan Co-op Housing Society Limited, A G Pawar lane No.2, Byculla, Mumbai 400 027**

By a registered Articles of Agreement dated 21<sup>st</sup> day of December 2000 executed by and between Mulchand G Shah & Sons a partnership firm through its partners (1) Smt Laxmibai Fatehchand Shah (2) Ashokkumar Dalichand Shah (3) Usha Maniklal Shah (4) Kavita Chandramohan Shah (5) Akshay Motilal Shah and (6) Asish Motilal Shah by the hands of their Constituted attorney Shri Ashokkumar Dalichand Shah being the Vendors and our Company being the Purchaser, the Vendors being the absolute owners of 5 ordinary shares bearing no 426 to 430 of Shankeshwar Darshan Co-op Housing Society Limited, A G Pawar lane No.2, Chinchpokli, Mumbai 400 027 have sold their rights consequential upon or incidental to the holding of the said shares to our Company. Our Company is in possession of the said Shop bearing no. 10 situated on the ground floor of the building about admeasuring 590 sq. ft. The said Articles of Agreement has been registered with the sub-registrar of assurances Bombay at sr. no 1417/2001 on 16.3.2001

**3. Shop No. 17, Shankeshwar Darshan Co-op Housing Society Limited, A G Pawar lane No.2, Chinchpokli, Mumbai 400 027**

By the Sale Agreement dated 1.3.2007 by and between Shri Tanaji Shankar Mandalik and our Company, our Company has acquired 5 fully paid shares of the Shankeshwar Darshan Co-op Society Limited bearing distinctive numbers 461 to 465. As one of the rights consequential upon or incidental to the holding of the said shares, the said society has allowed our Company to occupy Shop bearing no. 17 situated on the ground floor of the building about admeasuring 908 sq. ft. for a lump sum consideration of Rs 25,00,000. Our Company has on execution of Sale Agreement paid a sum of Rs 15,00,000 and the balance is required to be paid at the time of the registering the agreement. Our Company has paid appropriate stamp duty on the said agreement and is possession of the said Property. The document is yet to be registered.

**4. Flat No. B 1904, Vardhaman Heights, T B Kadam Marg, Byculla Lane, Mumbai 400 027**

By a registered deed of conveyance dated 11.5.2005 by and between M/s Vardhaman Estate Corporation and our Company, our Company has purchased the flat no B-1904 admeasuring 775 sq.ft on the 19<sup>th</sup> floor of the building called Vardhaman Heights. The property is situated at cadastral survey no.758 of mazgoan division situated at the corner of T B Kadam Marg formerly known as Chinchpokli Cross Road) and A G Pawar lane, Byculla Lane Mumbai 400 027. The said document is registered at Sr.no.MUM-1/04796/2005 with the Sub Registrar of Assurances, Mumbai.

**5. Flat No. B 2004, Vardhaman Heights, T B Kadam Marg, Byculla Lane, Mumbai 400 027**

By a registered deed of conveyance dated 11.5.2005 by and between M/s Vardhaman Estate Corporation and our Company, our Company has purchased the flat no B-2004 admeasuring 775 sq.ft carpet on the 20<sup>th</sup> floor of the building called Vardhaman Heights. The property is situated at cadastral survey no.758 of mazgoan division situated at the corner of T B Kadam Marg formerly known as Chinchpokli Cross Road) and A G Pawar lane, Byculla Lane Mumbai 400 027. The said document is registered at Sr.no.MUM-1/04795/ 2005 with the sub-registrar of assurances of Bombay.

**6. Flat No. 201, Vijaya Residency, Lalbaugh, Byculla (East), Mumbai**

By a registered deed of conveyance dated 25.1.2007 by and between Vighnaharta Builders & Projects Pvt Ltd and our Company, our Company has purchased the flat no 201 admeasuring 850 sq. ft (built up) on the 2<sup>nd</sup> floor of the B wing of building no. 1 of Shree Vijaya Residency. The property is situated Lalbaugh, Byculla (E), Mumbai bearing Survey no. 2514 and cadastral survey no.49, 1/49, 2/49 and 123 of the Parel Sewri Division. The said conveyance is registered at Sr.No. Mum/00824 of 2007 on 25.1.2007 with the Sub-Registrar of Assurances, Mumbai.

## **7. Vasai Plant Property**

By the registered deed of conveyance dated 8.8.2003 by and between Bassein Drugs Limited and our Company, our Company has purchased the piece and parcel of non-agricultural land and ground admeasuring about 8 acres i.e. 32400 sq. mtrs or thereabouts situated, lying and being at and to the west side of Vajreshwari Road in the Village of Valiv in taluka Vasai, Dist Thane in the registration district and sub district of Thane and Bassein being survey no. 14(Part) of village Valiv, Taluka Vasai. The said document is registered at sr. 5115 of 2003 at the office of the sub-registrar of Vasai

## **8. Jodhpur Plant Property**

Sale deed dated 30/3/2007 by and between Satyam Exports represented by 1) Shri Ramesh Singhal (2) Anand Sarda (3) Somprakash and our Company. By a registered Deed of Conveyance our company has acquired/purchased two Industrial Plots of land with the structure (tin shed and 4 walls) thereon admeasuring about 6023.27 sqm and 4160 sqm aggregating to 10183.27 sq. mtr bearing no. E-371 in RIICO Industrial Area, Basani Second Phase, Jodhpur, Reg. No. Sr. No.2924 dated 30/3/2007. The said Industrial plots were leased by RIICO Jodhpur to Satyam Exports by an registered lease deed dated 3.4.1996 and 14.7.2005 registered at sr. 5915 on 6.9.1996 and sr.no. 2005007812.

## **B. Leasehold /Tenanted Premises**

### **1. Mining Division Bangalore Office**

By an Agreement to lease dated 1/8/2007 executed by and between Shri. K. Basavaraja Gowda of Bangalore and our Company (Mining Division), the Shri K Basavaraja has rented its property at “Kempu Honnu”, 4<sup>th</sup> Floor, No.11, Rathna Vilas Road, Basavanagudi, Banglore – 560 004 owned by him. The property has been rented for a term of 11 months from 01/08/2007 to 30/06/2008 with an option for further renewed upto 11 months. Our Company has paid as a security deposit an amount of Rs 1,60,000. Either Party can terminate the Agreement by giving 2 months notice.

### **2. Registered Office of our Company**

By an Leave and Licence Agreement dated 20/5/06 and an amended leave and licence agreement dated 21.12.2006 executed by and between Shri. Kiran Kumar Mehta, the Chairman and Managing Director of our Company and the Company represented by its Director Shri. Kailash Agarwal, Shri Mehta has rented his property at “Premise No.13, Ground Floor, Shankeshwar Darshan, A.G. Pawar Cross Lane, Byculla, Mumbai – 400 027 for 3 period of 12 months each totaling to 36 months from 1/4/06 to 31/3/09. The Agreement can be terminated by either Party by giving 30 days prior notice.

### **3. Delhi Office**

By a Rent Agreement executed at Delhi on 28.10.2006 executed by and between Shri. Shankar Lal Gupta of Delhi and our Company, Shri Gupta has rented his property at No-B/165, Rekha Sadan, Lok Vihar, situated at Pitampura, Delhi – 100 034 on monthly rent to be used as its Delhi Office. The property has been rented for a term of 11 months.

### **4. Flat No.2103, 21<sup>st</sup> Floor, ‘B’ Wing, Phoenix Tower, S.B. Marg, Lower Parel Mumbai – 400 013**

By an Leave and Licence Agreement dated 20/10/05 executed by and between Drolia Minerals Industries Pvt. Ltd and our Company, Dorila Minerals Ind. Pvt Ltd has rented its property at Flat No.2103, 21<sup>st</sup> Floor, ‘B’ Wing, Phoenix Tower, S.B. Marg, Lower Parel Mumbai – 400 013 for a term of 24 months from 20/10/05 to 19/10/2007 on monthly rent basis. The Agreement can be terminated by either Party by giving 30 days prior notice.

### **Wind Mill Power Generation Sub-leases**

5. By a registered Sub-lease deed dated 31<sup>st</sup> August 2005 executed between Suzlon Energy Limited and our Company, Suzlon Energy Limited has sub-leased to our Company land admeasuring 0.81 hectares situated at village Hansuwa, Tahesil; Fatahgarh, Dist: Jaisalmer for a period of 19 years starting from 31<sup>st</sup> January 2005 for setting up Wind Farm Project (Wind Mill Power Generation).
6. By a registered sub-lease deed dated 1<sup>st</sup> September 2005 executed between Suzlon Energy Limited and our Company, Suzlon Energy Limited has sub-leased to our Company land admeasuring 1.62 hectares situated at village Mada Soda, Tahesil; Fatahgarh, Dist: Jaisalmer for a period of 19 years starting from 31<sup>st</sup> January 2005 for setting up Wind Farm Project (Wind Mill Power Generation).
7. By a registered sub-lease deed dated 22<sup>nd</sup> June 2007 executed between Suzlon Energy Limited and our Company, Suzlon Energy Limited has sub-leased to our Company land admeasuring 1.62 hectares situated at village Jaisalmer, Tahesil; Jaisalmer, Dist: Jaisalmer for a period of 19 years starting from 14<sup>th</sup> June 2007 for setting up Wind Farm Project (Wind Mill Power Generation).

### **C. Property at Mazgoan Reclamation**

Our Company has by an Deed of Assignment of Lease executed at Mumbai on 27/3/2000 by and between Aamcol Tools Ltd and the Company, Aamcol Tools Ltd had assigned the rights of the leasehold property at. No.RR No. 2055 & Plot No. 330 supplemental to RR 2055 bearing cadastral survey no. 180A/1 & 260/1 adm. 2120.42 sq. mtrs and 233.99 sq.mtrs situated at Aamacol Tools Compound, Boat Hard Road, Reay Road, Daru Khana, Mumbai 400 010 to our Company together with building structures standing thereon.

The said property was originally leased by the Mumbai Port Trust to Anglo-American Marine Company Ltd. (Now known as Aamcol Tools Ltd) by a lease deed dated 17.8.1972 for term of 22 yrs and 7 months and 7 days commencing from 25/3/1968 and expiring on 31/10/1990. The said lease has not yet been renewed by Mumbai Port Trust.

Since Aamcol Tools was in possession and occupancy of the said plot of land after the expiry of the lease, our Company has by an assignment dated 27/3/2000 of the said come into the possession of the said property. Our Company as required under the Original Lease Deed has applied for the consent of Mumbai Port Trust for the said assignment of Lease and is yet to receive the consent. The said land and building is in possession of the Company. The Company regularly pays rent as demanded by Mumbai Port Trust. The Deed of Assignment of Lease is neither properly stamped nor registered.

### **D. Properties rented by the Company**

By an Leave and Licence Agreement dated 18/7/06 executed by and between our Company and Autobahn Enterprises Private Limited, our Company has rented the property at Aamcol Tools Compound, Boat Hard Road, Reay Road, Daru Khana, Mumbai 400 010 for three periods of 33 months each totaling to 99 months commencing from 1<sup>st</sup> September 2006.

### **OUR INDEBTEDNESS**

For the details of our Company's indebtedness, please refer the section titled "Auditors Report" starting from page no.104 of this Prospectus. We have recently shifted our credit limits from Union Bank of India to Indian Bank.

## REGULATIONS AND POLICIES

There are no specific regulations in India governing the trading of stainless steel utensils and other merchandise and manufacture of re-rolled Stainless Steel Sheets. Set forth below are certain significant legislations and regulations that generally govern this industry in India:

### General

The trading of stainless steel utensils and other merchandise and manufacture of re-rolled Stainless Steel Sheets is unregulated industry and there is no specific legislation governing this industry. Laws relating to excise, customs, sales tax, pollution control, factory and labour-related matters etc. are applicable to our Company, as they are applicable to other manufacturing establishments and trading units.

### Foreign Investment

Under the Industrial Policy and FEMA, foreign direct investment in the sector of Retail Trading is prohibited.

### Import Export Policy

Our Company being a Merchandise Exporter, avails various benefits with regard to the exports provided and regulated by the Import Export Policy formulated by the Government of India. Presently our Company is enjoying the benefits of the Duty Drawback Scheme under the Import Export Policy.

The various statutes under which material registrations/licenses/consents/permissions are required to be obtained by us are set out below -

1. The Companies Act, 1956
2. The Income-Tax Act, 1961
3. The Customs Act, 1962
4. The Central Sales Tax Act, 1956
5. The Air (Prevention and Control of Pollution) Act, 1981
6. The Water (Prevention and Control of Pollution) Act, 1974
7. Environment (Protection) Act, 1986.
8. The Electricity Act, 2003
9. The Industries Development and Regulations Act, 1951
10. Contract Labour (Regulation & Abolition) Act, 1971

The list set out above is by way of an illustration and is not an exhaustive list of all statutes/laws applicable to our Company's operations.

In addition to the above, our Company would be required to comply with various labour laws and the rules framed there under.

As our company is also pursuing the Mining of Iron Ores & Minerals, in addition to above our Company may be required to comply with

1. Mines and Minerals (Development and Regulation) Act, 1957 and the rules framed there under.
2. The Mines Act, 1952 and the rules framed there under.
3. The Cess and Other Taxes on Minerals (Validation) Act, 1992.
4. Offshore Areas Mineral (Development and Regulation) Act, 2002.
5. Public Liability Insurance Act.

### **Wind Power Generation**

Under the Electricity Act 2003, the activity of generation of the power does not require any licence or permission. Persons engaged in the generation of electricity from wind power are required to register the project being undertaken with State Nodal Agency and obtain permission for inter-grid connectivity from the utility.

The electricity generated from the wind power project can be used for captive consumption, sale to utility or for transaction under open access as per the prevailing state policy as well as regulatory orders, if any. Various States have announced administrative policies relating to wheeling, banking and buy-back of power.

## HISTORY AND CORPORATE STRUCTURE

### HISTORY AND MAJOR EVENTS

Our Company incorporated as Varun Continental Limited on March 8, 1996 and received the Certificate for Commencement of Business on March 15, 1996 from the Registrar of Companies, Maharashtra, Mumbai. Our registered office earlier located at Dwarkesh Market, Dr. A.M. Road, Near Central Bank, Bhuleshwar, Mumbai - 400 002, was shifted to its present location w.e.f. July 24, 1996.

Our Company is promoted by Shri. Kiran Mehta, Shri. Kailash Agarwal and Shri. Virendra Mehta with the main object to carry on the business of manufacturers, exporters, importers and traders in stainless steel kitchenware and houseware items. Our Company took over Varun Exports, the proprietorship concern of Shri. Kiran N. Mehta on April 10, 1996, which had been in the business of exports of stainless steel utensils.

Our Company changed its name to Varun Industries Limited and received a fresh certificate of incorporation as on April 21, 2005. Today, our Company has a wide range of 1500 varieties of kitchenware, houseware, tableware, cutlery and other items of various types. We procure these products by a network of 80 dedicated suppliers spread across the country and we are exporting these products to many countries all across the globe.

As a process of backward integration and to increase our profit margin we have set up an in-house manufacturing and warehousing facility at Vasai (E), District Thane near Mumbai and a Stainless Steel Sheet Re-rolling Mill at Jodhpur. The commercial production at the Vasai manufacturing unit has commenced from September 2007. Currently, our Company has started trial runs at the Stainless Steel Re-rolling Mill Plant at Jodhpur and the commercial production is expected to commence soon.

Recently, we have ventured into other businesses like electricity generation through windmill. We are also venturing into, iron and ore mining and oil and gas drilling. Further, looking at the prospects of industry, we are planning to foray into the domestic market by supplying our products to various retail chains.

### Major events in the history of our Company since inception

Year	Key events, milestones and achievements
1996	<ul style="list-style-type: none"> <li>➤ Obtained Certificate of Incorporation and Commencement of Business</li> <li>➤ Took over Varun Exports, the proprietorship concern dealing in the business of exports of stainless steel utensils</li> </ul>
1998	<ul style="list-style-type: none"> <li>➤ EEPC Exporter Excellence Award for the Year 1996-97 awarded by Shri Ram Krishna Hegde, Hon'ble Union Minister of Commerce awarded by EEPC</li> </ul>
1999	<ul style="list-style-type: none"> <li>➤ National Export Award for the years 1997-98 and 1998-99 awarded by Hon'ble Shri Atal Bihari Vajpayee, Hon'ble Prime Minister of India, awarded by Ministry of Commerce, Government of India.</li> <li>➤ Top Exporter – Regional Trophy for the year 1998-99 awarded by EEPC</li> <li>➤ Export Excellence Award for the Year 1998 – 99 awarded by EEPC</li> </ul>
2000	<ul style="list-style-type: none"> <li>➤ Best Exports Award from the Government of Maharashtra for the year 1998-99 awarded by Shri Makharam Pawar, Hon'ble Minister for Trade and Commerce, awarded by Government of India</li> <li>➤ EEPC Exporter Excellence Award for the Year 1998-1999 awarded by Shri. Murasoli Maran, Hon'ble Union Minister of Commerce and Industry, awarded by EEPC</li> <li>➤ EEPC Top Exporters Award for the Year 1998-1999 awarded by Shri Omar Abdulla, Hon'ble Minister of State for Commerce &amp; Industry, awarded by EEPC</li> </ul>

2002	<ul style="list-style-type: none"> <li>➤ EEPC Exporters Excellence Award for the year 1999-2000 awarded by Shri. Omar Abdulla, Hon'ble Minister of Commerce &amp; Industry, awarded by EEPC</li> <li>➤ The FIEO Top Exporters "Niryat Shree" Trophy for the Year 2000-2001 awarded by Shri Bhairon Shing Shekhawat, Hon'ble Vice President of India, awarded by FIEO</li> </ul>
2003	<ul style="list-style-type: none"> <li>➤ EEPC Exporters Excellence Award for the year 2000 – 2001 awarded by Shri Arun Jaitley, Hon'ble Minister of Commerce &amp; Industry, awarded by EEPC</li> <li>➤ Awarded IS/ISO 9001: 2000 by Bureau of Indian Standards for Quality Management System</li> </ul>
2005	<ul style="list-style-type: none"> <li>➤ EEPC Top Exporters Awards for the year 2001-02, 2002-03 awarded by Shri S. M. Krishna, Hon'ble Governor of Maharashtra, awarded by EEPC</li> </ul>
2006	<ul style="list-style-type: none"> <li>➤ EEPC Top Exporters Award for the year 2003-04 awarded by Shri Kamalnath, Hon'ble Minister of Commerce &amp; Industry, awarded by EEPC</li> <li>➤ EEPC Star Performers Awards for the year 2004-05 awarded by Shri. Kamalnath, Hon'ble union minister for Commerce &amp; Industry awarded by EEPC</li> <li>➤ FIEO Top Exporters ""Niryat Shree" Trophy for the year 2004-05 in the category of Engineering &amp; Metallurgical Products, Non SSI awarded by Shri Kamalnath, Hon'ble Minister of Commerce &amp; Industry awarded by FIEO</li> <li>➤ FIEO Top Exporters ""Niryat Shree" Trophy for the year 2004-05 in the category of Multi Products, Star Export House, Non SSI awarded by Shri Kamalnath, Hon'ble Minister of Commerce &amp; Industry awarded by FIEO</li> <li>➤ FIEO Top Exporters ""Niryat Shree" Trophy for the year 2004-05 in the category of Gems &amp; Jewellery, Non SSI awarded by Shri Kamalnath, Hon'ble Minister of Commerce &amp; Industry awarded by FIEO</li> <li>➤ Awarded as Star Trading House by Government of India for the period of 01/04/2004 to 31/03/2009 awarded by FIEO</li> <li>➤ Change of Name of our Company from Varun Continental Limited to Varun Industries Limited</li> </ul>
2007	<ul style="list-style-type: none"> <li>➤ EEPC Star Performers Award for the year 2005-06 awarded by Shri Kamalnath, Hon'ble Minister of Commerce &amp; Industry, awarded by EEPC</li> </ul>

## MAIN OBJECTS

The Main Objects as per Memorandum of Association of our Company is as follows -

“To carry on the business of manufacturers, exporters, importers, traders in Stainless Steel, Utensils, Kitchenware, Cutlery (House-hold articles), Stainless Steel Sheets & Coils, Hotel / Catering equipments.”

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

## Changes in our Memorandum of Association

Since inception, the following changes have been made in our Memorandum of Association –

Sr. No.	Date of shareholders' approval	Brief details of the changes
1	10/08/2000 (EGM)	Commencement of new businesses covered by the sub-clauses 58 and 64 of the Other Objects of the Memorandum of Association of our Company - <ul style="list-style-type: none"> <li>Sub-clause No. 58 - business related to Pharmaceuticals</li> <li>Sub-clause No. 64 - business related to various merchandize items</li> <li>Sub-clause No. 92 - business related to Gems and Jewellery</li> </ul>
2	19/08/2004 (AGM)	Increase in Authorized Capital from Rs. 5,50,00,000/- to Rs. 15,00,00,000/-
3	15/04/2005 (EGM)	*Change of name of our Company from “Varun Continental Limited” to “Varun Industries Limited” w.e.f. April 21, 2005
4	15/04/2005 (EGM)	Commencement of new businesses covered by the sub-clauses 56 and 83 of the Other Objects of the Memorandum of Association of our Company - <ul style="list-style-type: none"> <li>Sub-clause No. 56 - business related to Power Generation</li> <li>Sub-clause No. 83 - business as an Investment Company</li> </ul>
5	07/03/2006 (EGM)	Commencement of new businesses covered by the sub-clauses 56 and 61 of the Other Objects of the Memorandum of Association of our Company - <ul style="list-style-type: none"> <li>Sub-clause No. 61 – business related to Real Estate</li> </ul>
6	08/12/2006 (EGM)	Increase in Authorized Capital from Rs. 15,00,00,000/- to Rs. 30,00,00,000/-
7	08/12/2006 (EGM)	Alteration in Object Clause III-C of the Memorandum of Association of our Company by inserting the Sub-clauses 94, 95 and 96 after Sub-clause 93 and commencement of the businesses covered by these newly inserted sub-clauses i.e. 94, 95 and 96 Sub-clause 94 & 95: to deal in Mining of Minerals Sub-clause 96: to deal in Petroleum & Natural Gas

- \* Company changed its name from Varun Continental Limited to Varun Industries Limited due to diversification by the Company in various fields of power Generation, Mining of Iron Ore and Minerals, Oil & Gas drilling including export of Stainless Still Kitchenware and Household items

## SUBSIDIARIES OF OUR COMPANY

The following are the brief details of our subsidiaries -

### 1. Varun Jewels Private Limited

Varun Jewels Pvt. Ltd. was incorporated on June 18, 2003 in the State of Maharashtra under CIN U36910MH2003PTC140958. Its Registered Office is located at 12, Shankeshwar Darshan, A G Pawar Cross Lane, Byculla (East), Mumbai - 400 027. It was promoted by Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal to carry on the business of manufacturing, marketing, designing, buy, sell, import, export in polished gems, diamonds, pearls, stones, jewellerys, coins, bullions, antiques, manuscript etc. in India & abroad. It is currently dealing in trading of cut & polished diamonds.

It became a subsidiary of our Company from November 25, 2006.

#### Share Holding Pattern as on date of filing this Prospectus

Sr. No.	Name of Shareholders	No. of Equity Shares	% of holding
1.	Shri. Kiran N. Mehta	62,95,000	48.42%
2.	Shri. Kailash S. Agarwal	5,000	0.04%
3.	Varun Industries Limited	67,00,000	51.54%
	<b>Total</b>	<b>130,00,000</b>	<b>100.00%</b>

#### Board of Directors as on date of filing this Prospectus with SEBI

Sr. No.	Name of Directors	Designation
1.	Shri. Kiran N. Mehta	Chairman and Managing Director
2.	Shri. Kailash S. Agarwal	Joint Managing Director
3.	Shri. Virendra N Mehta	Director

#### Financial Performance

(Rs. in lacs)

Particulars for the Period ended	31.03.2005	31.03.2006	31.03.2007	31.07.2007
Total Income	4,419.96	8,221.98	141,38.05	6093.98
Profit After Taxation	44.23	217.17	161.99	40.21
Equity Share Capital (Face value of Rs. 10)	100.00	100.00	1,300.00	1,300.00
Share Application Money	-	200.00	-	-
Reserves (excluding Revaluation Reserves)	44.06	261.27	423.30	463.59
Net Asset Value / Book Value Per Share (Rs.)	14.41	36.13	13.26	13.56
Earning Per Share (Rs.)	4.42	21.72	1.25	0.31

Varun Jewels Pvt. Ltd. is an unlisted company and has not made any public issue or amalgamations/ takeovers since its inception. It is not a sick company under the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 and is not under winding up. It has made two Rights Issues on November 25, 2006 and January 22, 2007 allotting 10,00,000 and 1,10,00,000 fully paid equity shares in the ratio of 1:1 and 11:2 respectively.

There are no defaults in meeting any statutory/bank/institutional dues and no proceedings have been initiated for economic offences against Varun Jewels Pvt. Ltd. or its promoters or directors. There is no litigation pending, in which Varun Jewels Pvt. Ltd. is involved as on date of filing this Prospectus with SEBI.

## 2. Shri Sai Jewels Private Limited

Shri Sai Jewels Pvt. Ltd. was incorporated on March 2, 2006 in the State of Maharashtra under CIN U36911MH2006PTC160180. Its Registered Office is located at 11, Shankeshwar Darshan, A.G. Pawar Cross Lane, Byculla (E), Mumbai – 400 027. It was promoted by Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal to carry the business of manufacturing, marketing, designing, buy, sell, import, export in polished gems, diamonds, pearls, stones, jewellerys, coins, bullions, antiques, manuscript etc. in India & abroad. It is currently dealing in cut & polished diamonds.

It became a subsidiary of our Company from November 25, 2006.

### Share Holding Pattern as on date of filing this Prospectus

Sr. No.	Name of Shareholders	No. of Equity Shares	% of holding
1.	Shri. Kiran N. Mehta	4,85,100	48.51%
2.	Shri. Kailash S. Agarwal	4,900	0.49%
3.	Varun Industries Limited	5,10,000	51.00%
	<b>Total</b>	<b>10,00,000</b>	<b>100.00%</b>

### Board of Directors as on date of filing this Prospectus with SEBI

Sr. No.	Name of Directors	Designation
1.	Shri. Kiran N. Mehta	Chairman
2.	Shri Kailash S. Agarwal	Director

### Financial Performance

Particulars for the Period ended	(Rs. in lacs)		
	31.03.2006	31.03.2007	31.07.2007
Total Income	-	4449.07	1975.38
Profit After Taxation	-	65.24	23.58
Equity Share Capital (Face value of Rs. 10)	1.00	100.00	100.00
Reserves (excluding Revaluation Reserves)	(0.31)	64.97	88.83
Net Asset Value / Book Value Per Share (Rs.)	6.92	16.50	18.83
Earning Per Share (Rs.)	-	6.52	2.36

Shri Sai Jewels Pvt. Ltd. has not carried out any business activity in Financial Year ended March 31, 2006. It is an unlisted company and has not made any public issue or amalgamations/takeovers since its inception. It is not a sick company under the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 and is not under winding up. It has made two Rights Issues on November 25, 2006 and March 8, 2007 allotting 10,000 and 9,80,000 fully paid equity shares in the ratio of 1:1 and 49:1 respectively.

There are no defaults in meeting any statutory/bank/institutional dues and no proceedings have been initiated for economic offences against Shri Sai Jewels Pvt. Ltd. or its promoters or directors. There is no litigation pending, in which Shri Sai Jewels Pvt. Ltd is involved as on date of filing this Prospectus with SEBI.

## SHAREHOLDERS' AGREEMENTS

Our Company has not entered in any agreement with our shareholders. The following are the agreements entered by our promoters and other shareholders -

### 1. Shareholders Agreement by and between Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal

By a Shareholders' Agreement dated November 11, 2000 executed by and between Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal, the parties had agreed that in pursuance to the allotment of 15,96,100 fully paid up equity shares of Rs 10/- each of Varun Industries Ltd. to Shri. Kiran N. Mehta in consideration for the acquisition and takeover of the business of M/s. Varun Exports, the proprietorship of Shri. Kiran N. Mehta, the parties would act as promoters of our Company and shall hold the fully paid up equity shares of our Company in the ratio of 60:40 between Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal. The call option exercised by Shri. Kailash S. Agarwal pursuant to this Shareholders' Agreement, Shri. Kiran N. Mehta has transferred 28,12,500 fully paid equity shares to Shri. Kailash S. Agarwal at par value on April 24, 2007.

### 2. Shareholders Agreement by and between Ms. Ami Patel and Shri. Kiran N. Mehta

By an Agreement to sell the Equity Shares dated September 27, 2006 executed by and between Shri. Kiran N. Mehta and Ms. Ami Patel, Shri. Kiran N. Mehta has agreed to sell 50,00,000 fully paid up equity shares of our Company of Rs. 10/- each at a price of Rs. 40/- each to Ms. Ami Patel. Under the agreement Ms. Ami Patel was to purchase the agreed quantity of shares on or before February 28, 2007. It further provides that in the event Ms. Ami Patel is unable to purchase the agreed quantity of shares within the stipulated time, Shri. Kiran N. Mehta shall not be liable to sell the balance quantity of equity shares of our Company.

## COMMERCIAL AGREEMENTS

### A. Wind Power Project

- a. Under the Power Purchase Agreement dated May 16, 2005 executed by and among our Company, Suzlon Energy Limited (Developer) and Ajmer Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited has agreed to purchase the power/electricity generated from the 3 wind energy based power projects of 3.75 MW set up by our Company at Soda-Mada and Hansuwa & Gorera district Jaisalmer respectively. Under the agreement, Suzlon Energy Ltd. agreed to provide the requisite evacuation and injection system for the power produced by the power plants into the state grid as advised by the Ajmer Vidyut Vitran Nigam Limited.

The said agreement provides that the Ajmer Vidyut Vitran Nigam Limited will pay a rate of Rs. 2.91 per kWh for power supplied by our Company during the year 2004-2005 which shall be increased by 5.0 paise each year on the 1st April of the year for a period of up to 10 years (i.e. 2013-14) with the base year as 2004-05. It is further agreed that from the year 2014-15 and onwards a fixed rate of Rs. 3.36 per unit for a period up to 20th year shall be payable. The term of the agreement is 20 years from the date of commercial operations. The Power Plant has been commissioned in the month of March 2005.

- b. Under a Power Purchase Agreement dated March 23, 2007 executed by and among our Company, Suzlon Energy Limited and Ajmer Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited has agreed to purchase the electricity/power generated from the wind energy based power projects of 1.20 MW set up by our Company at village Jaisalmer at Jaisalmer District. Under this agreement, Suzlon Energy Ltd. agreed to provide the requisite evacuation and injection system for the power produced by the power plants into the state grid as advised by the Rajasthan Vidyut Prasaran Nigam Limited.

The power generated by our Wind Mills at Jaisalmer, would be transferred through the grid lines of Rajasthan Vidyut Prasaran Nigam Limited (RVPN), which is the State Transmission Utility, to Jaipur Vidyut Vitaran Nigam Limited.

This agreement provides that the Ajmer Vidyut Vitran Nigam Limited will pay a rate of Rs. 3.25 per kWh for power supplied by our Company during the year 2005-2006 which shall be increased by 6.0 paise each year on the 1st April of the year for a period of up to 10 years (i.e. 2014-15) with the base year as 2005-06. It is further agreed that from the year 2014-15 and onwards a fixed rate of Rs. 3.79 per unit for a period up to 20th year shall be payable. The term of the agreement is 20 years from the date of commencement of the commercial operations by our Company.

## **B. Oil and Gas Drilling**

- a. Our Company has entered into a Memorandum of Agreement dated June 14, 2006 with Oil And Gas Drilling Company “NAFTA” PILA Limited (OGDC). Under the said MOU in the event of our Company being allotted the works under the tender No: OIL/CCO/DRLG/GLOBAL/141/2006 under its bid to OIL India Limited for Charter Hiring of 1 (One) No. of 1400 HP Drilling Rig for land drilling and other oil field services in Uttar Pradesh, Orissa, Assam, & Arunachal Pradesh, OGDC has agreed to provide back up support and assistance and assist our Company for management, operations, maintenance of rig and equipment for drilling, work over and related integrated services for onshore Oil and Gas wells by deputing its technical personnel as and when required by our Company. It is agreed that our Company shall pay OGDC- 5 % of monthly rig rentals received from Oil India Limited for technical support and assistance. Our Company will also pay for rig equipments and services, if any, provided by OGDC upon request. Subject to the allotment of bid in favour of our Company, the agreement would be valid for a period of execution of the main contract to be awarded by OIL India Limited and for the period of extension thereof, if any.
- b. By a Memorandum of Agreement for Purchase dated July 15, 2006 executed by our Company and Shandong Kerui Petroleum Equipment Company Limited, Shandong Kerui Petroleum Equipment Company Limited has agreed to make available to our Company Rig ZJ – 70 - V1 on outright sale basis for operations in India, in the event the contract is awarded by the Oil India Limited to our Company. This Agreement would be valid for the entire duration of the contract or any extension thereof.
- c. By a Memorandum of Agreement dated July 27, 2006 executed by IROilRigs Middle East Ltd. and our Company, IROilRigs Middle East Ltd. has agreed to make available to our Company on outright sale basis the diesel electrical rig IRO 2000 SCR owned by it for our operations in India under the contract to be awarded by Oil India Limited. This agreement is valid for the entire duration of the contract or any extension thereof.
- d. By a Memorandum of Agreement for Purchase dated August 11, 2006 executed by and between our Company and Shandong Kerui Petroleum Equipment Company Limited, Shandong Kerui Petroleum Equipment Company Limited has agreed to make available to our Company new Rigs XJ 650-V3 and XJ650- V4 on outright sale basis for operations in India, in the event our Company is awarded the contract by Oil India Limited. This Agreement is valid for the entire duration of the contract or any extension thereof.
- e. Our Company has entered into a Memorandum of Understanding dated August 14, 2006 with Oil And Gas Drilling Company “NAFTA” PILA Limited (OGDC). Under the said MOU in the event of Company being allotted the works under the tender No: OIL/CCO/DRLG/GLOBAL/144/2006 under its bid to OIL India Limited for Charter Hiring of 2 (Two) No. of 500 HP capacity Work Over rigs for a period of 4 years operation in Assam, & Arunachal Pradesh, OGDC has agreed to provide back up support and assistance and assist our Company for management, operations, maintenance of rig and equipment for work over and related integrated services for onshore Oil and Gas wells by deputing its technical personnel as and when required by our Company. It is

- agreed that our Company shall pay OGDC- 5 % of monthly rig rentals received from Oil India Limited for technical support and assistance for rig equipments and services, if any, provided by OGDC upon request. Subject to the allotment of bid in favour of our Company, the agreement is valid for a period of execution of the main contract to be awarded by OIL India Limited and for the period of extension thereof.
- f. Our Company has entered into a Memorandum of Understanding dated January 18, 2007 with Oil And Gas Drilling Company “NAFTA” PILA Limited (OGDC); under the said MOU in the event of Company being allotted the works under the tender No. BN6VC06006 under its bid to Oil and Natural Gas Corporation Limited (ONGC) for Charter Hire of 1 (One) No. of 200 T Mobile Drilling Rig for Ahmedabad Asset of ONGC, OGDC has agreed to provide back up support and assistance and assist our Company for management, operations, maintenance of rig and equipment for drilling, work over and related integrated services for onshore Oil and Gas wells by deputing its technical personnel as and when required by our Company. It is agreed that our Company shall pay OGDC- 5 % of monthly rig rentals received from Oil India Limited for technical support and assistance for rig equipments and services, if any, provided by OGDC upon request. Subject to the allotment of bid in favour of our Company, the agreement would be valid for a period of execution of the main contract to be awarded by ONGC and for the period of extension thereof.
  - g. Our Company has entered into a Memorandum of Understanding dated January 18, 2007 with Oil And Gas Drilling Company “NAFTA” PILA Limited (OGDC). Under the said MOU in the event of Company being allotted the works under the tender No. BN6VC06008 under its bid to Oil and Natural Gas Corporation Limited (ONGC) for Charter Hire of 5 (Five) Nos. of Drilling Rig with services for Ahmedabad Asset, Ankleshwar asset and Frontier Basin of ONGC, OGDC has agreed to provide back up support and assistance and assist our Company for Management, Operations, maintenance of rig and equipment for drilling, work over and related integrated services for onshore Oil and Gas wells by deputing its technical personnel as and when required by our Company. It is agreed that our Company shall pay OGDC- 5 % of monthly rig rentals received from Oil India Limited for technical support and assistance for rig equipments and services, if any, provided by OGDC upon request. Subject to the allotment of bid in favour of our Company, the agreement would be valid for a period of execution of the main contract to be awarded by ONGC and for the period of extension thereof.
  - h. By a Memorandum of Agreement for Purchase dated February 05, 2007 executed by and between our Company and Shandong Kerui Petroleum Equipment Company Limited, Shandong Kerui Petroleum Equipment Company Limited has agreed to make available to our Company new Rigs VD 1500 - 1 on outright sale basis for operations in India, in the event our Company is awarded the contract by Oil India Limited. This Agreement would be valid for the entire duration of the contract or any extension thereof.
  - i. By a Memorandum of Agreement for Purchase dated February 05, 2007 executed by and between our Company and Shandong Kerui Petroleum Equipment Company Limited, Shandong Kerui Petroleum Equipment Company Limited has agreed to make available to our Company new Rigs VD 2000 - 1 on outright sale basis for operations in India, in the event our Company is awarded the contract by Oil India Limited. This Agreement would be valid for the entire duration of the contract or any extension thereof.
  - j. By a Memorandum of Agreement for Purchase dated February 05, 2007 executed by and between our Company and Shandong Kerui Petroleum Equipment Company Limited, Shandong Kerui Petroleum Equipment Company Limited has agreed to make available to our Company new Rigs VD 2000 - 2 on outright sale basis for operations in India, in the event our Company is awarded the contract by Oil India Limited. This Agreement would be valid for the entire duration of the contract or any extension thereof.

- k. By a Memorandum of Agreement for Purchase dated April 12, 2007 executed by and between our Company and Shandong Kerui Petroleum Equipment Company Limited, Shandong Kerui Petroleum Equipment Company Limited has agreed to make available to our Company new Rigs VD 1500 - 3 on outright sale basis for operations in India, in the event our Company is awarded the contract by Oil India Limited. This Agreement would be valid for the entire duration of the contract or any extension thereof.
- l. By a Memorandum of Agreement for Purchase dated April 12, 2007 executed by and between our Company and Shandong Kerui Petroleum Equipment Company Limited, Shandong Kerui Petroleum Equipment Company Limited has agreed to make available to our Company new Rigs VD 2000 - 3 on outright sale basis for operations in India, in the event our Company is awarded the contract by Oil India Limited. This Agreement would be valid for the entire duration of the contract or any extension thereof.
- m. By a Memorandum of Agreement for Purchase dated April 12, 2007 executed by and between our Company and Shandong Kerui Petroleum Equipment Company Limited, Shandong Kerui Petroleum Equipment Company Limited has agreed to make available to our Company new Rigs VD 2000 - 4 on outright sale basis for operations in India, in the event our Company is awarded the contract by Oil India Limited. This Agreement would be valid for the entire duration of the contract or any extension thereof.
- o. Our Company has entered into a Memorandum of Understanding dated April 14, 2007 with Oil And Gas Drilling Company “Nafta” PILA Limited (OGDC). Under the said MOU in the event of Company being allotted the works under the tender No. OIL/CCO/DRLG/GLOBAL/165/2007 under its bid to OIL India Limited for Charter Hiring of 2 (Two) No. of 1400 HP Drilling Rig for land drilling and other oil field services in Assam, & Arunachal Pradesh, OGDC has agreed to provide back up support and assistance and assist our Company for Management, Operations, maintenance of rig and equipment for drilling, work over and related integrated services for onshore Oil and Gas wells by deputing its technical personnel as and when required by our Company. It is agreed that our Company shall pay OGDC- 5 % of monthly rig rentals received from Oil India Limited for technical support and assistance for rig equipments and services, if any, provided by OGDC upon request. Subject to the allotment of bid in favour of our Company, the agreement would be valid for a period of execution of the main contract to be awarded by OIL India Limited and for the period of extension thereof.
- p. Our Company has entered into a Memorandum of Understanding dated April 14, 2007 with Oil And Gas Drilling Company “Nafta” PILA Limited (OGDC). Under the said MOU in the event of Company being allotted the works under the tender No. OIL/CCO/DRLG/GLOBAL/166/2007 under its bid to OIL India Limited for Charter Hiring of 2 (Two) No. of 2000 HP Drilling Rig for land drilling and other oil field services in Assam, & Arunachal Pradesh, OGDC has agreed to provide back up support and assistance and assist our Company for Management, Operations, maintenance of rig and equipment for drilling, work over and related integrated services for onshore Oil and Gas wells by deputing its technical personnel as and when required by our Company. It is agreed that our Company shall pay OGDC- 5 % of monthly rig rentals received from Oil India Limited for technical support and assistance for rig equipments and services, if any, provided by OGDC upon request. Subject to the allotment of bid in favour of our Company, the agreement would be valid for a period of execution of the main contract to be awarded by OIL India Limited and for the period of extension thereof.
- q. By a Memorandum of Agreement for Purchase dated May 01, 2007 executed by and between our Company and IROilRigs Middle East Ltd., IROilRigs Middle East Ltd has agreed to make available to our Company new Rigs IRO 2000 - 1 on outright sale basis for operations in India, in the event our Company is awarded the contract by Oil India Limited. This Agreement would be valid for the entire duration of the contract or any extension thereof.

- r. By a Memorandum of Agreement for Purchase dated May 01, 2007 executed by and between our Company and IROilRigs Middle East Ltd., IROilRigs Middle East Ltd has agreed to make available to our Company new Rigs IRO 2000 – 2 on outright sale basis for operations in India, in the event our Company is awarded the contract by Oil India Limited. This Agreement would be valid for the entire duration of the contract or any extension thereof.
- s. Oil & Natural Gas Corporation Limited by its Letter of Award dated 19.07.2007, bearing file no. BDA/MM/ONSG/SERVICES/O&M/67/2006-2007/(BN6KC06002) has awarded to our Company an Operation and Maintenance contract of 1 No. of Departmental Workover Rig (BHEL-120 RIG) on the terms and conditions mentioned therein. The Contract is awarded for a period of 3 years w.e.f. December 2007.

### C. Mining Agreements

- a. By an Agreement dated March 23, 2006 executed between Shri. Anjaneya Kadam, Hubli (Karnataka) and our Company, both parties have agreed to enter into an agreement to operate and buy the entire quantity of the material available in Mining Area (spread over an area of 16.19 hectares (about 40 acres) in Siddapur Village, Range NEB, Sandur Taluka Bellary, Karnataka) in the event of the said Mining Area being leased to Shri. Anjaneya Kadam.
- b. By an Ore Sale Agreement dated March 30, 2006 between Shri. Anjaneya Kadam, Hubli (Karnataka) and our Company, our Company has agreed to buy the entire quantity of the minerals including lumpy, calibrated ore and Iron ore fines, which would be extracted from the mines comprising the Mining Lease.

The term of the agreement is for 20 years from the execution of the Lease agreement in favour of Shri. Anjaneya Kadam. The parties have an option to renew this agreement subject to the continuous renewal of the mining lease for a further period of 20 years.

- c. By an Ore Raising Agreement dated March 30, 2006 executed between Shri. Anjaneya Kadam and our Company, our Company has agreed to work as the Ore Raising Contractor and Shri. Anjaneya Kadam will be the holder of the mining lease over an area of 16.19 hectares (40 acres) in Siddapur Village, Range NEB, Sandur Taluka, Bellary District. This agreement shall remain in force and effect for a period of 20 years from the signing date. Subject to the continuous renewal of the mining lease, the parties have an option to renew the agreement for a further period of 20 years on such terms and conditions as may be agreed mutually between the parties.

### Other Agreements

- 1. By a Memorandum of Understanding dated March 24, 2006 executed between Sapling Agrotech Private Limited (SAPL) and our Company, our Company has agreed to invest in the equity capital of SAPL in the White Button Mushroom project at Nandanpur, district Burdwan, West Bengal, which has been implemented by SAPL. Under the said MoU our Company has agreed to make an investment of 45% in the present and further paid up capital of SAPL, which as on date amounts to about Rs. 318 lacs in the form of equity capital and our Company shall have right to appoint proportionate no. of directors on the board of SAPL subject to minimum of two directors.

### 2. Undertaking

Since M/s. K. K. Enterprises, a partnership firm (promoted by our Promoters cum Directors Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal) and our Company are engaged in similar business activities of export of stainless steel kitchenware and houseware items and diamonds, etc. and in order to avoid any conflict of interest, by an undertaking dated February 6, 2007 given to the Board of Directors of our Company, Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal in their capacity as the partners of M/s. K. K. Enterprises, a partnership firm, have agreed that -

- a. From the date of execution of this Undertaking, M/s. K. K. Enterprises shall not -
    - i. export its' products in the countries where Varun Industries Limited is already exporting or where it is in process of exporting; and
    - ii. act and/or deal with any of the clients of Varun Industries Limited without prior permission from the Board of Directors of Varun Industries Limited.
  - b. They have further confirmed that in the event M/s. K. K. Enterprises proposes to do the business of exports of goods to any country, where Varun Industries Ltd. has business dealings, they shall obtain prior written consent from the Board of Directors of Varun Industries Limited.
  - c. In case of default is committed by M/s. K. K. Enterprises in complying with the above clauses, it shall be liable to Varun Industries Limited and shall compensate Varun Industries Limited to the extent of damages suffered.
3. By a Memorandum of Understanding dated April 01, 2003 executed between Our Company and Big Share Services Private Limited, Big Share Services Private Limited has agreed to act as a Share Transfer Agents for our Company. This agreement can be terminated by giving 3 months notice by either party.
  4. By a Memorandum of Understanding dated June 21, 2007 executed between Our Company and Shri. Hitesh Anand, Shri. Hitesh Anand has agreed to work for our Company on commission basis and will get a fixed commission of 1% on all the sales materialized by him. This agreement is entered for a period of one year from the date of this MOU.

#### **Joint Venture Agreements**

As on date of filing this Prospectus we have not entered into any joint venture agreements with any other company or entity.

#### **Other Agreements / Arrangements**

There are no other agreements entered into by our Company other than those entered into during the course of business.

#### **Strategic Partners**

As on date of filing this Prospectus there are no strategic partner agreements entered into by our Company.

#### **Financial Partners**

As on date of filing this Prospectus there are no financial partnership agreements entered into by our Company.

## CAPITAL COMMITMENTS

1. Our Company has submitted a bid for Management of ONGC rigs in Gujarat (tender value – Rs. 1,100 lacs).

### *Financial Implication & Commitments:*

Particulars	Amount (Rs. in Lacs)
Performance Bond	25.00
Working Capital & Training of Crew, etc.	30.00
<b>Total</b>	<b>55.00</b>

2. Our Company is in the process of Bidding for three tenders of Oil India Limited with the value of each tender being more than Rs. 11,000 lacs.

### *Financial Implication & Commitments:*

Particulars	Amount (Rs. in Lacs)
<b>Total Cost of Rig and Associated Equipments</b>	<b>5,600.00 in each case</b>
Part Payment to be on Booking of Each Rig Package (30% of Total value) on Day one of Rig booking/Award of Contract	1,500.00
Final Payment to be made before Rig Delivery (70% of total value)	3,700.00
Mobilisation cost and initial working capital	400.00

Our Company proposes to get the 75% i.e. (Rs. 3,900 lacs) of the total cost of the Rig funded through the bank and balance Rs. 1,700 lacs from internal accruals.

3. Our company is in the process of Bidding for One High Value tender of ONGC (Rs. 90,000 lacs) partly in conjunction with Oil India Limited and partly on its own strength.

### *Financial Implication & Commitments:*

Particulars	Amount (Rs. in Lacs)
<b>Total Cost of Rig and Associated Equipments (Five Rigs)</b>	<b>30,000.00</b>
Part Payment to be on Booking of Each Rig Package (30% of Total value) on Day one of Rig booking/Award of Contract	8,000.00
Final Payment to be made before Rig Delivery (70% of total value)	20,000.00
Mobilisation cost and initial working capital	2,000.00

Our Company proposes to obtain funding for the above requirement from financial institutions.

4. Our Company has submitted a bid for Oil India Limited for charter Hiring of 2 (Two) Nos. of 2000 HP rig with the value of tender being more than Rs. 18,000 lacs. Our Company has collaborated with OGDC NAFTA Pila Ltd., Poland for technical know-how. Our Company for the rigs and associated equipments has entered into agreement with Shandong Kerui Ltd., PRC.

### *Financial Implication & Commitments:*

Particulars	Amount (Rs. in Lacs)
<b>Total Cost of Rig and Associated Equipments</b>	<b>5,600.00 in each case</b>
Part Payment to be on Booking of Each Rig Package (30% of Total value) on Day one of Rig booking/Award of Contract	1,500.00
Final Payment to be made before Rig Delivery (70% of total value)	3,700.00
Mobilisation cost and initial working capital	400.00

Our Company proposes to obtain the funding for the above requirement from the financial institutions.

5. Our Company has submitted a bid for Oil India Limited for charter Hiring of 1 (One) No of 1400 HP rig with the value of tender more than Rs. 9,000 lacs. For the rigs and associated equipments our Company has entered into agreement with Shandong Kerui Ltd., PRC.

*Financial Implication & Commitments:*

Particulars	Amount (Rs. in Lacs)
<b>Total Cost of Rig and Associated Equipments</b>	<b>5,600.00 in each case</b>
Part Payment to be on Booking of Each Rig Package (30% of Total value) on Day one of Rig booking/Award of Contract	1,500.00
Final Payment to be made before Rig Delivery (70% of total value)	3,700.00
Mobilisation cost and initial working capital	400.00

Our Company proposes to obtain the funding for the above requirement from the financial institutions.

6. Our Company is in the process of bidding for ONGC's Tender for charter hiring of 4 No. of Land Rig with services. Our Company is in the process of bidding for Two No. of rigs. For the rest of the two rigs, our Company has negotiations with Oil India Ltd. for providing Oil India rigs on back to back on rental basis. Our Company reserves the right to bid for all the four rigs. For the rigs and associated equipments our Company has got into agreement with Shandong Kerui Ltd., PRC. our Company collaborated with OGDC NAFTA Pila Ltd., Poland for Technical Know How.

*Financial Implication & Commitments:*

Particulars	Amount (Rs. in Lacs)
<b>Total Cost of Rig and Associated Equipments (Four Rigs)</b>	<b>24,000.00</b>
Part Payment to be on Booking of Each Rig Package (30% of Total value) on Day one of Rig booking/Award of Contract	6,400.00
Final Payment to be made before Rig Delivery (70% of total value)	16,000.00
Mobilisation cost and initial working capital	1,600.00

Our Company proposes to obtain the funding for the above requirement from the financial institutions.

## OUR MANAGEMENT

### BOARD OF DIRECTORS



Under our Articles of Association, the number of directors shall neither be less than 3 nor more than 12 excluding any Debenture Director. The following table sets forth details regarding our Board of Directors as of the date of filing the Prospectus with SEBI -

Sr. No.	Name, Designation, Father's Name, DIN, Address, Nationality, Occupation	Age	Date of Appointment and Term	Other Directorships
1.	Shri. Kiran N. Mehta S/o Shri. Navratanmal Mehta  Chairman & Managing Director  DIN:00022882  401/A, Shankeshwar Darshan, A. G. Pawar Cross Lane, Byculla (E), Mumbai – 400027  Indian  Business	46 years	08/03/1996  01/04/2006 to 31/03/2009	Varun Jewels Private Limited – Chairman and Managing Director Shri Sai Jewels Private Limited – Director Sapling Agrotech Private Limited - Director
2.	Shri. Kailash S. Agarwal S/o Shri. Shriram Agarwal  Whole-time Director designated as Joint Managing Director  DIN:00023426  A-1/502, Shankeshwar Darshan, A. G. Pawar Cross Lane, Byculla (E), Mumbai - 400027  Indian  Business	40 years	08/03/1996  Term: 01/04/2006 to 31/03/2009	Varun Jewels Private Limited - Joint Managing Director Shri Sai Jewels Private Limited - Director Sapling Agrotech Private Limited - Director
3.	Shri. Virendra N. Mehta S/o Shri. Navratanmal Mehta  Whole-time Director  DIN:00022867  Flat No. 2404, 24 <sup>th</sup> Floor, Sumer Tower, Building No. 5, Sheth Motisha Lane, Opp. Mazgaon Telephone Exchange, Mumbai - 400010  Indian  Business	48 years	18/07/2005  Term: 01/08/2005 to 31/07/2010	Varun Jewels Private Limited - Director

4.	<p>Shri. Dilip Kumar Mukhopadhyay S/o. Late Shri. Bhabani Prosad Mukhopadhyay</p> <p>Independent Director</p> <p>DIN:00155993</p> <p>13/7, Happy Nook CHS Ltd. E. C. T. P. Phase IV, KASBA, Kolkata – 700107, West Bengal</p> <p>Indian</p> <p>Business</p>	67 years	20/03/2006	Nil
5.	<p>Shri. Srinivasachari Rajagopal S/o. Late Shri. P. M. Srinivasachari</p> <p>Independent Director</p> <p>DIN:00022609</p> <p>“Varenya”, 1043, 10<sup>th</sup> Main Road, Judicial Officers Layout, GKVK Post, Bangalore - 560065</p> <p>Indian</p> <p>Business</p>	67 years	05/12/2006	<p>GMR Tambaram Tindivanam Expressways Pvt. Ltd. - Director</p> <p>GMR Tuni Anakapalli Expressways Pvt. Ltd. - Director</p> <p>Srei Infrastructure Finance Ltd. - Director</p> <p>Srei Venture Capital Limited - Director</p> <p>Capstone I.T. Technologies Pvt. Ltd. - Director</p> <p>S. P. Apparels Limited - Director</p> <p>National Trust Housing Finance Limited – Director</p> <p>Zylog Systems Limited –Director</p> <p>Wisdomleaf IT Technology Private Limited – Director</p>
6.	<p>Shri. S. K. Srivastav S/o. Shri. Chandarbhanlal Srivastav</p> <p>Independent Director</p> <p>DIN:00359181</p> <p>303 Jaltarang Hsc Ltd, Hall Road, Kurla, Mumbai – 400070</p> <p>Indian</p> <p>Business</p>	45 years	20/06/2007	<p>Sai Prasan Consultancy Pvt. Ltd. - Director</p> <p>Renaissance Legal and Learning Systems Pvt. Ltd. - Director</p> <p>Mahal Meera Developers Pvt. Ltd. - Director</p> <p>Rahlan Reality Pvt. Ltd. - Director</p> <p>S. K. Srivastav &amp; Co. - Proprietor</p>

## Brief Biography of our Directors

	<p><b>Shri. Kiran N. Mehta</b>, Chairman and Managing Director</p> <p><b>Qualification:</b> B. Com.</p> <p><b>Background:</b> Shri. Kiran N. Mehta belongs to a traditional business family from Rajasthan. He carries vast industrial experience of more than 25 years. He has hands on experience of more than two decades in marketing; export management and business relation management. He is one of the main Trustee of Chunnilal Bakhtawarmal Mehta Charitable Trust involved in welfare of poor and needy.</p>
	<p><b>Shri. Kailash S. Agarwal</b>, Joint Managing Director</p> <p><b>Qualification:</b> B.Com.</p> <p><b>Background:</b> He belongs to traditional business family from Rajasthan. He carries all round experience of more than 18 years in Business Management and has got hands on experience in product designing, procurement and marketing. He has travelled extensively across the globe and gained impeccable expertise in understanding the varying needs of specific country's requirement. He has also been awarded the title "Samaj Ratna" by Agrasen Association, Jodhpur. He has been actively involved in providing his services to the Jodhpur Association, Mumbai. He is also one of the main Trustee of Chunnilal Bakhtawarmal Mehta Charitable Trust involved in welfare of poor and needy.</p>
	<p><b>Shri. Virendra N. Mehta</b>, Whole Time Director</p> <p><b>Qualification:</b> B.Com.</p> <p><b>Background:</b> He is looking after the Business and new projects of our Company. He has rich experience in Local Marketing, Public Relationship Management and New Projects. He has widely travelled across the Country.</p>
	<p><b>Shri. Dilip Kumar Mukhopadhyay</b>, Independent Director</p> <p><b>Qualification:</b> M. Com, CAIIB</p> <p><b>Background:</b> Currently he is associated with M/s. Sabodo &amp; Sabodo, which is engaged in recovery of blocked funds of ECGC in Africa, member of Settlement Advisory Committee on non-performing assets of United Bank of India and CEO (Eastern Region) of a financial consultancy firm M/s. Chartered Finance Management Ltd. He has vast experience in banking and other financial services industry. He was a senior executive of Bank of Baroda in various capacities in India and abroad. He served as Chairman &amp; Managing Director of Bank of Baroda (Uganda) Ltd., Chief Executive of Bank of Baroda (European Operations) based in London. He also served as Director of Bank of Baroda (Kenya) Ltd. and Indo Zambia Bank Ltd. He is a Member of Banking Delegation to Russian Federation and Uzbekistan, signatory for enabling Trade Co-operation Agreement with MEHIB, Hungary and COFACE, France. He was Vice President of Chartered Institute of Bankers, Kampala, Uganda and Vice President of Uganda Banks' Association. He was also Executive Director of Export Credit Guarantee Corporation (ECGC). He represented in Berne Union an international union of credit and investment insurers' in Kiyoto, Japan, London and Cape Town – South Africa.</p>

	<p><b>Shri. S. Rajagopal</b>, Independent Director</p> <p><b>Qualification:</b> Masters degree in Economics and Degrees in Commerce and Law and professional qualification from Indian Institute of Bankers.</p> <p><b>Background:</b> He holds wide experience in Banking &amp; Financial Sector. He started his career ladder with State Bank Group in 1964 and then moved to Nationalized Banks Sphere in 1994. He was also the Chairman of Banking Service Recruitment Board. He has vast experience in banking and Professional knowledge in Finance &amp; Insurance. He was Chairman and Managing Director of Indian Bank and later became Chairman and Managing Director of Bank of India. He was directly representing Government of India and the Banks on the Board of various corporate such as United India Insurance Company Ltd., Securities Trading Corporation of India Ltd., UTI Securities Ltd., Indian Opportunities Fund (Mauritius) Ltd., London INVESCO India Growth Fund Ltd., IBU International Finance Ltd. (Hongkong), Sundaram Financial Services Ltd. and Karnataka State Financial Corporation. He is also a member of Settlement Advisory Committee of Canara Bank. He was a member of the Court of Banaras Hindu University and Governing Body of Institute of Bank Management and Madras School of Economics. He was Chairman of Committee of Economists and Member of Management Committee of Indian Banks' Association, Member of several Councils and professional bodies like High Level Committee constituted by the then Hon'ble Union Finance Minister, Shri. Yashwant Sinha to look into the problems related to declining CD ratio and banking industry related issue in Bihar and IBA Working Group to consider issue related to bank Finance for Film Industries.</p>
	<p><b>Shri. S. K. Srivastav</b>, Independent Director</p> <p><b>Qualification:</b> B.Sc., M.B.A., and L.L.M.</p> <p><b>Background:</b> He is a practicing Solicitor at Bombay High Court, Delhi High Court, Supreme Court of India and Supreme Court of England &amp; Wales. He has vast experience in Civil, Corporate Writ and Commercial matters. He is doing his legal practice through his own firm by name and style S. K. Srivastav &amp; Co., Advocates &amp; Solicitor. He is also a member of Supreme Court Bar Association of India, Law Society of England &amp; Wales, International Bar Association, International Council of Alternative Dispute Redressal etc.</p>

### **Borrowing Power of Directors**

Vide an Ordinary Resolution approved at the Annual General Meeting of the shareholders held on July 16, 2007 the current borrowing powers of the Directors pursuant to Section 293(1)(d) of the Companies Act is Rs. 50,000 lacs.

### **Payment or benefit to Directors/ Officers of our Company**

Except as stated in this section of the 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 officers except the normal remuneration for services rendered as Directors, officers or employees.

## Terms and Conditions of Appointment of Managing Director/Whole time Director

### *Terms and conditions of re-appointment of Shri. Kiran N. Mehta*

Shri. Kiran N. Mehta was re-appointed as Managing Director of our Company for a period of three years with effect from April 1, 2006 at the Annual General Meeting of our Company held on July 13, 2006. The terms and conditions of the re-appointment of Shri. Kiran N. Mehta are as follows -

Particulars	Details
Salary	Rs. 50 lacs per annum
Provident Fund	12% of Basic Salary
Gratuity	Benefits in accordance with the Rules and Regulations in force in our Company from time to time but shall not exceed a half month's salary for each completed year of service
Leave	Leave on full pay and allowance at the rate of one month for every 12 months of service payable after completion of the tenure
Car	Our Company shall provide him car with chauffeur for official business
Telephone	Our Company shall provide him with telephone at residence and mobile phone for official business
Other expenditures	Our Company shall pay or reimburse all costs, charges and expenses that he may incur for official business

### *Terms and conditions of re-appointment of Shri. Kailash S. Agarwal*

Shri. Kailash S. Agarwal was re-appointed as Whole time Director designated as Joint Managing Director of our Company for a period of three years with effect from April 01, 2006 at the Annual General Meeting of our Company held on July 13, 2006. The terms and conditions of the re-appointment of Shri. Kailash Agarwal are as follows -

Particulars	Details
Salary	Rs. 50 lacs per annum
Provident Fund	12% of Basic Salary
Gratuity	Benefits in accordance with the Rules and Regulations in force in our Company from time to time but shall not exceed a half month's salary for each completed year of service
Leave	Leave on full pay and allowance at the rate of one month for every 12 months of service payable after completion of the tenure
Car	Our Company shall provide him car with chauffeur for official business
Telephone	Our Company shall provide him with telephone at residence and mobile phone for official business
Other expenditures	Our Company shall pay or reimburse all costs, charges and expenses that he may incur for official business

***Terms and conditions of revision of remuneration payable to Shri. Virendra N. Mehta:***

The remuneration of Shri. Virendra N. Mehta, Whole-Time Director (Mining Division) was revised through the Special Resolution passed at the Extra-ordinary General Meeting held on March 7, 2006. The revised remuneration payable to Shri. Virendra Mehta shall come into effect from November 1, 2006 to July 31, 2010 is as follows -

Particulars	Details
Salary	Rs. 24 lacs per annum
Provident Fund	12% of Basic pay
Gratuity:	Benefits in accordance with the Rules and Regulations in force in our Company from time to time but shall not exceed a half month's salary for each completed year of service
Leave	Leave on full pay and allowance at the rate of one month for every 12 months of service payable after completion of the tenure
Car	Our Company will provide him car with chauffeur for official business
Telephone	Our Company will provide him with a mobile phone for official business
Other expenditures	Our Company will pay or reimbursement all costs, charges and expenses that he may incur for official business

**CORPORATE GOVERNANCE**

Corporate Governance is administered through our Board of Directors and various Committees of the Board. However, primary responsibility for upholding high standards of Corporate Governance and providing necessary disclosures within the framework of legal provisions and institutional conventions with commitment to enhance shareholders' value vests with our Board of Directors.

Board of Directors of our Company consists of six Directors out of which three are Executive Directors and three are Non-executive Independent Directors. The Chairman of our Company, Shri. Kiran N. Mehta is an Executive Director. Out of six Directors, three are Independent Directors as per the requirement of Clause 49 of the Listing Agreement for Corporate Governance. Pursuant to listing of the Equity Shares, we would be required to enter into listing agreements with the Stock Exchanges. Our Company has complied with the SEBI Guidelines in respect of Corporate Governance, specially in respect of broad basing of Board, constituting the Committees such as the Shareholding/Investor Grievance Committee, etc. We are in compliance with the applicable provisions of listing agreements pertaining to corporate governance, including appointment of independent Directors and constitution of the following committees of our Board.

**Audit Committee**

Our Company had formed Audit Committee vide Resolution of the Board of Director dated October 19, 2005 and re-constituted vide Circular Resolution dated May 28, 2007. The members of the Audit Committee of the Board currently consist of Shri. Kiran N. Mehta, Shri. D. K. Mukhopadhyay and Shri. S. Rajagopal, directors of our Company. Shri. S. Rajagopal has been appointed as Chairman of the Audit Committee at the meeting of the Audit Committee held on June 20, 2007. Our Audit Committee consists three Directors, in which two Directors are independent. The audit committee shall meet atleast twice a year and not more than four months shall elapse between two meetings.

The duties and responsibilities of the audit committee include the following -

- To discuss with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors, if any.
- To review the half yearly and annual financial statements before submission to the Board of Directors of our Company.
- To ensure compliance of internal control systems.

- To investigate into any matter referred in Section 292A of the Companies Act, 1956 or referred to it by the Board of Directors of our Company.
- To have full access to information contained in the records of our Company and external professional advice, if necessary.
- The recommendations of the Audit Committee on any matter relating to financial management including the Audit Report, shall be binding on the Board of our Company.
- If the Board of our Company does not accept the recommendations of the Audit Committee, it shall record the reasons therefore and communicate such reasons to the shareholders.
- The Auditors, the Internal Auditor, if any, and the Director-in-charge of finance shall attend and participate at the meetings of the Audit Committee but shall not have the right to vote.
- The Chairman of the Audit Committee shall attend the Annual General Meetings of our Company to provide any clarification on matters relating to audit.

### Shareholders'/Investors' Grievance Committee

For redressing the Shareholders'/Investors' complaints, our Company has formed Shareholders'/Investors' Grievances Committee vide Resolution of the Board of Directors dated November 16, 2006 and re-constituted vide Resolution dated June 20, 2007. The Investor Grievance Committee of our Company consists of Shri. D. K. Mukhopadhyay, Shri. S. Rajagopal and Shri. S. K. Srivastav. Shri. S. K. Srivastav has been appointed as Chairman of the Shareholders'/Investors' Grievances Committee at the meeting of the Board of Directors held on June 20, 2007. Our Company Secretary shall act as the secretary to the committee. The terms of reference of the investor grievance committee includes -

- Approving/authenticating all Equity Share transfers/transposition/transmission requests received from shareholders/investors in our Company;
- Resolving the complaints received from the investors/shareholders;
- Placing before the Board the status of various complaints received by the committee.

The investor grievance committee shall meet when required.

### Remuneration Committee

For Remuneration of Directors, the Board of Directors had constituted a Remuneration Committee vide Resolution of Board of Directors dated December 5, 2006 and re-constituted by Resolution of Board of Directors dated June 20, 2007. Committee has powers of recommending remuneration package to all Directors as per the requirements of the Clause 49 of the Listing Agreement for Corporate Governance. The Committee consists of the following Directors -

The members of the Remuneration Committee of the Board currently consist of Shri. D. K. Mukhopadhyay, Shri. S. Rajagopal and Shri. S. K. Srivastav, directors of our Company. Shri. D. K. Mukhopadhyay had been appointed as Chairman of the Remuneration Committee at the meeting of Board of Directors held on June 20, 2007. The Remuneration Committee to determine on their behalf and on behalf of the shareholders with agreed terms of the reference, the Companies' policy on specific remuneration packages for the executive directors including pension rights and any compensation payment.

### Shareholding of Directors

Details of the shareholdings of our Directors in our Company as on the date of filing this Prospectus are given in the following table -

Name of the Director	No. of Equity Shares held	As a % of Pre-Issue paid up capital
Shri. Kiran N. Mehta	65,03,820	49.60
Shri. Kailash S. Agarwal	43,35,880	33.07
Shri. Virendra N. Mehta	800	0.01
<b>Total</b>	<b>10,840,500</b>	<b>82.67</b>

## Interest of Directors

All Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association. The Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of our Company. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any already held by them or their relatives in our Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Virendra N. Mehta are also Promoters/directors of few of the other Promoter Group Companies. For more details of related party transaction, please refer to the section titled “Auditors Report” starting on page no. 104 of this Prospectus.

## Change in Board of Directors

Details of change in our Board of Directors in last three years are given below -

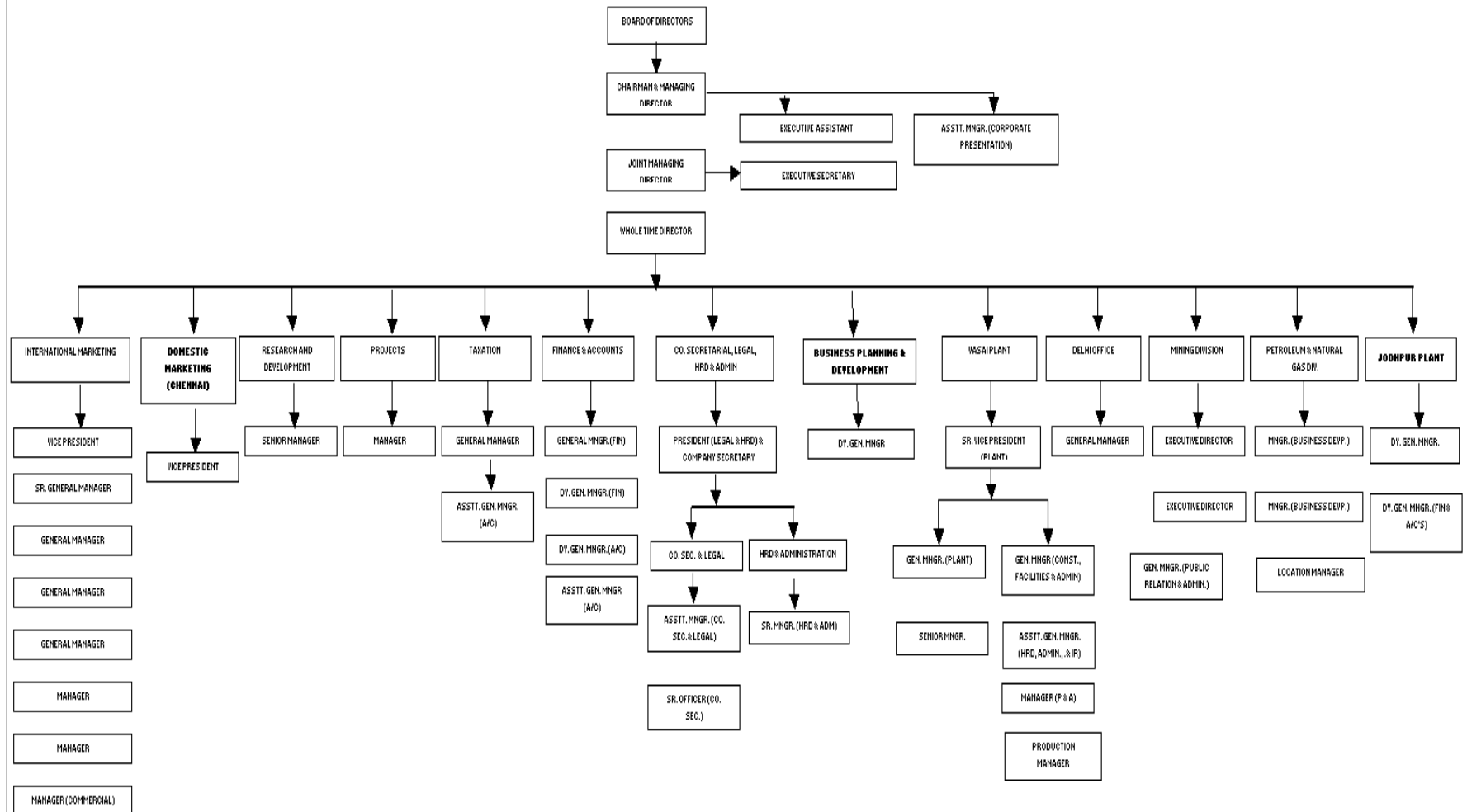
Name of the Director	Change	Effective Date	Reasons
Shri. Kailash S. Agarwal	Designation changed from Whole-time Director to Joint Managing Director	06-06-05	For delegation of larger responsibility
Shri. Jugal Mantri	Appointed as Additional Director	06-06-05	To broad base the Board
Shri. Virendra N. Mehta	Appointed as Additional Director	18-07-05	To broad base the Board
Shri. Virendra N. Mehta	Appointed as Whole-time Director	01-08-05	For delegation of executive responsibility
Shri. Jugal Mantri	Appointed as Whole-time Director designated as Executive Director	11-08-05	For delegation of larger responsibility
Shri. Virendra N. Mehta	Designation changed to Whole-time Director (Mining Division)	06-10-05	For delegation of specific responsibility
Shri. G. Shrinivasan	Appointed as Additional Director (Mining Division)	06-10-05	To manage Mining Division
Shri. Parasmal Shah	Appointed as Additional Director (Mining Division)	06-10-05	To manage Mining Division
Shri. Jayesh B. Jain	Appointed as Additional Director (Mining Division)	06-10-05	To manage Mining Division
Shri. Binay Kumar	Appointed as Additional Director	07-10-05	To strengthen the Board
Shri. Binay Kumar	Appointed as Whole-time Director designated as President (Group Corporate Management)	07-10-05	To strengthen the Board
Shri. Binay Kumar	Resigned as Whole-time Director designated as President (Group Corporate Management)	01-12-05	Resigned due to his pre-occupancy
Shri. Parasmal C. Mehta	Resigned as Director	01-01-06	Resigned due to his pre-occupancy

Shri. Parasmal Shah	Resigned as Additional Director (Mining Division)	01-01-06	Resigned due to his pre-occupancy
Shri. Jugal Mantri	Resigned as Whole-time Director designated as Executive Director	02-02-06	Resigned due to his pre-occupancy
Shri. R. K. Gang	Appointed as Additional Director (Petroleum Division)	13-02-06	To strengthen the Board
Shri. Aditya Kashyap	Appointed as Additional Director	20-03-06	To strengthen the Board
Shri. D. K. Mukhopadhyay	Appointed as Additional Director	20-03-06	To strengthen the Board
Shri. R. K. Gang	Resigned as Additional Director (Petroleum Division)	29-03-06	Resigned due to his pre-occupancy
Shri. Kiran N. Mehta	Re-appointed as Managing Director	01-04-06	Re-appointed
Shri. Kailash S. Agarwal	Re-appointed as Whole-time Director designated as Joint Managing Director	01-04-06	Re-appointed
Shri. G. Shrinivasan	Appointed as Director (Mining Division)	13-07-06	To regularize the appointment
Shri. Jayesh B. Jain	Appointed as Director (Mining Division)	13-07-06	To regularize the appointment
Shri. Aditya Kashyap	Appointed as Director	13-07-06	To regularize the appointment
Shri. D. K. Mukhopadhyay	Appointed as Director	13-07-06	To regularize the appointment
Shri. Sanjay C. Bhandari	Resigned as Whole-time Director	06-11-06	Resigned due to his pre-occupancy
Shri. Jayesh B. Jain	Resigned as Director (Mining Division)	06-11-06	Resigned due to his pre-occupancy
Shri. G. Shrinivasan	Resigned as Director (Mining Division)	06-11-06	Resigned due to his pre-occupancy
Shri. S. Rajagopal	Appointed as Additional Director	05-12-06	To strengthen the Board
Shri. Virendra N. Mehta	Reversal of earlier decision of the Board dated 06/10/2005 regarding transfer of services to Mining Division	03-01-07	To delegate the larger responsibility
Shri. Aditya Kashyap	Ceased to be a Director	22-04-07	Due to his sad demise
Shri. S. K. Srivastav	Appointed as Additional Director	20-06-07	To strengthen the Board
Shri. S. Rajgopal	Appointed as Director	16-07-07	To regularize the appointment
Shri. S.K. Srivastav	Appointed as Director	16-07-07	To regularize the appointment

### Changes in Auditors

There has been no change in the Statutory Auditors of our Company since inception.

# ORGANISATION CHART



## KEY MANAGERIAL PERSONNEL

The brief profile of our Key Managerial Personnel other than our Directors and Promoters are given below-

**Shri. G. Shrinivasan, Executive Director (Mining Division)**, has relevant experience since 1989. He is a qualified Engineer. Prior to joining us he was working with Canara Overseas Limited as Director. He joined us as an Additional Director (Mining Division) in October 2005 and resigned in November 2006. Subsequently, he was again appointed as Executive Director (Mining Division) in November 2006 and has since been looking after the pre operative activities of our proposed mining business.

**Shri. Jayesh Jain, Executive Director (Mining Division)**, has experience since 1995. He holds a Bachelors degree in Commerce. He is earlier engaged in his own business of clearing and forwarding, shipping and logistics activities. He joined us as an Additional Director (Mining Division) in October 2005 and resigned in November 2006. He was again appointed as an Executive Director (Mining Division) in November 2006. Currently he is handling pre operative activities of our proposed mining business

**Shri. Rajendra Kumar Haran, President – Legal & HRD and Company Secretary**, has relevant experience since 1975 in Legal, Human Resource Development (HRD) & Administration and Company Secretarial related matters. He holds a degree in Masters of Commerce and is a qualified Company Secretary. Before joining our Company he worked as Associate Vice President (Legal & HRD) & Company Secretary with Uttam Galva Steels Limited. He joined us as Senior Vice President (Legal & HRD) & Company Secretary in October 2005. Since then, he has been looking after Legal, Secretarial and HRD & Administration related matters of our Company.

**Shri. Sanjay C. Bhandari, Senior Vice President (Plant)**, has relevant experience since 1996. He has qualification of Pre University Examination (PUC). Prior to joining us, he was engaged in his own family business of Stainless Steel Kitchenware at M/s. Steel Centre, Hubli. He joined us as an Additional Director in April 2003 and resigned in November 2006. He was re-appointed as Senior Vice President (Plant) in November 2006. Currently he is in-charge of the overall operations and management of the Vasai Project and its business activities.

**Shri. Ashish Mehta, Vice President (International Marketing)**, has requisite experience since 2004 in International marketing. He holds a Bachelors degree in Commerce with the additional qualification of Post Graduate Diploma in Business Management. Prior to joining us he was working as Marketing Manager with White Impex Gen, Dubai. He joined us as General Manager (International Marketing) in March 2006. Currently he is heading the International Marketing Department of our Company.

**Shri. Sanjay Sharma, Senior General Manager (International Marketing)**, has experience since 1988. He holds a Bachelors degree in Electrical Engineering with the additional qualification of Post Graduate Diploma in Business Administration. Prior to joining us he was working as Senior Vice President & Head (International Business and Sourcing) with Kanchan International Limited. He joined us as Senior General Manager (International Marketing) in May 2007. Currently he is working with the International Marketing Department of our Company.

**Shri. Devendra Kapil, Brigadier (retired) General Manager (Construction, Facilities & Administration)**, has relevant experience since 1975. He holds a bachelors degree in Civil Engineering and Agriculture with additional qualification of Masters in Business Administration. He joined us as General Manager (Construction, Facilities & Administration) in December 2005. Prior to joining us he was working as Joint Director & Head of Structures Group for DRDO Lab. His scope of work includes monitoring construction activities, providing facilities and administrative support to Vasai Project.

**Smt. Josephine Noronha, General Manager**, has requisite experience since 1980. She holds a Bachelors Degree in Arts. She joined us as Export Manager since inception of our Company. Before joining us she was working as Steno cum Secretary with Zandu Pharmaceutical Works Ltd. Currently she is looking after the day-to-day work of export documentation.

**Shri. Sachin Wagh, Deputy General Manager (Finance)**, has requisite experience since 1994. He holds a Bachelors degree in Commerce and is a diploma holder in EXIM Management. He joined us as Export Executive in July 1996. Prior to joining us he was working as Senior Faculty with Apex Consultant. Currently he is looking after day-to-day Treasury functions of our Company.

**Shri. Mahesh Bhandari, General Manager (Plant)**, has requisite experience since 1990. He is Senior Secondary Certificate (SSC) pass. He joined us as Head of Warehouse in February 2001. Before joining us he was engaged in his own family business of Stainless Steel Kitchenware at M/s. Steel Centre, Hubli. Currently he is handling operational and commercial activities of the Vasai Project.

**Shri. Manish Agarwal, General Manager (Delhi Branch)**, has requisite experience since 2003. He holds a Bachelors degree in Commerce and is a qualified Chartered Accountant. He joined us as Management Trainee in January 2003. Presently he is heading our branch office at Delhi.

**Shri. T. R. Parmeshwar, General Manager (International Marketing)**, has requisite experience since 1990. He holds a Bachelors degree in Commerce and has also done Post Graduate Diploma in Industrial Relations and Personnel Management. He joined us as Officer (Administration) in April 2002. Prior to joining us he was working with Integra Micro System (P) Ltd as Administrative Officer. Currently he is working with the International Marketing Department of our Company.

**Shri. Muralidharan Nair, General Manager (International Marketing)**, has requisite experience since 1991. He holds a Bachelors degree in Science. He joined us as General Manager (International Marketing) in November 2006. Prior to joining us he was engaged in his own business of Corporate Consultancy. Currently he is working with the International Marketing Department of our Company.

**Shri. Nand Kumar Inamdar, General Manager (Taxation)**, has requisite experience since 1971. He holds a Bachelors degree in Science. He joined us as General Manager (Taxation) in April 2007. He was earlier working with Income Tax department for a period of 36 years. Currently he is managing the Taxation related activities of our Company.

**Shri. Mayur Doshi, General Manager (Finance)**, has requisite experience since 1992. He holds a Masters degree in Commerce with additional qualification of Masters in Business Administration in Finance. He joined us as Deputy General Manager (Finance) in June 2006. Prior to joining us he was working earlier as Assistant General Manager (Finance) with Gandhi Group of Companies. Currently he is working with the Finance Department of our Company.

**Shri. Sandip Lodha, Deputy General Manager (Accounts)**, has requisite experience since 2001. He holds a Bachelors degree in Science and is a qualified Chartered Accountant. He joined us as Deputy Manager (Finance & Accounts) in May 2004. He was working earlier as Manager (Finance & Accounts) with Kisan Group of Companies. Currently he is working with the Accounts & Finance department of our Company.

**Shri. Ankur Mangal, Deputy General Manager (Finance & Accounts)**, has requisite experience since 2003. He holds a Bachelors degree in Commerce and is a qualified Chartered Accountant. He joined us as Assistant Manager (Finance & Accounts) in September 2003. Currently he is working with the Accounts & Finance department of our Company at our Jodpur Mill.

**Shri. Sachin Mundada, Assistant General Manager (Accounts)**, has requisite experience since 2003. He holds a Bachelors degree in Commerce and is a qualified Chartered Accountant and Cost and Work Accountant. He joined us as Management Trainee in April 2003. Currently he is looking after the taxation matters of our Company.

**Shri. Anil Chaplot, Assistant General Manager (Accounts)**, has requisite experience since 2003. He holds a Bachelors degree in Commerce and is a qualified Chartered Accountant. He joined us as Assistant Manager (Finance & Accounts) in April 2004. Prior to joining us he was working with Lodha & Co., Chartered Accountant firm as Senior Auditor. Currently he is handling Accounts related work of our Company.

**Shri. Senthil Nathan S, Vice President (Domestic Marketing)**, has requisite experience of 10 years especially in Sales and Marketing Department. He has dealing with banks and financial institutions. He holds a Bachelors' Degree in Physics, Masters' Degree in Public Administration, Masters in Philosophy in Public Administration and MBA in Marketing. Prior to joining us he was working with Bergner Impex India Private Limited. Currently he is responsible to manage the domestic marketing department of the Company from our office at Chennai.

Other than the above mentioned, please refer to section titled "Our Management" starting from page no. 87 of this Prospectus for brief biographies of our Directors.

We undertake and confirm that all the Key Managerial Employees mentioned in this section are permanent Employees of our Company

#### ***Shareholding of Our Key Managerial Personnel in Our Company***

Our Articles of Association do not require our key managerial personnel to hold any Equity Shares in our Company. The following table details the shareholding of our key managerial personnel in their personal capacity and either as sole or first holder, including proposed transfers.

<b>Name of the Key Managerial Personnel</b>	<b>No. of Equity Shares held</b>	<b>As % of Pre-Issue paid-up capital</b>
Shri. Sanjay Bhandari, Sr. Vice President (Plant)	8,000	0.06

#### **Bonus or Profit Sharing Plan for Our Key Managerial Personnel (Other than whole time directors)**

There is no bonus or profit sharing plan with our Key Managerial Personnel save and except the bonus paid under the payment of Bonus Act, 1972 to the Key Managerial Personnel (except the whole time directors & Managing director) as explained below.

Under the terms of the employment, our key managerial personnel are entitled to the following benefits:

#### **Benefits to our employees**

Currently, our Company does not have a performance linked bonus or a profit sharing scheme for the employees. The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled as per the terms of their appointment and reimbursement of expenses incurred by them during the ordinary course of business.

#### ***Gratuity Scheme***

Our Company had entered into a Deed of Trust dated August 1, 2006 with the following persons, Shri. Kiran N. Mehta - Chairman and Managing Director, Shri. Narendra Singh Mehta – Vice President (Accounts) ("the Trustees") for setting up a Trust in relation to the Group Gratuity Scheme. The Scheme is called as "Varun Industries Limited Employees' Group Gratuity Assurance Scheme" ("the Scheme" or "the Fund"). In this context, the Trustees have obtained an insurance policy with the Life Insurance Corporation of India (the "Corporation") being Master Policy No. GGCA/700409 dated August 31, 2006, date of commencement of policy being May 01, 2006. Shri. Sandip Lodha, Dy. General Manager – Accounts was appointed as trustee w.e.f. April 25, 2007 and Shri. N. S. Mehta ceased to be trustee w.e.f. May 15, 2007.

The salient features of the Scheme are as under:

*Coverage:* Permanent employees between 18 to 64 years of age shall be eligible to participate in the Scheme. An employee has been defined to mean an employee participating in this Scheme other than personal and domestic servants and shall be deemed to include the Directors who are the whole-time bonafide employees of our Company and do not beneficially own shares in our Company carrying more than 5% voting right in our Company.

*Effective Date:* The Effective Date of the Scheme is May 01, 2006.

*Income Tax Approval:* Our Company has applied to the Income Tax Department for the approval of the Scheme under Part 'C' of the Fourth Schedule to the Income Tax Act, 1961, vide a letter-dated 12.9.2006. The approval is awaited.

*Contribution:* Our Company shall pay to the Trustees a "Contribution" amount, which amount is based on the number of employees eligible to participate in the Scheme ("Eligible Employees"). The ordinary annual contribution shall be such amount as shall be determined and recommended by the Corporation for securing the benefits to be provided to the Eligible Employees. The contribution shall be expressed as a percentage of salary of each member and is subject to variation. However, the total contribution payable by our Company shall not exceed 8.33% of the Eligible Employee's salary.

*Insurance:* In consideration of the premium payable by the Trustees to the Corporation, the Corporation shall effect a One Year Renewable Term Assurance Plan on each Eligible Employee for a sum assured equal to the difference between: (a) 15 days salary as on the date of entry into the Scheme or the Annual Renewal Date as the case may be for each year of his Anticipated Service subject to maximum limit specified in the Payment of Gratuity Act amended from time to time; and (b) 15 days salary as on the date of entry into the Scheme or the Annual Renewal Date, as the case may be, for each year of service subject to maximum limit specified in the Payment of Gratuity Act amended from time to time and the same shall be payable on death of Eligible Employees.

*Benefits:* In addition to the insurance cover, the Scheme also provides for gratuity payment for Eligible Employees on their retiring on or after reaching normal retirement age (65 years), or on their death whilst in service, after normal retirement age or retirement owing to ill-health or incapacitation.

*No lien or charge:* Money belonging to the Fund in the hands of the Trustees shall not be recoverable by our Company, and it shall not have any lien or charge of any description over the Fund.

*Amendments/Modifications:* Amendments/modifications to the Scheme and its Rules can be effected by the Trustees with the prior consent of our Company. In specified cases, consent of the Corporation is also required. No such amendment can be made without the prior consent of the Commissioner of Income-Tax. Further, such amendments cannot be inconsistent with the main objects of the trust created or prejudice the rights or interests of Eligible Employees.

### **Interest of Key Management Personnel**

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in our Company, if any.

Except as stated otherwise in this Prospectus, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Prospectus in which the key managerial personnel 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.

### Change in Key Managerial Personnel during last one year

Sr. No.	Name	Designation	Date of Joining	Date of Resignation	Reason
1.	Shri. Binay Kumar	Whole Time Director on Board Designated as President (Group Corporate Management)	05.10.2005	20.11.2005	Personal Reasons
2.	Shri. Devendra Shrimall	General Manager (Marketing)	16.08.2005	18.04.2006	Personal Reasons
3.	Shri. Jugal Mantri	Chief Executive Officer	02.01.2003	30.04.2006	Personal Reasons
4.	Shri. M. R. Bhansali	Executive President	15.12.2005	02.05.2006	Personal Reasons
5.	Shri. Ashok Mehta	Vice President (Plant)	21.03.2006	24.01.2007	Personal Reasons
6.	Shri. Devesh Dubey	Assistant General Manager (International Marketing)	03.03.2006	02.04.2007	Personal Reasons
7.	Smt. Josephine Noronha	General Manager	08.03.1996	-	For Professional Management
8.	Shri. Sachin Wagh	Deputy General Manager (Finance)	01.07.1996	-	For Professional Management
9.	Shri. Mahesh Bhandari	General Manager (Plant)	20.02.2001	-	For Professional Management
10.	Shri. T. R. Parmeshwar	General Manager (International Marketing)	18.04.2002	-	For Professional Management
11.	Shri. Sachin Mundada	Assistant General Manager (Accounts)	03.04.2003	-	For Professional Management
12.	Shri. Manish Agarwal	General Manager (Delhi Branch)	08.01.2003	-	For Professional Management
13.	Shri. Ankur Mangal	Deputy General Manager (Finance & Accounts)	11.09.2003	-	For Professional Management
14.	Shri. Sandip Lodha	Deputy General Manager (Accounts)	03.05.2004	-	For Professional Management
15.	Shri. Anil Chaplot	Assistant General Manager (Accounts)	22.04.2004	-	For Professional Management
16.	Shri. Rajendra Kumar Haran	President -Legal & HRD and Company Secretary	05.10.2005	-	For Professional Management
17.	Shri. Devendra Kapil, Brigadier retired	General Manager (Construction, Facilities & Administration)	14.12.2005	-	For Professional Management
18.	Shri. Muralidharan Nair	General Manager (International Marketing)	01.11.2006	-	For Professional Management
19.	Shri. Ashish Mehta	Vice President (International Marketing)	16.03.2006	-	For Professional Management
20.	Shri. Narendra Singh Mehta	Vice President (Accounts)	20.03.2006	15.05.2007	For personal reasons
21.	Shri. G. Shrinivasan	Executive Director (Mining Division)	07.11.2006	-	For Professional Management
22.	Shri. Jayesh Jain	Executive Director (Mining Division)	07.11.2006	-	For Professional Management
23.	Shri. Sanjay Bhandari	Senior Vice President (Plant)	07.11.2006	-	For Professional Management
24.	Shri. Mayur Doshi	General Manager (Finance)	08.06.2006	-	For Professional Management
25.	Shri. Nandkumar Inamdar	General Manager (Taxation)	10.04.2007	-	For Professional Management
26.	Shri. Sanjay Sharma	Sr. General Manager (International Marketing)	31.05.2007	-	For Professional Management
27.	Shri. Senthil Nathan S,	Vice President (Domestic Marketing)	24.09.2007	-	For Professional Management

## OUR PROMOTERS

Our Promoters are Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Virendra N. Mehta. The details of our Promoters are given in the following -

	<p><b>Shri. Kiran N. Mehta</b>, 46 years, Chairman and Managing Director</p> <p><b>Qualification:</b> B. Com.</p> <p><b>Background:</b> Shri. Kiran N. Mehta belongs to a traditional business family from Rajasthan. He carries vast industrial experience of more than 25 years. He has hands on experience of more than two decades in marketing; export management and business relation management. He is one of the main Trustee of Chunnilal Bakhtawarmal Mehta Charitable Trust involved in welfare of poor and needy.</p> <p>Voter ID is MT/05027/105533. PAN is ADUPM1326J Bank Account No. is SB 319102010078381 with Union Bank of India, Mumbai Passport No. is F7195569</p>
	<p><b>Shri. Kailash S. Agarwal</b>, 40 years, Joint Managing Director</p> <p><b>Qualification:</b> B.Com.</p> <p><b>Background:</b> He belongs to traditional business family from Rajasthan. He carries all round experience of more than 18 years in Business Management and has got hands on experience in product designing, procurement and marketing. He has travelled extensively across the globe and gained impeccable expertise in understanding the varying needs of specific country's requirement. He has also been awarded the title "Samaj Ratna" by Agrasen Association, Jodhpur. He has been actively involved in providing his services to the Jodhpur Association, Mumbai. He is also one of the main Trustee of Chunnilal Bakhtawarmal Mehta Charitable Trust involved in welfare of poor and needy.</p> <p>Voter ID is MT/05/027/105594 PAN is AACPA6833F Driving License No. is MH/01/89/9414 Bank Account No. is SB 319102010078402 with Union Bank of India, Mumbai Passport No. is F4069977</p>
	<p><b>Shri. Virendra N. Mehta</b>, 47 years, Whole Time Director</p> <p><b>Qualification:</b> B.Com.</p> <p><b>Background:</b> He is looking after the Business and new projects of our Company. He has rich experience in Local Marketing, Public Relationship Management and New Projects. He has widely travelled across the Country.</p> <p>Voter ID is RJ/24/184/228029 Driving License No. is RJ 19/DLC/99/12412 PAN is AAUPM7826L Bank Account No. is SB 79921 with Union Bank of India, Mumbai Passport No. is A4052716</p>

The Permanent Account Number, Bank Account Number and Passport Number of our Promoters has been submitted to the Stock Exchange at the time of filing this Draft Prospectus with these Stock Exchanges.

**Common Pursuits**

For more details, please refer to the section titled “Our Management” starting from page no. 87 of this Prospectus.

**Interest of the Promoters**

For more details, please refer to the section titled “Our Management” starting from page no.87 of this Prospectus.

**Related Party Transactions**

For the detail of such transaction, please refer to the section titled ‘Financial Statements’ beginning from page no. 104 of this Prospectus.

**Currency of Presentation**

Our currency of presentation in this Prospectus is Indian Rupee (Rs.) in lacs only unless otherwise mentioned.

**Dividend Policy**

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders. However, the declaration of dividend may require prior approval of some of our lenders as per the terms of the loan agreements executed with them. Declaration of dividend will also depend on a number of factors, including but not limited to our Company’s earnings, capital requirements and overall financial condition. Our Company has no stated dividend policy.

## SECTION V – FINANCIAL STATEMENTS

### AUDITORS' REPORT

**Auditors Report as required by Part II Schedule II of the Companies Act, 1956**

**The Board of Directors,  
Varun Industries Limited,**  
13, Shankeshwar Darshan,  
A.G. Pawar Cross Lane,  
Byculla (East),  
Mumbai – 400027

**Ref: Initial Public Offer of VARUN INDUSTRIES LIMITED**

Dear Sirs,

We have examined the financial information of Varun Industries Limited annexed to this report which have been prepared in accordance with the requirements:

- a) Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 (the Act),
- b) 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) and amendments made thereto from time to time in pursuance of section 11 of the Securities and Exchange Board of India Act, 1992; and
- c) The instruction received from the company requesting to examine the financial information referred to above and proposed to be included in the letter of offer of the company in connection with its proposed Initial Public Offer (IPO).

#### **Financial information as per audited financial statements:**

We have examined the attached summary statements of restated Assets & Liabilities of the Company as at 31<sup>st</sup> March 2003, 31<sup>st</sup> March 2004, 31<sup>st</sup> March 2005, 31<sup>st</sup> March 2006, 31<sup>st</sup> March 2007 and 31<sup>st</sup> July 2007 (Annexure-I) and accompanying summary statement of restated Profit & Loss of the Company for the financial year(s) ended 31<sup>st</sup> March 2003, 31<sup>st</sup> March 2004, 31<sup>st</sup> March 2005, 31<sup>st</sup> March 2006, 31<sup>st</sup> March 2007 and period ended 31<sup>st</sup> July 2007 (Annexure-II) together referred to as 'Summary Statements' as prepared by the Company and approved by the Board of Directors. These statements reflect the Assets and Liabilities and Profits & Losses for each of the relevant years as extracted from the Balance Sheet and Profit and Loss Account for those years audited by us. These statements have been made after making such adjustment/ regroupings as in our opinion are appropriate and more fully described in the Notes appearing in Annexure III to this report.

Based on our examination of these summary statements we confirm that:

- a) There had been no change in accounting policies adopted by the company therefore adjustment of such in financial statements does not arise.
- b) The previous year adjustments/regroupings have been made in the summary statements in the year to which they relate.
- c) There are no qualifications in the auditors' reports, which require any adjustment to the summary statement.

The company has declared/paid dividend in respect of the accounting years ending 31<sup>st</sup> March 2003, 31<sup>st</sup> March 2004, 31<sup>st</sup> March 2005, 31<sup>st</sup> March 2006 and 31<sup>st</sup> March 2007 as mentioned in Annexure V to this report.

### Other Financial Information:

We have examined the following financial information relating to the company prepared by the management and approved by the Board of Directors for the purpose of inclusion in the Offer Document:

1.	Accounting Ratios	Annexure VI
2.	Capitalisation Statement	Annexure VII
3.	Statement of Tax Shelters	Annexure VIII
4.	Secured Loans	Annexure IX
5.	Unsecured Loans	Annexure X
6.	Principal Terms of Secured Loans	Annexure XI
7.	Investments	Annexure XII
8.	Sundry Debtors	Annexure XIII
9.	Loans & Advances	Annexure XIV
10.	Other Current Assets	Annexure XV
11.	Contingent Liabilities	Annexure XVI
12.	Cash Flow Statements	Annexure XVII
13.	Other Income	Annexure XVIII
14.	Related Party Transactions	Annexure XIX

### Consolidated Group:

We have examined the 'Statement of Consolidated Profit & Losses – restated (Annexure-XX) for the financial year ended on 31<sup>st</sup> March 2007 and period ended 31<sup>st</sup> July 2007, the 'Statement of Consolidated Assets & Liabilities – restated (Annexure-XXI) as on that dates, the 'Statement of Consolidated Cash Flows – restated (Annexure-XXII) for the financial year ended 31<sup>st</sup> March 2007 and period ended 31<sup>st</sup> July 2007 read with restated significant accounting policies and notes forming part of consolidated balance sheet and profit & loss account (Annexure-XXIII) as prepared by the Company and approved by the Board of Directors of the Company. The financial statements of the Subsidiaries for the year ended March 31st, 2007 and period ended 31<sup>st</sup> July 2007 have been audited by us and in our opinion, in so far as they relate to the amounts included in respect of the subsidiaries are based solely on their respective reports.

In our opinion, the above financial information of the company read with Significant Accounting Policies and Notes on Accounts attached in Annexure IV to this report, after making adjustments and regrouping as considered appropriate, has been prepared in accordance with Part II of the Schedule II of the Act and the SEBI Guidelines.

This report should not be in any way construed as re-issuance of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred therein.

This report is intended solely for your information and for inclusion in the offer documents in connection with the specific Public Offer 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,

For **Chunnilal & Co.**

Chartered Accountants

Sd/-

**CA. Chunnilal Choudhary**

Proprietor

Membership No. 37784

Date: October 1<sup>st</sup> 2007

Place: Mumbai

**ANNEXURE-I**  
**SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

(Rs. In Lacs)

	As at					
	31 <sup>st</sup> July, 2007	31 <sup>st</sup> March, 2007	31 <sup>st</sup> March, 2006	31 <sup>st</sup> March, 2005	31 <sup>st</sup> March, 2004	31 <sup>st</sup> March, 2003
Particulars	4 months	12 months	12 months	12 months	12 months	12 months
<b>A. Fixed Assets:</b>						
Gross Block	7,572.66	6,463.77	5,006.84	2,928.19	317.79	268.67
Less: Depreciation	866.94	721.30	329.10	148.15	104.58	78.47
<b>Net Block</b>	<b>6,705.72</b>	<b>5,742.47</b>	<b>4,677.74</b>	<b>2,780.04</b>	<b>213.21</b>	<b>190.2</b>
Capital Work in Progress & Advances	2,673.87	2,799.66	1,335.29	1,651.71	634.12	-
<b>Total</b>	<b>9,379.59</b>	<b>8,542.13</b>	<b>6,013.03</b>	<b>4,431.75</b>	<b>847.33</b>	<b>190.20</b>
<b>B. Investments</b>	<b>1,057.33</b>	<b>1,045.70</b>	<b>203.26</b>	<b>138.57</b>	<b>1.25</b>	<b>1.25</b>
<b>C. Current Assets, Loans and Advances:</b>						
Inventories	7,318.14	7,076.97	5,781.96	7,274.43	4,821.72	3,983.23
Sundry Debtors	27,053.88	20,548.42	14,804.76	4,638.92	5,140.53	5,036.78
Cash and Bank Balances	3,789.97	3,226.71	3,488.00	2,586.94	2,616.93	2,000.67
Other Current Assets	1,074.96	1,350.59	1,023.40	1,494.73	1,269.20	1,935.27
Loans and Advances	3,936.94	5,273.19	5,405.18	3,991.61	2,936.59	1,625.68
<b>Total</b>	<b>43,173.89</b>	<b>37,475.88</b>	<b>30,503.31</b>	<b>19,986.63</b>	<b>16,784.97</b>	<b>14,581.63</b>
<b>D. Liabilities and Provisions:</b>						
Secured Loans	33,892.59	31,558.45	20,503.51	14,503.64	10,110.06	6,602.56
Unsecured Loans	3,541.43	2,502.44	-	-	-	4.01
Current Liabilities	4,473.58	2,191.71	6,764.69	1,786.05	657.6	2,003.47
Provisions	70.41	15.51	11.45	13.49	9.11	8.00
Deferred tax Liability	683.22	651.86	557.56	291.23	33.93	33.86
<b>Total</b>	<b>42,661.23</b>	<b>36,919.97</b>	<b>27,837.21</b>	<b>16,594.41</b>	<b>10,810.70</b>	<b>8,651.90</b>
<b>E. Net Worth (A+B+C-D)</b>	<b>10,949.58</b>	<b>10,143.74</b>	<b>8,882.39</b>	<b>7,962.54</b>	<b>6,822.85</b>	<b>6,121.18</b>
<b>F. Represented by</b>						
1.Share Capital	1,311.28	1,311.28	1,311.28	655.64	327.82	163.91
2.Reserves	9,638.30	8,832.46	7,571.11	7,307.27	6,495.78	5,958.40
Less: Misc Expenses	-	-	-	0.37	0.75	1.13
Net Reserves	9,638.30	8,832.46	7,571.11	7,306.90	6,495.03	5,957.27
<b>Net Worth</b>	<b>10,949.58</b>	<b>10,143.74</b>	<b>8,882.39</b>	<b>7,962.54</b>	<b>6,822.85</b>	<b>6,121.18</b>

**ANNEXURE-II**  
**SUMMARY STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED**

(Rs. in Lacs)

	31.07.2007	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
For the period ended	4 months	12 months	12 months	12 months	12 months	12 months
<b>INCOME</b>						
<b>Sales:</b>						
Export Sales	29,708.52	74,003.42	59,498.97	52,784.48	32,289.17	12,158.44
Local Sales	-	-	4.26	-	22.98	81.00
Sale of Wind Power	126.85	194.82	140.80	-	-	-
Export Incentives	787.91	1,648.99	1,112.60	4,582.38	5,546.31	2,001.61
Other Income	92.09	231.10	193.29	165.89	191.30	186.36
<b>TOTAL</b>	<b>30,715.37</b>	<b>76,078.33</b>	<b>60,949.92</b>	<b>57,532.75</b>	<b>38,049.76</b>	<b>14,427.41</b>
<b>EXPENDITURE</b>						
Materials Consumed (including packing material)	27,409.29	67,750.26	55,631.55	52,510.79	34,552.95	12,425.30
Personnel Cost	240.92	574.72	270.76	182.41	149.97	90.05
Administration Expenses	229.57	780.41	627.19	735.30	522.21	266.19
Selling and Distribution Expenses	248.48	966.06	918.86	1,685.77	1,442.20	557.09
Depreciation	161.12	404.94	180.95	48.19	32.25	26.52
Interest and Financial charges	1207.38	2,718.08	1,193.20	638.21	537.87	435.80
<b>Total Expenditure</b>	<b>29,496.76</b>	<b>73,194.47</b>	<b>58,822.52</b>	<b>55,800.67</b>	<b>37,237.46</b>	<b>13,800.95</b>
Net Profit before tax and extraordinary items	1,218.61	2,883.86	2,127.41	1,732.08	812.31	626.46
<b>Taxation</b>						
Income Tax	375.00	800.00	455.00	145.00	-	-
Deferred tax	31.36	94.30	266.33	257.30	0.08	33.86
Fringe Benefit Tax	7.90	26.70	11.31	-	-	-
Wealth Tax	1.55	4.77	3.95	2.27	-	-
<b>Net Profit before extraordinary items</b>	<b>802.80</b>	<b>1,958.09</b>	<b>1,390.82</b>	<b>1,327.51</b>	<b>812.23</b>	<b>592.6</b>
<b>Extra-ordinary items</b>						
Profit/(Loss) on sale of Fixed assets	0.46	(6.38)	-	0.13	-	0.99
Profit/(Loss) on sale of current investments	2.58	-	51.98	(3.00)	-	8.28
<b>Net Profit after Extraordinary Items</b>	<b>805.84</b>	<b>1,951.71</b>	<b>1,442.80</b>	<b>1,324.64</b>	<b>812.23</b>	<b>601.87</b>

**ANNEXURE-III****NOTES TO ADJUSTMENTS/REGROUPINGS CARRIED OUT IN RESTATED FINANCIAL STATEMENTS**

Restated Financial Statements have been prepared in respect of five years commencing from the financial years ended 31.03.2003 to 31.03.2007 and four months ended on 31.07.2007. There has been no material adjustments carried out in the restated financial statements.

**Material Regroupings.**

Following regroupings has been made to keep in line previous year's figures with figures with latest audited financial statements:

**(i) Profit/(Loss) on Sale of Fixed Assets and Profit/(Loss) on Sale of Investments.**

Profit/(Loss) on Sale of Fixed Assets and Profit/(Loss) on Sale of Investments have been shown under the head 'Other Incomes' & 'Administrative Expenses' in the Profit & Loss Account of the financial year 2006-07, 2005-06, 2004-05 & 2002-03 and period ended 31<sup>st</sup> July 2007. The same has been disclosed separately as Extra Ordinary Items in the summary statement of Profit & Loss Account as restated for the financial year ended 31.03.2007, 31.03.2006, 31.03.2005 & 31.03.2003 and period ended 31.07.2007.

**(ii) Sales figures for the Financial Year 2002-2003.**

Under the head Sales, figures of Export Incentives for the Financial Year 2002-2003 were shown as Net off Sales Tax in the respective financial years' Profit & Loss Account, therefore these sales figures are grossed up with sales tax in restated financial statements.

**(iii) DEPB Receivable was clubbed with Sundry Debtors in the Financial Year 2002-2003, however in restated financial statements it is regrouped under the head Other Current Assets.****(iv) Exchange difference arises due to fluctuation of foreign currency is clubbed with Export Sales figures in all the years. Earlier it was shown separately under "Interest and Finance Charges".**

## **ANNEXURE - IV**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

#### **A. SIGNIFICANT ACCOUNTING POLICIES**

##### **1) ACCOUNTING CONVENTION**

The Company prepares its Financial Statements on accrual basis in accordance with generally accepted Accounting Principles and complies with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956.

##### **2) FIXED ASSETS**

Fixed Assets are stated at cost of acquisition or construction, which comprise all related expenses upto acquisition and installation of the fixed assets including adjustments consequent to subsequent variation in rates of exchange in respect of fixed assets acquired by foreign currency term loan.

##### **3) DEPRECIATION**

Depreciation on fixed assets except Leasehold Land and Wind Power Project have been provided on Written- Down Value method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Amount paid on Leasehold Land has been amortised over the period of lease. Depreciation on Wind Power Project has been spread over to 20 years period and written off proportionately for the year. Depreciation on addition and deduction of fixed assets is calculated on Pro-Rata basis.

##### **4) INVESTMENTS**

- a) Long-term investments are stated at cost. In case, there is a permanent diminution in the value of any investment, a provision for the same is made in the accounts.
- b) Quoted current investments are stated at the lower of cost or market value.

##### **5) INVENTORIES**

Inventories are carried at the lower of cost (including tax, if any) or net realizable value. The methods of determination of cost for various categories are as under:

- i) Finished Goods: First In First Out basis.
- ii) Packing Goods: Average Cost basis.

##### **6) REVENUE RECOGNITION**

- a. Sale of Goods is recognized at the same time of dispatch of goods to customers.
- b. DEPB Sales are inclusive of Sales Tax.
- c. Duty Draw back is recognized on accrual basis.
- d. Purchase cost of Finished Goods and Packing Goods has been arrived at after deducting discounts and set off.

##### **7) FOREIGN EXCHANGE TRANSACTION**

The Company has complied with AS-11 issued by ICAI as regards the provisions in respect of its Foreign Exchange Transactions. Foreign Currency Transaction relating to sale of goods recorded at the exchange rate prevailing on the date of transactions. Any exchange rate difference arises at the time of realization are separately accounted for and clubbed with the export turnover. The surplus/deficit on account of these transactions have been reported in Notes on Accounts.

## 8) DEFERRED TAX

The Deferred Tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws enacted or subsequently enacted as of the Balance Sheet date. Deferred Tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## 9) RETIREMENT BENEFITS

- Under Provident Fund and E.S.I. Scheme, Company's contribution accruing during the accounting year has been charged to Profit & Loss account.
- Encashment of leave lying to the credit of employees is not provided for on actuarial basis. It is accounted on cash basis. Therefore, it is not possible to ascertain the liability at the end of the accounting year.
- Liabilities in respect of gratuity of employees are funded under the employees' group gratuity scheme with the LIC.

## 10) 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 costs are charged to revenue.

## B. NOTES TO ACCOUNTS:

### 1) Remuneration to Directors

Particulars	(Rs. In Lacs)					
	31.07.2007 4 months	31.3.2007 12 months	31.3.2006 12 months	31.3.2005 12 months	31.3.2004 12 months	31.3.2003 12 months
Managerial Remuneration	41.33	114.94	44.68	37.80	19.26	6.60
Professional Fees	-	-	2.40	2.40	2.40	2.40
Commission	-	5.04	5.50	-	-	-
Sitting Fees	0.90	0.60	1.20	-	-	-
<b>Total</b>	<b>42.23</b>	<b>120.58</b>	<b>53.78</b>	<b>40.20</b>	<b>21.66</b>	<b>9.00</b>

### 2) Remuneration to Auditors:

Particulars	(Rs. In Lacs)					
	31.07.2007 4 months	31.3.2007 12 months	31.3.2006 12 months	31.3.2005 12 months	31.3.2004 12 months	31.3.2003 12 months
Statutory Audit	1.16	3.50	3.50	3.50	0.75	0.60
Tax Audit Fees	0.50	1.50	1.50	1.50	0.30	0.25
Taxation, Special certificates & Reports	0.34	1.00	1.00	1.00	0.20	0.20
Reimbursement of out-of pocket Exps	0.13	0.40	0.40	0.40	0.40	0.20
Service Tax	0.26	0.78	0.61	0.61	0.10	0.00
<b>TOTAL</b>	<b>2.39</b>	<b>7.18</b>	<b>7.01</b>	<b>7.01</b>	<b>1.75</b>	<b>1.25</b>

- Term Loan from Bank for Vasai Project is secured by way of Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased and to be purchased by availing such term loan and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.

- 4) Term Loan for Wind Power Project is secured by way of Pari passu first charge on the fixed assets of the Wind Power Project, Fixed Deposits under lien with bank and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- 5) Vehicle Loans are secured by way of hypothecation of the respective vehicle.
- 6) Export Packing Credit and FDBP Credit Limits are secured by first charge/hypothecation of Stock/inventory, receivables including export receivables and advances to suppliers of the Company as well as on immovable properties (shops & flats) owned by its directors and Fixed Deposits under lien with bank and second Pari passu charge on Land & Building, Plant & Machinery of Vasai Project and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- 7) Short Term Loan is secured by equitable mortgage of immovable properties owned by the company and by its directors, Fixed Deposits under lien with bank and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- 8) a) Pursuant to the Accounting Standard (AS 22) relating to “Accounting for Taxes on Income”, the company has recognized net Deferred Tax liability as under:

(Rs. In Lacs)						
Particulars	31.07.2007 4 months	31.3.2007 12 months	31.3.2006 12 months	31.3.2005 12 months	31.3.2004 12 months	31.3.2003 12 months
Deferred Tax liability	31.36	94.30	266.33	257.30	0.07	33.86

b) Deferred Tax Liability (net) at the year-end comprises timing differences on account of:

(Rs. In Lacs)						
Particulars	31.07.2007 4 months	31.3.2007 12 months	31.3.2006 12 months	31.3.2005 12 months	31.3.2004 12 months	31.3.2003 12 months
<b>Liability:</b>						
Fixed Assets	683.22	651.86	557.56	291.23	33.93	33.86
Net Deferred Tax Assets/(Liabilities)	683.22	651.86	557.56	291.23	33.93	33.86

9) **Primary Segment Information (Geographical Segments) as per AS – 17**

(Rs. In Lacs)						
Particulars	31.07.2007 4 months	31.3.2007 12 months	31.3.2006 12 months	31.3.2005 12 months	31.3.2004 12 months	31.3.2003 12 months
<b>Out of India:</b>						
American Countries	3,008	12,127	9,069	5,962	3,380	620
EU Countries	845	2,071	3,063	1,367	1,761	90
Far East & Australia	11,261	22,723	17,125	205	6,285	1,616
African Countries	520	2,381	2,843	11,201	9,276	3,885
Middle East	14,074	34,701	27,399	34,225	11,238	5,960
<b>Total</b>	<b>29,708</b>	<b>74,003</b>	<b>59,499</b>	<b>52,780</b>	<b>31,940</b>	<b>12,171</b>
Within India	127	195	145	-	23	81
<b>Total</b>	<b>29,835</b>	<b>74,198</b>	<b>59,644</b>	<b>52,780</b>	<b>31,963</b>	<b>12,252</b>

- 10) Due to appreciation/ devaluation of US Dollar in the following financial years, there is Foreign Exchange Gain/ (loss) calculated as per AS-11, which have been netted off from Export Sales:

(Rs. In Lacs)						
Particulars	31.07.2007 4 months	31.3.2007 12 months	31.3.2006 12 months	31.3.2005 12 months	31.3.2004 12 months	31.3.2003 12 months
Foreign Exchange Gain/ (loss)	138.22	(348.51)	(181.39)	81.30	336.10	(12.67)

- 11) Figures for the Previous year have been regrouped and/or reclassified, wherever necessary to confirm with current year's classification.

**ANNEXURE-V**  
**RATES OF DIVIDEND PAID**

	<b>(Rs. In Lacs)</b>				
<b>For the year ended</b>	<b>31.03.2007</b>	<b>31.03.2006</b>	<b>31.03.2005</b>	<b>31.03.2004</b>	<b>31.03.2003</b>
	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>
Equity Share Capital	1311.28	1311.28	655.64	327.82	163.91
Face Value (Rs.)	10	10	10	10	10
Nos. (Lacs)	131.12	131.12	65.56	32.78	16.39
Rate of Dividend (%)	45	45	40	30	20
Corporate Dividend Tax	100.28	64.36	21.42	12.60	4.30

# **ANNEXURE-VI** **ACCOUNTING RATIOS**

(Rs. in Lacs)

Particulars	For the period ended					
	31.07.2007*	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
	4 months	12 months	12 months	12 months	12 months	12 months
a) Earnings per share (Basic & Diluted) (Rs.)	6.15	14.88	11.00	10.10	6.19	4.59
b) Return On Net Worth (%)	7.36	19.24	16.24	16.64	11.90	9.83
c) Net Assets Value (Book) Per Share (Rs.)	83.50	77.36	67.74	60.72	52.03	46.68
Profit available to the Shareholders (Rs.)	805.84	1,951.71	1,442.80	1,324.64	812.23	601.87
Net Worth (Rs.)	10,949.58	10,143.74	8,882.39	7,962.53	6,822.85	6,121.19

- EPS= Adjusted Net Profit for the year or period /Weighted Average No. of equity shares (As per AS-20)
- Net Asset Value per equity share (Rs) = Net worth / Weighted Average No. of equity shares (As per AS-20)
- Return on Net Worth (%) = Adjusted Profit after Tax for the year or period / Net worth
- Net worth for this purpose means equity share capital + Reserves & Surplus – Miscellaneous Expenditure not Written Off.
- Weighted Average No. of Shares i.e. 131.128 Lacs shares has been considered for calculation of EPS and NAV from earliest reporting period.

\* Not Annualised

**ANNEXURE-VII  
CAPITALISATION STATEMENT**

(Rs. In Lacs)

<b>Particulars</b>	<b>Pre- Issue as on 31.07.2007</b>	<b>Post Issue</b>
<b>Long Term Debt</b>		
Secured Loans	33,892.59	33,892.59
Add: Unsecured Loans	3,541.43	3,541.43
Total Debts	37,434.02	37,434.02
Less: Short term Debts	33,685.44	33,685.44
Total Long Term Debts	3,748.58	3,748.58
<b>Shareholders' Funds</b>		
Equity Share Capital	1,311.28	2,211.28
Reserves & Surplus	9,638.30	14,138.30
Less: Miscellaneous Expenditure	-	-
Total Shareholders' Funds	10,949.58	16,349.58
Long Term Debt / Shareholders funds	0.34	0.23

**ANNEXURE - VIII**  
**STATEMENT OF TAX SHELTERS**

(Rs. In Lacs)

Particulars	31.7.2007	31.3.2007	31.3.2006	31.3.2005	31.3.2004	31.3.2003
	4 months	12 months	12 months	12 months	12 months	12 months
Tax Rate	33.99%	33.66%	33.66%	36.59%	35.88%	36.75%
Net Profit before Tax	1221.65	2877.50	2179.40	1729.20	812.00	635.74
Tax at Notional Rate	415.23	968.56	733.58	632.76	291.50	233.63
<b>Adjustments:</b>						
<b>Temporary Differences</b>						
Difference between Depreciation as per I. T. Act and Book Depreciation	107.04	349.83	795.38	701.94	-1.16	-1.90
Others	7.83	141.37	415.00	-57.67	-31.40	25.62
Unabsorbed depreciation	-	-	-	-	-	-
<b>Total (A)</b>	<b>114.87</b>	<b>491.20</b>	<b>1210.40</b>	<b>644.27</b>	<b>-32.60</b>	<b>23.72</b>
<b>Permanent Differences</b>						
<b>Deduction chapter VI A</b>						
U/S 80 G	0.25	10.76	7.88	23.85	-	0.22
U/S 80 GGB	-	0.51	3.49	6.77	-	-
U/S 80 HHC	-	-	-	-	844.90	607.57
<b>Total (B)</b>	<b>0.25</b>	<b>11.27</b>	<b>11.37</b>	<b>30.62</b>	<b>845.00</b>	<b>607.79</b>
<b>Net Adjustment (A+B)</b>	<b>115.12</b>	<b>502.47</b>	<b>1221.80</b>	<b>674.89</b>	<b>812.00</b>	<b>631.51</b>
Tax Saving thereon	39.13	169.13	411.25	246.96	291.50	232.07
<b>Total taxation (C)</b>	<b>376.10</b>	<b>799.43</b>	<b>322.33</b>	<b>385.80</b>	<b>-</b>	<b>1.56</b>
Taxation on Capital Gains	-	-	5.05	0.41	-	-
Rebate U/S 88E	-	-	-0.13	-	-	-
Taxable income as per provisions of MAT	NIL	NIL	NIL	NIL	NIL	NIL
<b>Tax Payable as per provisions of MAT (D)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
<b>Net Tax payable as per I. T. Returns /Estimated</b>	<b>376.10</b>	<b>799.43</b>	<b>327.25</b>	<b>386.21</b>	<b>NIL</b>	<b>1.56</b>

**ANNEXURE-IX  
SECURED LOANS**

(Rs. In Lacs)

Particulars	As at					
	31.07.2007 4 months	31.03.2007 12 months	31.03.2006 12 months	31.03.2005 12 months	31.03.2004 12 months	31.03.2003 12 months
<b>Term Loans:</b>						
a. Indian Bank	2,154.59	2,330.45	-	-	-	-
b. State Bank of Travencore	1,593.99	1,147.95	1,270.26	-	-	-
c. Union Bank of India	-	80.89	2,634.38	1,624.75	-	-
<b>Working Capital Loans:</b>						
a. Indian Bank	11,265.77	8,637.86	-	-	-	-
b. Union Bank of India	-	410.96	14,143.50	12,878.89	10,109.06	6,597.83
c. UCO Bank	4,798.26	4,796.27	1,765.29	-	-	-
d. Central Bank of India	6,983.45	5,799.87	-	-	-	-
e. Syndicate Bank	5,749.02	5,748.91	-	-	-	-
<b>Short Term Loan – Bank of India</b>	1,274.97	2,523.41	-	-	-	-
<b>Car Loans</b>	72.54	81.88	90.07	-	1.00	4.73
<b>Total</b>	<b>33,892.59</b>	<b>31,558.45</b>	<b>19,903.50</b>	<b>14,503.64</b>	<b>10,110.06</b>	<b>6,602.56</b>

**ANNEXURE-X**  
**STATEMENT OF UNSECURED LOANS:**

(Rs. In Lacs)

Particulars	31.07.2007	31.03.2007	31.3.2006	31.3.2005	31.3.2004	31.3.2003
	4 months	12 months	12 months	12 months	12 months	12 months
a) From group / associate companies/directors/promoters	-	-	-	-	-	4.01
b) Inter Corporate Loans	1000.00	550.00	-	-	-	-
c) Other	2541.43	1952.44	-	-	-	-
<b>Total</b>	<b>3541.43</b>	<b>2502.44</b>	-	-	-	<b>4.01</b>

**Principle Terms Of Unsecured Loans**

(Rs. In Lacs)

Sr. No.	Name of the Party from whom loan taken	31.07.2007	31.03.2007	Principal Terms
1.	Aatman Construction and Development Pvt. Ltd.	500.00	500.00	Loans in Indian Rupee and applicable Interest rate is 12%, Repayable on demand
2.	Sun Export Corporation	-	50.00	Loans in Indian Rupee and at zero Interest rate, Repayable on demand
3.	Pall India Pvt. Ltd.	500.00	-	Loans in Indian Rupee and applicable Interest rate is 12%, Repayable on demand
4.	Standard Chartered Bank	2,541.43	1,952.44	Loan is USD and applicable Interest rate is LIBOR+1%, Tenure is 180 days
<b>Total</b>		<b>3,541.43</b>	<b>2,502.44</b>	

# ANNEXURE - XI

## PRINCIPLE TERMS OF SECURED LOANS AND ASSETS CHARGED AS SECURITIES AS ON 31/07/2007

(Rs. In Lacs)										
Particular of Loans	Bank	Nature of Loan	Date of Sanction	Sanction Letter No	Sanctioned Amount	Primary Security Created	Collateral Security	Rate of Interest	Repayment Terms	Outstanding as on 31.07.07
<b>1. Term Loan</b>	State Bank of Travancore	Term Loan – For Wind Power Project (FCNR)	15/03/05	CNW/CBM/AMT1/338	1,500.00	Pari Passu first charge on the fixed assets of Wind Power Project –I	NIL	Libor+2.50%	32 Quarterly installment w.e.f. 21/10/06	1,072.63
		Term Loan – For Wind Power Project (RUPEE)	01/06/07	CNW/CBM/AMT III/E-V1/560	965.55	Pari Passu first charge on the fixed assets of Wind Power Project -II	Hypothecation of entire assets of Wind Power Project –I and lien of FDR of Rs. 1.00 Crore	BPLR	32 Quarterly installment w.e.f. 09/03/08	521.36
	Indian Bank	Term Loan – For Vasai Project (RUPEE)	20/03/07	CORP: VIL: 074/2007	1,210.00	Exclusive First charge on Plant & Machinery, Land & Building at Vasai unit.	NIL	BPLR+TP-2.75%	Quarterly installment	1,139.61
		Term Loan – For Vasai Project (FCNR)			1,210.00			Libor+2.50%	Quarterly installment	1,014.97
		<b>Total</b>			<b>4885.55</b>					<b>3,748.57</b>
<b>2.Export Working Capital Facility</b>	Indian Bank	Export Packing Credit	20/03/07	CORP: VIL: 074/2007	4,680.00	Pari Passu 1 <sup>st</sup> Charge on Hypo. of stock, stock in transit, & advance to suppliers.	Pari Passu 1 <sup>st</sup> charge on: 1.Flat no A401, A502 owned by Shri. Kiran Mehta & Shri. Kailash Agarwal	Libor+1.00%		5101.88
		Foreign Bill Purchase facility			6,600.00	Export Bills under DP Basis	2. Shop no 12 at Shankeshwar Darshan 3. FDR's of Rs. 2500 Lacs	Libor+1.00%		6163.88
		LC & BG			1,080.00	Hypothecation charge on material purchased under LC	Pari passu 2 <sup>nd</sup> charge on plant & machinery, Land & building at Vasai unit.			1000.00
	UCO Bank	Export Packing Credit	12/03/07	FCB/MUM/ADV/2859/2006-07	1,830.00	Pari Passu 1 <sup>st</sup> Charge on Hypo. of stock, stock in transit, & advance to suppliers.	Pari Passu 1 <sup>st</sup> charge on: 1.Flat no A401, A502 owned by Shri. Kiran Mehta & Shri. Kailash Agarwal	Libor+1.00%		1976.14
		Foreign Bill Purchase facility			2,970.00	Export Bills under DP Basis	2. Shop no 12 at Shankeshwar Darshan 3. FDR's of Rs. 2500 Lacs	Libor+1.00%		2822.12
		LC			1,800.00	Hypothecation charge on material purchased under LC	Pari passu 2 <sup>nd</sup> charge on plant & machinery, Land & building at Vasai unit.			1800.00

	Central Bank of India	Export Packing Credit	17/07/07	OSB/CR/07-08 /130	2,400.00	Pari Passu 1 <sup>st</sup> Charge on Hypo. of stock, stock in transit, & advance to suppliers.	Pari Passu 1 <sup>st</sup> charge on: 1.Flat no A401, A502 owned by Shri. Kiran Mehta & Shri. Kailash Agarwal	Libor+1.00%		2942.91
		Foreign Bill Purchase facility			45,60.00	Export Bills under DP Basis	2. Shop no 12 at Shankeshwar Darshan 3. FDR's of Rs. 2500 Lacs  Pari passu 2 <sup>nd</sup> charge on plant & machinery, Land & building at Vasai unit.	Libor+1.00%		4040.54
	Syndicate Bank	Export Packing Credit	13/11/06	3081/5020/VARUN/SB/06	1,625.00	Pari Passu 1 <sup>st</sup> Charge on Hypo. of stock, stock in transit, & advance to suppliers.	Pari Passu 1 <sup>st</sup> charge on: 1.Flat no A401, A502 owned by Shri. Kiran Mehta & Shri. Kailash Agarwal	Libor+1.00%		1344.69
		Foreign Bill Purchase facility			4,125.00	Export Bills under DP Basis	2. Shop no 12 at Shankeshwar Darshan 3. FDR's of Rs. 2500 Lacs  Pari passu 2 <sup>nd</sup> charge on plant & machinery, Land & building at Vasai unit.	Libor+1.00%		4404.34
		<b>Total</b>			<b>31,670.00</b>					<b>31,596.50</b>
<b>3. Vehicle Loans</b>	ICICI Bank Limited	BMW Car Loan	07/12/05	LAMUM00004937249	65.00	Hypothecation of Car	PDC Cheques	7.28%	59 Monthly installment	44.26
	ICICI Bank Limited	Mercedes Benz Car Loan	07/12/05	LAMUM00004874372	35.00	Hypothecation of Car	ECS	9.25%	35 Monthly installment	15.65
	ICICI Bank Limited	Honda CRV Loan	05/03/07	LAMUM00009316238	14.80	Hypothecation of Car	PDC Cheques	8.80%	35 Monthly installment	12.63
		<b>Total</b>			<b>114.80</b>					<b>72.54</b>

## ANNEXURE - XII DETAILS OF INVESTMENTS

Particulars	(Rs. In Lacs)					
	As at					
	31.07.2007 4 months	31.03.2007 12 months	31.03.2006 12 months	31.03.2005 12 months	31.03.2004 12 months	31.03.2003 12 months
<b>Long Term (Non Quoted)</b>						
31,79,478 Equity shares of Rs.10 each, Fully paid up of Sapling Agrotech Pvt. Ltd.	317.94	300.00	170.19	-	-	-
67,00,000 Equity shares of Rs.10 each, Fully paid up of Varun Jewels Pvt. Ltd.	670.00	670.00	-	-	-	-
5,10,000 Equity shares of Rs.10 each, Fully paid up of Shri Sai Jewels Pvt. Ltd.	51.00	51.00	-	-	-	-
<b>Other Investments</b>						
Share Application money - Sapling Agrotech Pvt. Ltd	-	-	0.81	-	-	-
UTI Mutual Fund	-	-	-	3.00	-	-
4,500 Equity shares of Rs.10 each, Fully paid up of Union Bank of India	-	-	-	-	1.25	1.25
<b>Total</b>	<b>1038.94</b>	<b>1021.00</b>	<b>171.00</b>	<b>3.00</b>	<b>1.25</b>	<b>1.25</b>
<b>Current Investments (Quoted, Non Trade)</b>						
10,000 Equity shares of Rs.10 each, Fully paid up of Bal Pharma Limited	2.60	2.60	5.03	-	-	-
10,000 Equity shares of Rs.10 each, Fully paid up of Gayatri Sugar Limited	0.77	0.77	1.58	-	-	-
2,000 Equity shares of Rs.10 each, Fully paid up of IDBI Limited	-	1.55	1.57	-	-	-
15,000 Equity shares of Rs.10 each, Fully paid up of MRPL	5.08	5.08	6.37	-	-	-
4,586 Equity shares of Rs.10 each, Fully paid up of Union Bank of India	-	4.76	5.04	-	-	-
2,500 Equity shares of Rs.10 each, Fully paid up of Wockhardt Ltd.	9.94	9.94	12.67	-	-	-
13,000 Equity shares of Rs.10 each, Fully paid up Bongaigaon Refineries Limited	-	-	-	11.56	-	-
20,000 Equity shares of Rs.10 each, Fully paid up Escorts Limited	-	-	-	16.26	-	-
1,278 Equity shares of Rs.10 each, Fully paid up Hindustan Oil Exploration India Limited	-	-	-	1.33	-	-
2,000 Equity shares of Rs.10 each, Fully paid up Industrial Development Bank of India Ltd	-	-	-	1.82	-	-
7,500 Equity shares of Rs.10 each, Fully paid up Indian Petrochemical Corporation Limited	-	-	-	12.25	-	-
1,558 Equity shares of Rs.10 each, Fully paid up Kalyani Steel Limited	-	-	-	2.22	-	-
15,000 Equity shares of Rs.10 each, Fully paid up Kirloskar Pneumatic Limited	-	-	-	15.95	-	-
1,227 Equity shares of Rs.10 each, Fully paid up Maharaja Shree Ummed Mills Limited	-	-	-	1.63	-	-
1,500 Equity shares of Rs.10 each, Fully paid up Mahindra & Mahindra Limited	-	-	-	7.45	-	-
7,000 Equity shares of Rs.10 each, Fully paid up MRPL	-	-	-	3.33	-	-
15,000 Equity shares of Rs.10 each, Fully paid up National Thermal Power Corporation Ltd	-	-	-	12.86	-	-
5,000 Equity shares of Rs.10 each, Fully paid up Patel Engineering Limited	-	-	-	10.01	-	-
5,000 Equity shares of Rs.10 each, Fully paid up Rolta India Limited	-	-	-	3.91	-	-
18,200 Equity shares of Rs.10 each, Fully paid up Tata Chemicals Limited	-	-	-	27.58	-	-
9,000 Equity shares of Rs.10 each, Fully paid up Timken India Limited	-	-	-	7.41	-	-
<b>Total</b>	<b>18.39</b>	<b>24.70</b>	<b>32.26</b>	<b>135.57</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>	<b>1,057.33</b>	<b>1,045.70</b>	<b>203.26</b>	<b>138.57</b>	<b>1.25</b>	<b>1.25</b>

**ANNEXURE-XIII**
**DETAILS OF DEBTORS**
**(Rs. In Lacs)**

	As at					
Particulars	31.07.2007	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
	4 months	12 months	12 months	12 months	12 months	12 months
<b>Sundry Debtors (Unsecured, Considered good)</b>						
Outstanding for less than Six months	27,306.41	20,641.28	17,998.22	9,631.79	5,765.68	5,278.01
Outstanding for more than Six months	-	-	-	-	-	-
Less: Advances from Customers	252.53	92.86	3,193.46	4,992.88	625.15	241.23
<b>Total</b>	<b>27,053.88</b>	<b>20,548.42</b>	<b>14,804.76</b>	<b>4,638.91</b>	<b>5,140.53</b>	<b>5,036.78</b>

**ANNEXURE XIV**
**DETAILS OF LOANS AND ADVANCES**
**(Rs. In Lacs)**

Particulars	As at					
	31.07.2007	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
	4 months	12 months	12 months	12 months	12 months	12 months
Advances recoverable in cash or kind	107.14	157.08	35.33	256.13	393.23	17.46
Advances to Suppliers	3,654.04	5,012.25	5,331.54	3,724.31	2,535.18	1,602.93
Advances for Expenses	161.31	87.96	34.81	7.87	-	-
Loans to Staff	14.45	15.89	3.51	3.3	8.18	5.29
<b>Total</b>	<b>3,936.94</b>	<b>5,273.18</b>	<b>5,405.19</b>	<b>3,991.61</b>	<b>2,936.59</b>	<b>1,625.68</b>

**ANNEXURE - XV**  
**STATEMENT OF OTHER CURRENT ASSETS**

**(Rs. In Lacs)**

Particulars	As at					
	31.07.2007	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
	4 months	12 months	12 months	12 months	12 months	12 months
Export Incentives & Wind Power receivable	610.08	580.19	414.5	894.09	747.61	1596.24
Deposits with Govt. Authorities	115.20	115.20	125.2	113.26	113.26	111.43
Other Deposits	9.02	8.87	29.04	17.17	6.51	1.15
Adv. Tax & TDS	323.43	622.04	433.34	408.51	390.13	216.89
Prepaid Expenses	16.91	23.97	20.91	61.28	10.87	9.15
Sales Tax Receivable	0.32	0.32	0.41	0.41	0.81	0.4
<b>Total</b>	<b>1,074.96</b>	<b>1,350.59</b>	<b>1,023.40</b>	<b>1,494.72</b>	<b>1,269.19</b>	<b>1,935.26</b>

# ANNEXURE XVI

## DETAILS OF CONTINGENT LIABILITIES

(Rs. In Lacs)

Particulars	As at					
	31.07.2007 4 months	31.03.2007 12 months	31.03.2006 12 months	31.03.2005 12 months	31.03.2004 12 months	31.03.2003 12 months
<b>Income Tax Matters under appeal</b>	-	1,034.54	220.25	273.65	98.12	-
<b>Corporate Guarantees:</b>						
Varun Jewels Pvt. Ltd	5,000.00	5,000.00	3,000.00	2,000.00	-	-
Shri Sai Jewels Pvt Ltd	1,500.00	1,500.00	-	-	-	-
K.K. Enterprises	1,000.00	1,000.00	1,000.00	1,000.00	-	-
VCL Engineers (P) Ltd.	-	-	1,200.00	-	-	-
<b>Total</b>	<b>7,500.00</b>	<b>8,534.54</b>	<b>5,420.25</b>	<b>3,273.65</b>	<b>98.12</b>	<b>-</b>

**ANNEXURE- XVII**
**STATEMENT OF CASH FLOW FROM THE RESTATED FINANCIAL STATEMENT**
**(Rs. In Lacs)**

(A)	Particulars	As at					
		31.07.2007 4 months	31.03.2007 12 months	31.03.2006 12 months	31.03.2005 12 months	31.03.2004 12 months	31.03.2003 12 months
	<b>Cash Flow from Operating Activities</b>						
	Net Profit Before Tax	1,221.65	2,877.48	2,179.38	1,729.20	812.31	635.73
	<b>Adjustments for:</b>						
	Depreciation & Preliminary Expenses W/off	161.12	404.94	181.32	48.56	32.62	26.89
	Interest & Finance Charges	1,207.38	2,718.08	1,193.20	638.21	537.87	435.8
	Profit on sale of Investments	-2.58	-	-62.02	-3.96	-	-8.28
	Profit on sale of Fixed Assets	-0.47	-	-	-0.13	-	-0.99
	Loss on sale of Fixed Assets	-	6.38	-	-	-	-
	Dividend Received	-0.24	-0.56	-1.9	-	-0.18	-
	Rent Received	-16.84	-29.47	-	-	-	-
	Interest on Fixed & other Deposits	-75.01	-201.07	-191.39	-165.89	-190.17	-183.7
	<b>Operating Profit Before Working Capital Changes</b>	2,495.01	5,775.78	3,298.59	2,245.99	1,192.45	905.45
	<b>Adjustments for:</b>						
	Inventories	-241.17	-1,295.01	1,492.48	-2,452.71	-838.49	-1,884.77
	Sundry Trade & Other Receivables	-6,505.47	-5,743.65	-10,165.85	501.62	-103.75	-66.19
	Other Current Assets	1,313.27	-6.5	-1,217.42	-1,262.17	-471.6	-1,519.75
	Payable & Provisions & Working Capital Finance	5,150.98	6,121.71	9,505.35	2,726.07	2,032.17	3,140.94
	<b>Cash Generated from Operations</b>	2,212.62	4,852.33	2,913.15	1,758.80	1,810.78	575.68
	<b>Advance Income Tax paid</b>	-85.84	-1,020.16	-495.09	-165.65	-173.24	-93.27
	<b>Net Cash Flow from Operating Activities (A)</b>	2,126.78	3,832.17	2,418.06	1,593.15	1,637.54	482.41
<b>(B)</b>	<b>Cash Flow from Investing Activities</b>						
	Acquisition of Fixed Assets including Capital Work-in-Progress	-981.82	-2,543.17	-2,660.75	-2,514.08	-542.52	-36.23
	(Increase)/Decrease in Investment	-11.63	-842.44	-64.69	-137.32	-	-1.25
	Proceeds from sale of Fixed Assets	14.05	4.05	-	2.56	6.03	5.45
	Profit on sale of Current Investment	2.58	-	62.02	3.95	-	8.28
	Interest received on Fixed Deposits	83.40	268.05	124.75	299.33	229.72	90.34
	Amount Invested in Fixed Deposits	-181.02	534.19	-1272.3	-222.6	-696.04	-109.48
	Dividend Received	0.24	0.56	1.9	-	0.18	-
	Rent Received	16.84	29.47	-	-	-	-
	<b>Net Cash Flow from Investing Activities (B)</b>	-1,057.36	-2,549.29	-3,809.07	-2,568.16	-1,002.63	-42.89
<b>(C)</b>	<b>Cash Flow from Financing Activities</b>						
	Proceeds from Long Term Loans	521.36	352.94	2,693.84	1,624.75	-	-
	Repayment of Long Term Loan	-341.42	-706.49	-323.88	-1	-3.73	4.73
	Proceeds from Unsecured Loans	1,038.99	2,502.44	-	-	-4.01	4.01
	Dividend Paid	-590.07	-327.82	-196.69	-114.74	-114.74	-1.5
	Dividend Tax	-100.28	-45.98	-26.96	-14.95	-14.8	-
	Interest & Finance Charges Paid	-1,207.38	-2,718.08	-1,193.20	-638.21	-537.87	-435.8
	<b>Net Cash Flow From Financing Activities (C)</b>	-678.80	-942.99	953.11	855.85	-675.15	-428.56
<b>(D)</b>	<b>Net Increase / Decrease in Cash &amp; Cash Equivalent (A+B+C)</b>	390.62	339.89	-437.9	-119.16	-40.24	10.96
	Opening Balance of Cash & Cash Equivalent	-242.12	-582.01	-144.11	-24.96	15.27	4.31
	Closing Balance of Cash & Cash Equivalent	148.50	-242.12	-582.01	-144.12	-24.97	15.27

**ANNEXURE XVIII**  
**STATEMENT OF OTHER INCOME**

(Rs. In Lacs)

Particulars	For the year/period ended					
	31.07.2007	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
	4 months	12 months	12 months	12 months	12 months	12 months
Profit on sale of Current Investment & Fixed Assets	3.05	-	62.02	4.09	-	9.27
Dividend on Investments	0.24	0.56	1.90	-	0.18	-
Interest Received	75.01	201.07	191.40	165.89	190.17	183.70
Rent Received	16.84	29.47	-	-	-	-
Misc Income	-	-	-	-	0.95	2.66
<b>Total</b>	<b>95.14</b>	<b>231.10</b>	<b>255.32</b>	<b>169.98</b>	<b>191.30</b>	<b>195.63</b>

## ANNEXURE XIX LIST OF RELATED PARTIES TRANSACTIONS

### List of Related Parties

Key Management Personnel	Relationship
Shri. Kiran Mehta	Chairman & Managing Director
Shri. Kailash Agarwal	Joint Managing Director
Shri. Virendra Mehta	Whole time Director
Relative of Key Management Personnel	Relationship
Shri. Shiv Kumar Agarwal	Brother of Joint Managing Director
Shri. Karunesh Agarwal	Brother of Joint Managing Director
Shri. Ashish Mehta	Son of Whole time Director
Shri. Pranav Mehta	Son of Whole time Director
Name of the Enterprises having same management personnel and/or their relatives as the reporting enterprises with whom the company has entered in to transactions during the year:	
Name of the Enterprise	Nature of the Relationship
Varun Jewels Pvt. Ltd.	Subsidiary Company
Shri Sai Jewels Pvt. Ltd.	Subsidiary Company
Varun Life Sciences Pvt. Ltd.	Associate Concern till the year ended 2005
VCL Engg. India Pvt. Ltd.	Associate Concern till the year ended 2006
K. K. Enterprises	Associate Concern - Shri. Kiran Mehta & Shri Kailash Agarwal are Partners

### Details of the list of related parties, nature of relationship and transaction details:

Rs. In Lacs

Name of the Party	Nature of Relationship	Nature of Transaction	31.07.07	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
			4 months	12 months	12 months	12 months	12 months	12 months
Shri. Kiran N. Mehta	Chairman & Managing Director	Remuneration	10.33	50.00	18.00	18.00	8.88	3.51
		Sitting Fees	-	-	-	2.20	1.70	-
		Motor Car Purchase	-	-	-	-	17.00	-
		Rent	-	6.20	1.80	1.80	1.80	1.20
Shri. Kailash S. Agarwal	Jt. Managing Director	Remuneration	10.33	50.00	18.00	18.00	8.88	3.15
		Sitting Fees	-	-	-	2.20	1.70	-
		Loan o/s	-	-	-	-	12.70	-
		Rent	-	-	0.90	0.90	0.90	0.60
Shri. Virendra N. Mehta	Whole time Director	Salary	10.33	13.50	2.75	-	-	-
		Rent	-	-	-	-	-	0.51
Shri. Shivkumar S. Agarwal	Brother of Jt. Managing Director	Salary	-	0.27	0.90	0.90	-	-
Shri. Karunesh S. Agarwal	Brother of Jt. Managing Director	Salary	1.00	1.72	-	-	-	-
Shri. Ashish N. Mehta	Son of Whole time Director	Salary	0.35	1.07	0.05	-	-	-
Shri. Pranav N. Mehta	Son of Whole time Director	Salary	0.35	0.52	-	-	-	-
M/s Varun Life Sciences Pvt. Ltd.	Associate Concern	Advance o/s	-	-	-	170.35	371.11	-
M/s VCL Engg. India Pvt. Ltd.	Associate Concern	Advance o/s	-	-	727.73	5.00	-	-
		Corporate Guarantee given	-	-	1,200.00	-	-	-
Varun Jewels Pvt. Ltd.	Subsidiary Company	Corporate Guarantee given	5,000.00	5,000.00	3,000.00	2,000.00	-	-
Shri Sai Jewels Pvt. Ltd.	Subsidiary Company	Corporate Guarantee given	1,500.00	1,500.00	-	-	-	-
K. K. Enterprises	Associate Concern	Corporate Guarantee given	1,000.00	1,000.00	1,000.00	1,000.00	-	-

### Note:

1. Varun Life Sciences Pvt. Ltd. was associate concern of the company till the year ended 2005, after forth it was disassociated.
2. VCL Engg. India Pvt. Ltd. was associate concern of the company till the year ended 2006, after forth it was disassociated.

**ANNEXURE XX**  
**SUMMARY STATEMENT OF CONSOLIDATED PROFIT AND LOSS ACCOUNT, AS RESTATED**

	<b>(Rs. In Lacs)</b>	
<b>For the period ended</b>	<b>31.07.2007</b>	<b>31.03.2007</b>
	<b>4 months</b>	<b>12 months</b>
<b>INCOME</b>		
<b>Sales:</b>		
Export Sales	37,735.32	92,535.30
Sale of Wind Power	126.85	194.82
Export Incentives	787.91	1,648.99
Other Income	125.55	286.34
<b>TOTAL</b>	<b>38,775.63</b>	<b>94,665.45</b>
<b>EXPENDITURE</b>		
Materials Consumed (including packing material)	35,058.01	85,350.30
Personnel Cost	246.48	595.43
Administration Expenses	252.85	856.53
Selling and Distribution Expenses	252.12	976.52
Depreciation	162.81	407.02
Interest and Financial charges	1,496.39	3,264.22
<b>Total Expenditure</b>	<b>37,468.66</b>	<b>91,450.02</b>
<b>Net Profit before tax and extraordinary items</b>	<b>1,306.97</b>	<b>3,228.19</b>
<b>Taxation</b>		
Income Tax	408.40	918.00
Deferred Tax	31.53	94.40
Fringe Benefit Tax	8.00	27.20
Wealth Tax	1.57	4.80
Tax of earlier year written back	--	(1.54)
<b>Net Profit before extraordinary items</b>	<b>857.47</b>	<b>2,185.33</b>
<b>Extra-ordinary items</b>		
Profit/(Loss) on sale of Fixed assets	0.46	(6.38)
Profit/(Loss) on sale of current investments	11.70	--
<b>Net Profit after Extraordinary Items before Minority Interest</b>	<b>869.63</b>	<b>2,178.95</b>
Balance Brought Forward	2,053.02	1,457.16
Balance Brought Forward of Subsidiary	--	261.39
Capital Profit (Before Acquisition) trfd to Capital Reserves*	--	(216.98)
Share of Minority Interest*	(31.03)	(237.14)
<b>Balance Available For Appropriation</b>	<b>2,891.62</b>	<b>3,443.38</b>
<b>APPROPRIATIONS</b>		
Proposed Dividend	--	590.08
Provision for Tax on Dividend	--	100.28
Transfer to General Reserve	--	700.00
<b>Balance Carried Forward</b>	<b>2,891.62</b>	<b>2,053.02</b>

\* From balance brought forward of profit and loss account of subsidiaries, company's share of pre acquisition profit of subsidiaries has been transferred to capital reserves and balance share has been transferred to minority interest.

**ANNEXURE XXI**  
**SUMMARY STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES, AS RESTATED**

<b>(Rs. In Lacs)</b>		
	<b>31.07.2007</b>	<b>31.03.2007</b>
	<b>4 months</b>	<b>12 months</b>
<b>A Fixed Assets:</b>		
Gross Block	7,593.88	6,484.98
Less: Depreciation	870.70	723.37
<b>Net Block</b>	<b>6,723.18</b>	<b>5,761.61</b>
Capital Work in Progress & Advances	2,673.86	2,799.66
<b>Total</b>	<b>9,397.04</b>	<b>8,561.27</b>
<b>B Investments</b>	<b>382.22</b>	<b>377.04</b>
<b>C Current Assets, Loans and Advances:</b>		
Inventories	7,318.14	7,076.97
Sundry Debtors	36,703.23	29,307.56
Cash and Bank Balances	5,291.14	4,490.51
Other Current Assets	1,051.43	1,352.23
Loans and Advances	4,123.42	5,742.88
<b>Total</b>	<b>54,487.36</b>	<b>47,970.15</b>
<b>D Liabilities and Provisions:</b>		
Secured Loans	40,632.48	37,971.75
Unsecured Loans	4,442.44	3,403.44
Current Liabilities	6,247.81	3,544.36
Provisions	79.72	25.94
Deferred tax Liability	683.50	651.96
<b>Total</b>	<b>52,085.95</b>	<b>45,597.45</b>
<b>E Minority Interest</b>	<b>947.18</b>	<b>916.14</b>
<b>F Net Worth (A+B+C-D-E)</b>	<b>11,233.49</b>	<b>10,394.87</b>
<b>G Represented by</b>		
1.Share Capital	1,311.28	1,311.28
2. Reserves	9,922.55	9,083.95
Less: Misc Expenses	0.34	0.36
Net Reserves	9,922.21	9,083.59
<b>Net Worth</b>	<b>11,233.49</b>	<b>10,394.87</b>

**ANNEXURE XXII**  
**STATEMENT OF CONSOLIDATED CASH FLOW FROM THE RESTATED STATEMENT**

		<b>(Rs. In Lacs)</b>	
	<b>Particulars</b>	<b>31.07.2007</b>	<b>31.03.2007</b>
		<b>4 months</b>	<b>12 months</b>
<b>(A)</b>	<b>Cash Flow from Operating Activities:</b>		
	Net Profit Before Tax	1,319.13	3,221.81
	<b>Adjustments for:</b>		
	Depreciation & Preliminary Expenses W/off	162.83	407.09
	Interest & Finance Charges	1,496.39	3,264.22
	(Profit)/Loss on sale of Investments	(11.70)	(2.01)
	(Profit)/Loss on sale of Fixed Assets	(0.46)	6.38
	Dividend Received	(2.21)	(0.87)
	Rent Received	(16.84)	(29.47)
	Interest on Fixed & other Deposits	(106.20)	(253.99)
	<b>Operating Profit Before Working Capital Changes</b>	<b>2,840.94</b>	<b>6,613.16</b>
	<b>Adjustments for:</b>		
	Inventories	(241.17)	(1,295.01)
	Sundry Trade & Other Receivables	(7,395.67)	(10,286.98)
	Other Current Assets	1,595.87	(469.86)
	Payable & Provisions & Working Capital Finance	5,899.65	9,225.73
	<b>Cash Generated from Operations</b>	<b>2,699.62</b>	<b>3,787.04</b>
	<b>Advance Income Tax paid</b>	<b>(93.59)</b>	<b>(1,127.16)</b>
	<b>Net Cash Flow from Operating Activities (A)</b>	<b>2,606.03</b>	<b>2,659.88</b>
<b>(B)</b>	<b>Cash Flow from Investing Activities:</b>		
	Acquisition of Fixed Assets including Capital Work-in-Progress	(981.83)	(2,564.38)
	(Increase)/Decrease in Investment	(5.17)	(128.40)
	Proceeds from sale of Fixed Assets	14.05	4.05
	Profit on sale of Current Investment	11.70	2.01
	Interest received on Fixed Deposits	106.20	320.97
	Amount Invested in Fixed Deposits	(223.78)	(88.00)
	Dividend Received	2.21	0.87
	Rent Received	16.84	29.47
	<b>Net Cash Flow from Investing Activities (B)</b>	<b>(1,059.78)</b>	<b>(2,423.41)</b>
<b>(C)</b>	<b>Cash Flow from Financing Activities:</b>		
	Proceeds from issuance of share capital	--	378.00
	Proceeds from Long Term Loans	521.36	366.69
	Repayment of Long Term Loan	(343.02)	(706.49)
	Proceeds from Unsecured Loans	1,038.99	3,162.35
	Dividend Paid	(590.07)	(327.82)
	Dividend Tax	(100.28)	(45.97)
	Interest & Finance Charges Paid	(1,496.39)	(3,264.22)
	<b>Net Cash Flow From Financing Activities (C)</b>	<b>(969.41)</b>	<b>(437.46)</b>
<b>(D)</b>	<b>Net Increase / Decrease in Cash &amp; Cash Equivalent (A+B+C)</b>	<b>576.84</b>	<b>(200.99)</b>
	Opening Balance of Cash & Cash Equivalent	(221.70)	(20.71)
	Closing Balance of Cash & Cash Equivalent	355.14	(221.70)

## ANNEXURE - XXIII

### RESTATED SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

#### A. SIGNIFICANT ACCOUNTING POLICIES

- 1) Varun Industries Limited has prepared consolidated financial Statements to provide the financial information of its activities along with its subsidiaries as a single entity. They are collectively referred as “Group” herein.

#### 2) **PRINCIPLES OF CONSOLIDATION:**

- i) The consolidated financial statements include the accounts of Varun Industries Limited and its subsidiaries.
- ii) The financial statements of the company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses.

The consolidated Financial Statement have been prepared by the company in accordance with the requirements of Accounting Standards (AS 21), Consolidated Financial Statements issued by Institute of Chartered Accountants of India. Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding. Recognizing this purpose, the company has disclosed only such notes from the individual financial statements, which fairly present the needed disclosure.

#### 3) **ACCOUNTING CONVENTION**

The Company prepares its Financial Statements on accrual basis in accordance with generally accepted Accounting Principles and comply with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956.

#### 4) **FIXED ASSETS**

Fixed Assets are stated at cost of acquisition or construction, which comprise all related expenses upto acquisition and installation of the fixed assets including adjustments consequent to subsequent variation in rates of exchange in respect of fixed assets acquired by foreign currency term loan.

#### 5) **DEPRECIATION**

Depreciation on fixed assets except Leasehold Land and Wind Power Project have been provided on Written- Down Value method, at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Amount paid on Leasehold Land has been amortised over the period of lease. Depreciation on Wind Power Project has been spread over to 20 years period and written off proportionately for the year. Depreciation on addition and deduction of fixed assets is calculated on Pro-Rata basis.

#### 6) **INVESTMENTS**

- a) Long term investments are stated at cost. In case, there is a permanent diminution in the value of any investment, a provision for the same is made in the accounts.
- b) Quoted current investments are stated at the lower of cost or market value.

## **7) INVENTORIES**

Inventories are carried at the lower of cost (including tax, if any) or net realizable value. The methods of determination of cost for various categories are as under:

- a. Finished Goods: First In First Out basis.
- b. Packing Goods: Average Cost basis.

## **8) REVENUE RECOGNITION**

- a. Sale of Goods is recognized at the same time of dispatch of goods to customers.
- b. DEPB Sales are inclusive of Sales Tax.
- c. Duty Draw back is recognized on accrual basis.
- d. Purchase cost of Finished Goods and Packing Goods has been arrived at after deducting discounts and set off.

## **9) FOREIGN EXCHANGE TRANSACTION**

The Company has complied with AS-11 issued by ICAI as regards the provisions in respect of its Foreign Exchange Transactions. Foreign Currency Transaction relating to sale of goods recorded at the exchange rate prevailing on the date of transactions. Any exchange rate difference arises at the time of realization are separately accounted for and clubbed with the export turnover. The surplus/deficit on account of these transactions have been reported in Notes on Accounts.

## **10) DEFERRED TAX**

The Deferred Tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws enacted or subsequently enacted as of the Balance Sheet date. Deferred Tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

## **11) RETIREMENT BENEFITS**

- i. Under Provident Fund and E.S.I. Scheme, Company's contribution accruing during the accounting year has been charged to Profit & Loss account.
- ii. Encashment of leave lying to the credit of employees is not provided for on actuarial basis. It is accounted on cash basis. Therefore, it is not possible to ascertain the liability at the end of the accounting year.
- iii. Liabilities in respect of gratuity of employees are funded under the employees' group gratuity scheme with the LIC.

## **12) 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 costs are charged to revenue.

- 13) The Company is holding more than 20% share holding in Sapling Agrotech Pvt. Ltd., yet it is not considered as an Associate Company in view of not having active participation in Operating and Financial Policies and decisions and other factors of Sapling Agrotech Pvt. Ltd.

## B. NOTES TO ACCOUNTS:

### 1) Remuneration to Directors

(Rs. in Lacs)

Particulars	31.07.2007	31.03.2007
	4 months	12 months
Managerial Remuneration	44.53	124.54
Commission	-	5.04
Sitting Fees	0.90	0.60
<b>Total</b>	<b>45.43</b>	<b>130.18</b>

### 2) Remuneration to Auditors:

(Rs. in Lacs)

Particulars	31.07.2007	31.03.2007
	4 months	12 months
Statutory Audit	1.25	3.80
Tax Audit Fees	0.50	1.50
Taxation, Special certificates & Reports	0.34	1.00
Reimbursement of out-of-pocket expenses	0.13	0.40
Service Tax	0.28	0.82
<b>Total</b>	<b>2.50</b>	<b>7.52</b>

- 3) Term Loan from Bank for Vasai Project is secured by way of Equitable Mortgage of Land & Building, Hypothecation of Plant & Machinery purchased and to be purchased by availing such term loan and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- 4) Term Loan for Wind Power Project is secured by way of Pari passu first charge on the fixed assets of the Wind Power Project, Fixed Deposits under lien with bank and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- 5) Vehicle Loans are secured by way of hypothecation of the respective vehicle.
- 6) Export Packing Credit and FDBP Credit Limits of Holding Company are secured by first charge/hypothecation of Stock/inventory, receivables including export receivables and advances to suppliers of the Company as well as on immovable properties (shops & flats) owned by its directors and Fixed Deposits under lien with bank and second pari passu charge on Land & Building, Plant & Machinery of Vasai Project and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- 7) FDBP/FUDBP Credit Limits from Banks of Subsidiaries are secured by documentary export bills, personal guarantees of their Directors, Corporate Guarantee of the Holding Company and Fixed Deposits under lien with banks.
- 8) Short Term Loan is secured by equitable mortgage of immovable properties owned by the company and by its directors, Fixed Deposits under lien with bank and personal guarantees of Shri Kiran N. Mehta and Shri Kailash S. Agarwal.
- 9) a) Pursuant to the Accounting Standard (AS 22) relating to "Accounting for Taxes on Income", the company has recognized net Deferred Tax liability as under:

(Rs. in Lacs)

Particulars	31.07.2007	31.03.2007
	4 months	12 months
Deferred Tax Liability	31.53	94.13

b) Deferred Tax Liability (net) at the year end comprise timing differences on account of:

(Rs. in Lacs)

Particulars	31.07.2007	31.03.2007
	4 months	12 months
Fixed Assets	683.50	651.97
<b>Net Deferred Tax Assets/(Liabilities)</b>	<b>683.50</b>	<b>651.97</b>

###### 10) Related Parties Disclosure as per Accounting Standard 18:

### a) List of Related Parties:

Related parties with whom the group has entered into transactions during the year:

#### 1) Key Management Personnel

Shri. Kiran N. Mehta	-	Chairman & Managing Director
Shri. Kailash S. Agarwal	-	Joint Managing Director
Shri. Virendra N. Mehta	-	Wholetime Director

#### 2) Relatives of Key Management Personnel

Shri. Navratanmal C. Mehta
Shri. Karunesh S. Agarwal
Shri. Ashish V. Mehta
Shri. Pranav V. Mehta
Smt. Meena K. Mehta
Smt. Anuradha K. Agarwal

#### 3) Associate Concern

K. K. Enterprises
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### b) Related Party Transaction:

(Rs. In lacs)

Nature of Transaction	Key Management Personnel		Relatives of Key Management Personnel		Associate Concern		Total	
	31.07.2007	31.03.2007	31.07.2007	31.03.2007	31.07.2007	31.03.2007	31.07.2007	31.03.2007
	4 months	12 months	4 months	12 months	4 months	12 months	4 months	12 months
Remuneration	44.53	123.10	-	-	-	-	44.53	123.10
Salary	-	-	3.74	8.82	-	-	3.74	8.82
Rent Paid	3.05	15.86	-	-	-	-	3.05	15.86
Dividend	487.82	325.68	2.27	1.28	-	-	490.09	326.96
Loan taken outstanding (Note)	901.01	901.01	-	-	-	-	901.01	901.01
Corporate Guarantee given	-	-	-	-	1,000.00	1,000.00	1,000.00	1,000.00

Note: Loan amount of Rs. 901.01 lacs includes amount of Rs. 775.60 lacs and Rs.125.41 lacs taken from Shri Kiran N. Mehta and Shri Kailash S. Agarwal respectively.

# 11) Primary Segment Information (Geographical Segments) as per A.S.17

Particulars	(Rs. in Lacs)	
	31.07.2007 4 months	31.03.2007 12 months
<b>Out of India</b>		
American Countries	3,398	12,841
EU Countries	863	2,174
Far East & Australia	16,209	28,421
African Countries	520	2,381
Middle East	16,745	46,718
<b>Total</b>	<b>37,735</b>	<b>92,535</b>
<b>Within India</b>	<b>127</b>	<b>195</b>
<b>Total</b>	<b>37,862</b>	<b>92,730</b>

# 12) Capital Commitments And Contingent Liabilities

## a. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. NIL (P.Y. 235.91 lacs).

## b. Contingent Liabilities

1. In respect of Income Tax matters under appeal, which consist of demand for the F.Y. 01-02 Rs. 19.06 lacs, F.Y. 03-04 Rs. 164.10 lacs, F.Y. 04-05 Rs. 33.85 lacs and refund of F.Y. 00-01 Rs. 197.34 lacs and F.Y. 02-03 Rs. 23.15 lacs. Net refund due Rs. 3.48 lacs (P.Y. Net Demand Rs. 1034.54 lacs).
2. Deposits in Schedule 9 of Balance Sheet include Rs. 1.00 Crore deposited with Custom Department against the fine and penalty levied by them. However, an appeal has been filed with Customs, Excise & Service Tax Appellate Tribunal, West Zone, Mumbai for refund of the deposit and management is hopeful for favourable decision.
3. Corporate Guarantee issued in favour of Bank for credit facility to M/s K.K. Enterprises of Rs. 1,000.00 lacs.

- 13) Due to fluctuation in rate of US Dollar in the current financial year, there is surplus in Foreign Exchange difference of Rs. 13.30 lacs calculated as per AS-11, which has been clubbed with Export Sales.

# 14) Earning Per Share

Particulars	(Rs. in Lacs)	
	31.07.2007* 4 months	31.03.2007 12 months
Net Profit After Tax (so far as it concern to the shareholders of the company)	838.60	1986.22
Total Number of Shares as on 31.07.2007	131.12	131.12
Earning Per Share (Basic and Diluted) Rs.	6.40	15.15

\* Not Annualised

**15) Details of Investments:**

Particulars	(Rs. in Lacs)	
	31.07.2007 4 months	31.03.2007 12 months
<b>Long Term (Non Quoted)</b>		
31,79,478 Equity shares of Rs.10 each, Fully paid up of Sapling Agrotech Pvt. Ltd.	317.94	300.00
<b>Current Investments (Quoted, Non Trade)</b>		
10,000 Equity shares of Rs.10 each, Fully paid up of Bal Pharma Ltd	2.60	2.60
10,000 Equity shares of Rs.10 each, Fully paid up of Gayatri Sugar Ltd	0.77	0.77
Nil Equity shares of Rs.10 each, Fully paid up of IDBI Limited	-	1.55
15,000 Equity shares of Rs.10 each, Fully paid up of MRPL	5.08	5.08
4,586 Equity shares of Rs.10 each, Fully paid up of Union Bank of India	-	4.76
2,500 Equity shares of Rs.10 each, Fully paid up of Wockhardt Ltd.	9.94	9.94
75,650 Equity shares of Rs.10 each, Fully paid up of N. R. Agarwal Industries Ltd.	21.79	21.79
200 Equity shares of Rs.100 each Fully paid up of State Bank of Bikaner and Jaipur	5.38	5.38
10,000 Equity shares of Rs.10 each Fully paid up of Indian Bank	9.02	25.18
2,500 Equity shares of Rs.2 each, Fully paid up of HCL Infosystems Ltd.	4.85	-
2,500 Equity shares of Rs.5 each, Fully paid up of Infosys Ltd.	4.85	-
<b>Total</b>	<b>382.22</b>	<b>377.05</b>

## GROUP COMPANIES

### M/s. K. K. Enterprises

M/s. K. K. Enterprises was formed as partnership firm on February 12, 2001 in the State of Maharashtra. Its Office is located at 401, Anant Deep Chambers, 273-277, Narshi Natha Street, Bhat Bazar, Masjid (West), Mumbai 400 009. This firm was promoted by Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal to carry the business of Import, Export, Resale, Manufacturing of any mercantile items. The firm is currently engaged in export of Diamonds, Gems & Jewellery.

### Partners' Sharing Ratio

Sr. No.	Name of Partners	Profit Sharing Ratio
1.	Shri. Kiran N. Mehta	50%
2.	Shri. Kailash S. Agarwal	50%
	<b>Total</b>	<b>100%</b>

### Financial Performance

Particulars as on Financial Year ended March 31,	(Rs. in lacs)		
	2005	2006	2007
Total Income	1098.18	4851.20	4530.14
Profit After Taxation	7.17	94.08	59.23
Partners' Capital	241.67	481.95	507.38

There are no defaults in meeting any statutory/bank/institutional dues and no proceedings have been initiated for economic offences against this firm, or its partners. There is no litigation pending, in which this firm or its partners are involved as on date of filing this Prospectus with SEBI.

## DISASSOCIATED COMPANIES

### Bergner India Private Limited

Bergner India Pvt. Ltd. was incorporated on April 1, 2005 under the Companies Act, 1956 with the main objects to carry on the business of manufacturing, export, import trade in Stainless Steel Utensils, Kitchenware, Cutlery and Stainless Steel Sheets & Coils etc. However, it had not carried out any business since its incorporation. It made an application for striking off its name with the Registrar of Companies, Maharashtra, Mumbai under section 560 of the Companies Act, 1956 on May 20, 2006. Since then, it has ceased to be our group company.

### Varun Clothing Private Limited

Varun Clothing Pvt. Ltd. was incorporated on February 6, 2003. It was promoted by Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal to carry on the business of manufacturing, purchasing, importing, exporting, distributing and dealing in textile materials. It is currently engaged in import of HMS Scrap and trading in fabric. It made an application for striking off its name with the Registrar of Companies, Maharashtra, Mumbai under section 560 of the Companies Act, 1956 on May 20, 2006. Since then, it has ceased to be our group company.

### Varun Infotech Park Limited

Varun Infotech Park Ltd. was incorporated on June 29, 2006 under the Companies Act, 1956 with the main objects to develop, set up, provide, manage, sell, lease state of the art International Technology Park for Information Technology and related services. Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Virendra N. Mehta have resigned from its directorship and sold their shareholding w.e.f. November 10, 2006 due to their preoccupation. Since then, it has ceased to be our group company.

**Varun Agro Industries Limited**

Varun Agro Industries Ltd. was incorporated on April 13, 2006 under the Companies Act, 1956 with the main objects to carry on agro related business. However, it had not carried out any business since its incorporation. Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Virendra N. Mehta have resigned from its directorship and sold their shareholding w.e.f. November 10, 2006 due to their preoccupation. Since then, it has ceased to be our group company.

**Varun Energy Limited**

Varun Energy Ltd. was incorporated on April 13, 2006 under the Companies Act, 1956 with the main objects to carry on the business of setting up power plants of electricity, transmission, distribution stations and related work. Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Virendra N. Mehta have resigned from its directorship and sold their shareholding w.e.f. November 10, 2006 due to their preoccupation. Since then, it has ceased to be our group company.

**Varun Real Estate (India) Private Limited**

Varun Real Estate (India) Pvt. Ltd. was incorporated on November 18, 2005 under the Companies Act, 1956 with the main objects to carry on the business of real estate. However, it had not carried out any business since its incorporation. Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal have resigned from its directorship and sold their shareholding w.e.f. November 10, 2006 due to their preoccupation. Since then, it has ceased to be our group company.

**Varun Viniyog Private Limited**

Varun Viniyog Pvt. Ltd. was incorporated on March 2, 2006 under the Companies Act, 1956 with the main objects to carry on the business of an investment company and to deal in shares, stocks, debenture etc. However, it had not carried out any business since its incorporation. Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal have resigned from its directorship and sold their shareholding w.e.f. November 10, 2006 due to their preoccupation. Since then, it has ceased to be our group company.

**Varun Home Appliances Private Limited**

Varun Home Appliances Pvt. Ltd. was incorporated on February 6, 2003 under the Companies Act, 1956 with the main objects to carry on the business of manufacturing, export, import various Kitchenware items, cooking stoves, cast iron pipes, steel castings etc. However, it had not carried out any business since its incorporation. Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Virendra N. Mehta have resigned from its directorship and sold their shareholding w.e.f. November 10, 2006 due to their preoccupation. Since then, it has ceased to be our group company.

**Shankeshwar Stainless Steel Products Private Limited**

Shankeshwar Stainless Steel Products Pvt. Ltd. was incorporated on March 2, 2006 under the Companies Act, 1956 with the main objects to carry on the business of manufacturing, export, import, trade in Stainless Steel Utensils, Kitchenware, Cutlery, Stainless Steel Sheets & Coils etc. However, it had not carried out any business since its incorporation. Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal have resigned from its directorship and sold their shareholding w.e.f. November 10, 2006 due to their preoccupation. Since then, it has ceased to be our group company.

**Anaya Polymers Private Limited**

Anaya Polymers Pvt. Ltd. was incorporated on February 4, 2004 under the Companies Act, 1956 with the main objects to carry on the business of manufacturing, export, import, dealing in all kind of substances, materials, minerals, chemicals and products etc. However, it had not carried out any business since its incorporation. Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal have resigned from its directorship and sold their shareholding w.e.f. November 10, 2006 due to their preoccupation. Since then, it has ceased to be our group company.

**Varun Life Sciences Pvt. Limited**

Varun Life Sciences Pvt. Ltd. was incorporated on December 6, 2001 under the Companies Act, 1956 with the main objects to carry on the business of dealing in pharmaceuticals and related activities. It is carrying the business of pharmaceuticals distribution. Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Virendra N. Mehta have resigned from its directorship and sold their shareholding w.e.f. April 30, 2005 due to their preoccupation and their all shareholding has been transferred to its current promoters on May 3, 2005. Since then, Varun Life Sciences Pvt. Ltd. has ceased to be our group company.

**VCL Engineers India Private Limited**

VCL Engineers India Pvt. Ltd. was incorporated on February 6, 2003 under the Companies Act, 1956 with the main objects to carry on the business of establishing, erecting, designing, planning commissioning all types of engineering, construction and industrial plans and projects in India & Abroad. Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal have resigned from its directorship and sold their shareholding w.e.f. November 10, 2006 due to their preoccupation. Since then, it has ceased to be our group company.

**Conflict of Interest**

Our Company is also earning revenue from export of cut & polished diamonds. Our Promoters are significant shareholders of our two subsidiary companies viz. Varun Jewels Private Limited and Shri Sai Jewels Private Limited and are the only directors of these subsidiaries. These subsidiaries are also engaged in the business of export of cut & polished diamonds. These subsidiaries are also substantially in the same line of business as ours. The Promoters' business decisions as the directors of the subsidiary companies may directly conflict with the interests of our Company. Our Promoters also hold key managerial roles in these subsidiary companies, which may require their time and efforts.

Our Promoters viz. Shri. Kiran N. Mehta and Shri. Kailash S. Agarwal are the only partners of a partnership firm M/s. K. K. Enterprises, which is engaged in export of stainless steel utensils and export of rough, polished, cut semi-precious, precious stones and polished diamonds. M/s. K. K. Enterprises is thus engaged in the same field of business activity as our Company.

**Related Business Transaction within the Group**

For the details of related business transactions within the group, please refer to the section titled "Auditors Report" beginning from page no. 104 this Prospectus.

**Change in Accounting Policies in the Last Three Years**

For the details of changes in the accounting policies in the last three years, please refer to the section titled "Auditors Report" beginning from page no.104 this Prospectus.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with section titled "Financial Statements" and the section titled "Risk Factors" starting from page no. 104 and IX respectively in this Prospectus. The following discussion relates to Varun Industries Limited and unless otherwise stated, is based on our restated financial statements prepared on the basis of Indian Accounting Practices and in accordance with the Companies Act, 1956 and the SEBI Guidelines.

### *Overview of our Business*

Our Company promoted by Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Virendra Mehta in the year 1996 as Varun Continental Limited with the main object to carry on the business of manufacturers, exporters, importers, traders in stainless steel kitchenware and houseware items. Name of our Company was changed to Varun Industries Limited in the year 2005.

We are a merchandise exporter from India. The main business activity of our Company is to export stainless steel kitchenware and cookware items. We have an export income of about Rs. 74,003.42 lacs that constitutes 97.27 % of our total income of about Rs. 76,078.33 lacs in Financial Year 2007. As a process of backward integration and to increase our profit margin we have developed an in-house manufacturing and warehousing facility at Vasai (E), District Thane near Mumbai and a Stainless Steel Re-rolling Mill at Jodhpur. The commercial production at the Vasai manufacturing unit has commenced from September 2007. Currently, our Company has started trial runs at the Stainless Steel Re-rolling Mill Plant at Jodhpur and the commercial production is expected to commence soon. Further, looking at the prospects of industry, we are planning to foray into the domestic market by supplying our products to various retail chains.

Our Company has successfully diversified in the field of Wind Power Generation by setting up 3 Wind Turbine Generators of 1.25 MW each in the FY 2004-05 and 2 Wind Turbine Generators of 0.60 MW each in the FY 2007 with combined Power generation of 4.95 MW in Jaisalmer, Rajasthan. The investment is to the tune of Rs. 2,386 lacs and the same has started generating income during the FY 2007. Our Company has after achieving stupendous growth in the existing business, thoughtfully decided to embark upon varied expansion programmes involving diversification into multi directional business activities like, Iron Ore mining, Oil and Gas sector and other general merchandise products.

### *Significant developments subsequent to the last financial statements*

There has been no occurrence of any event or circumstance since the date of the last financial statements as disclosed in this Prospectus that may materially and adversely affect or is likely to affect the trading or profitability of our Company or the value of our assets or our ability to pay our liabilities within the next twelve months.

### *Factors that may affect our results of the operations*

Our financial conditions and results of operations are affected by numerous factors inter alia -

**General economic and business conditions:** The demand for our stainless steel kitchenware and houseware products is mainly from the household sector as well as from the hotel industry. The increase in the per capita income and growth in the economy affects the demand for our product.

**Competition:** Selling prices of our products may be affected if competition intensifies in international markets, as our Company is an export-oriented company and our major revenue comes from exports. Further, as a result of increased capacity of production, adoption of aggressive pricing strategies by our competitors in order to gain market share or new competitors entering the markets, may adversely affect our operations and financial results. Our Company is currently in trading activities and intends to commence its manufacturing operations.

**Commodity prices:** Prices of steel are determined by international demand and Supply. Finished Goods costs form the major cost component of our Company and any variation and fluctuations on account of higher international and domestic demand may affect our profit margins. However, we mitigate this risk by calculating the product pricing value as cost of products and the cost of Making Charges. Hence, any escalations in the Commodity prices of steel are recovered from the customers.

**Exchange rate risk:** Our Company is an export-oriented company and our major revenue comes from exports. Hence, we have the foreign exchange exposure. Secondly our Company is facing exchange risk to the extent that our certain borrowings are denominated in foreign currency. However, we adopt the practice of bill discounting and obtaining packing credit facility against export receivables, which acts as hedging against the foreign exchange exposure. Thus, minimizing the impact of exchange rate fluctuations.

**Restrictive covenants in our agreements:** There are restrictive covenants in the agreements for short term and long term borrowings from banks, among other things, which require our Company to obtain the approval of these banks or provide restrictions, namely for, issuing new securities (debt or equity), change in management, effecting mergers, consolidations or sale of assets, incurring capital expenditure beyond certain limits, declaring dividends at any time while our Company is in default, undertaking material diversification in the business of other companies or creating subsidiaries or making certain investments. Some of these borrowings also contain financial covenants, which may limit our Company's ability to borrow additional money. Our Company cannot assure the shareholders that our lenders will grant us these approvals in the future.

### ***Our Results of Operations***

#### ***Income***

We commenced our business during FY 1996 and developed a wide global market existence for more than 10 years. Our Company has achieved total turnover of Rs. 76,078.33 lacs in FY 2007 mainly from exports. The following tables set forth our revenues and other income constituting towards total income during each of the FY 2003, 2004, 2005, 2006 and 2007 as under -

Financial Year	2006-07		2005-06		2004-05		2003-04		2002-03	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Export Sales	74,003.42	97.3	59,498.97	97.5	52,784.48	91.7	32,289.17	84.9	12,158.44	84.2
Local Sales	-	0.0	4.26	0.0	-	0.0	22.98	0.1	81.00	0.6
Sale of Wind Power	194.82	0.3	140.8	0.2	-	0.0	-	0.0	-	0.0
Export Incentives	1,648.99	2.2	1,112.60	1.8	4,582.38	8.0	5,546.31	14.6	2,001.61	13.9
Other Income	231.1	0.3	255.32	0.4	169.98	0.3	191.3	0.5	195.63	1.4
<b>Total</b>	<b>76,078.33</b>	<b>100</b>	<b>61,011.95</b>	<b>100</b>	<b>57,536.84</b>	<b>100</b>	<b>38,049.77</b>	<b>100</b>	<b>14436.67</b>	<b>100</b>

(Rs. in lacs)

## Expenditure

Our expenses mainly consist of the cost of goods sold, personnel expenses, administrative and other expenses, selling and distribution expenses, interest and financial charges and depreciation. The following tables show our various expenses for the last five financial years -

### Expenses as % of Total Expenses

(Rs. in lacs)

Particulars	2006-07		2005-06		2004-05		2003-04		2002-03	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cost of Good Sold	67,750.26	92.55	55,631.55	94.56	52,510.79	94.09	34,552.95	92.79	12,425.30	90.03
Personnel Cost	574.72	0.79	274.87	0.46	183.08	0.33	150.29	0.40	90.36	0.65
Administrative & Other Expenses	786.79	1.07	633.12	1.08	741.60	1.33	521.89	1.40	265.88	1.93
Selling & Distribution Expenses	966.06	1.32	918.86	1.56	1,685.77	3.02	1442.20	3.87	557.08	4.04
Interest & Financial Charges	2,718.08	3.71	1,193.20	2.03	638.21	1.14	537.87	1.45	435.80	3.16
Depreciation	404.94	0.56	180.95	0.31	48.19	0.09	32.25	0.09	26.52	0.19
<b>Total</b>	<b>73,200.85</b>	<b>100.00</b>	<b>58,832.56</b>	<b>100.00</b>	<b>55,807.64</b>	<b>100.00</b>	<b>37,237.45</b>	<b>100.00</b>	<b>13,800.94</b>	<b>100.00</b>

### Expenses as a % of Total Income

(Rs. in lacs)

Particulars	2006-07		2005-06		2004-05		2003-04		2002-03	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cost of Good Sold	67,750.26	89.1	55,631.55	91.2	52,510.79	91.3	34,552.95	90.8	12,425.3	86.1
Personnel Cost	574.72	0.76	274.87	0.44	183.08	0.32	150.29	0.39	90.36	0.63
Administrative & Other Expenses	786.79	1.04	633.12	1.04	741.6	1.29	521.89	1.37	265.88	1.84
Selling & Distribution Expenses	966.06	1.27	918.86	1.51	1,685.77	2.93	1442.2	3.79	557.08	3.86
Interest & Financial Charges	2,718.08	3.57	1,193.20	1.96	638.21	1.11	537.87	1.41	435.8	3.02
Depreciation	404.94	0.53	180.95	0.3	48.19	0.08	32.25	0.09	26.52	0.18
<b>Total Expenses</b>	<b>73,200.85</b>	<b>96.2</b>	<b>58,832.56</b>	<b>96.4</b>	<b>55,807.64</b>	<b>97.0</b>	<b>37,237.45</b>	<b>97.9</b>	<b>13,800.94</b>	<b>95.6</b>
Profit Before Tax	2877.48	3.78	2179.39	3.57	1729.2	3.01	812.31	2.14	635.74	4.4
Provision for taxes	925.77		736.59		404.56		0.08		33.87	
Nat Profit after tax	1,951.71		1,442.80		1,324.64		812.23		601.87	
<b>Total income</b>	<b>76078.33</b>	<b>100</b>	<b>61011.95</b>	<b>100</b>	<b>57536.84</b>	<b>100</b>	<b>38049.77</b>	<b>100</b>	<b>14436.67</b>	<b>100</b>

The profit before tax was Rs. 635.74 lacs in FY 2003, which has risen to Rs. 2877.48 lacs in FY 2007, showing a CAGR of 45.86%.

### Cost of Goods Sold

The cost of Goods sold comprises the purchase price for the Raw Material, Packing Material and Finished Goods. Since our Company is mainly into the merchandise trading business, the cost of finished goods forms the major cost, which was 90.03 % in FY 2002-03, and has a similar weightage in FY 2006-07 constituting 92.55 % of the total expenses incurred. At the same time Cost of Goods Sold constitutes 89.05% of the total income in FY 2006-07 whereas it was 86.07% in FY 2002-03. The Company has started pricing the goods in packing form from the FY 2005 resulting the decrease in packing cost in subsequent years.

## Expenses as a % of Cost of Goods Sold

(Rs. in lacs)

Particulars	2006-07		2005-06		2004-05		2003-04		2002-03	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Packing Materials Consumed	436.17	0.64	534	0.96	924.16	1.76	845.6	2.45	222.87	1.79
Raw Materials/Finished Goods consumed	67314.09	99.36	55097.55	99	51586.63	98.2	33707.35	97.6	12202.4	98.2
<b>Total</b>	<b>67750.3</b>	<b>100</b>	<b>55631.6</b>	<b>100</b>	<b>52510.8</b>	<b>100</b>	<b>34553</b>	<b>100</b>	<b>12425</b>	<b>100</b>

Since our Company is engaged in trading business, the cost of finished goods constitutes the major percentage of the total cost of goods sold.

## Personnel Expenses

Our Personnel Expenses consist of salaries, wages and bonus, contribution to employee welfare schemes and staff welfare expenses, professional fees & commission and reimbursement for contractual remuneration. The expenses have increased from 0.33 % in FY 2005 to 0.79% of the total expenses in FY 2007. Also, it has increased from 0.32 % in FY 2005 to 0.75% in FY 2007 of Total Income.

Our Company has been growing in size and in volumes and simultaneously has increased its personnel force. Thus maintaining the personnel cost as a percentage to its total cost. Hence, there has been only a marginal increase in the percentage of personnel cost. With growth in the sales, volume and capacity, the top management of our Company has employed more professionally qualified and experienced people in the FY 2006 and FY 2007 to look after the day to day operational activities, marketing and sales & distribution, thus personnel cost increased in the FY 2007.

## Administrative and Other Expenses

Our Administration and Other Expenses include all the expenses related to Printing & Stationary, Rent, Rates & Taxes, Insurance, Legal Expenses and Other Expenses. The Administrative cost marginally decreased from 1.33 % of total expenses in FY 2005 to 1.07 % of Total expenses in FY 2007. Similarly the Cost has marginally decreased from 1.29% of the total income in FY 2005 to 1.04% of the total income in FY 2007. This is due to better negotiated terms for Insurance and due to other cost control majors.

## Selling and Distribution Expenses

Our Selling and Distribution Expenses include the advertisement & sales promotion expenses, Freight and forwarding charges, commission on sales etc. The expenses have decreased from 3.02% of total expenses in FY 2005 to 1.32% of total expenses in FY 2007.

## Interest & Financial Charges

Our Interest and Finance Charges represent expenses incurred in respect of our short-term and long-term loans and other finance charges on banking transactions. The Financial expenses have increased from Rs. 638.21 lacs in FY 2005 to Rs. 2718.08 lacs in FY 2007. The loan amount has risen gradually due to higher working capital limit requirement with increase in Revenues, which has shown rise in Interest expenses. Further, increasing interest rate has raised our interest cost.

## Depreciation

Fixed Assets except leasehold land and Wind power project, are being depreciated at Written Down Value method of Depreciation at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Amount paid on leasehold land has been amortized over the period of lease. Depreciation on wind power project has been spread over to 20 years period and written off proportionately over the span of life of Wind Mills. Depreciation cost expressed as a percentage of total expenses for FY 2005 and FY 2007 were 0.09% and 0.56% respectively. Also the depreciation expense to total income was 0.08% in FY 2005 and increased to 0.53% in FY 2007. A significant capital expenditure on new facilities resulted in a significant increase in depreciation expenses in FY 2007 in absolute and percentage terms.

## Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA)

The EBIDTA of our Company increased by Rs. 3,584.90 lacs from Rs. 2,415.60 lacs in FY 2005 to Rs. 6,000.50 lacs in FY 2007. The increase is due to increase in sales volume by 40.6%, increase in other income by 61.12 lacs and reduction in administration and selling cost.

## Review of Financial Position

### Fixed Assets

Fixed assets are comprised mainly of land and buildings, plant and machinery, furniture and fixtures, office equipment, computers, vehicles, Wind Power project and capital work in progress.

(Rs. in lacs)					
Financial Year	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Fixed Assets</b>					
Gross block	6463.77	5006.84	2928.19	317.79	268.67
Less: Depreciation	721.30	329.10	148.15	104.58	78.47
<b>Net Block</b>	<b>5742.47</b>	<b>4677.74</b>	<b>2780.04</b>	<b>213.21</b>	<b>190.20</b>
Capital Work in Progress	2799.66	1335.29	1651.71	634.12	0.00
<b>Total</b>	<b>8542.13</b>	<b>6013.03</b>	<b>4431.75</b>	<b>847.33</b>	<b>190.20</b>

Our Company is making regular investment in fixed assets. There were significant additions in FY 2007 of which major investment of Rs. 597.12 lacs were in factory buildings for Vasai Project and Rs. 655.78 lacs were in wind power project at Jaisalmer. Additions of investment of Rs. 1839.65 lacs in FY 2006 were mainly for building and in FY 2005 additions to building was Rs. 404.99 lacs and for wind power at Jaisalmer was for Rs. 1,734.62 lacs. Due to these investments, our fixed assets base increased from Rs. 4,431.75 lacs in FY 2005 to Rs. 8542.13 lacs in FY 2007.

### Investments

Our Company made an investment of Rs. 300 lacs in Sapling Agrotech Pvt. Ltd. in FY 2007. We also invested about Rs. 721.00 lacs in FY 2007 in our two subsidiaries. The year wise breakup of the investments is as under -

(Rs. in lacs)					
Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
Long Term (Non Quoted)	1021.00	171.00	3.00	1.25	1.25
Current (Quoted and non traded)	24.70	32.26	135.57	0.00	0.00
<b>Total</b>	<b>1045.70</b>	<b>203.26</b>	<b>138.57</b>	<b>1.25</b>	<b>1.25</b>

We had sold off our current quoted investments in FY 2006 and diminished the value of current investments by Rs 10.04 lacs. We have earned a profit of Rs. 62.03 lacs in FY 2006 on sale of investments.

## Current Assets

(Rs. In lacs)

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
Inventories	7,076.97	5,781.96	7,274.43	4,821.72	3,983.23
Sundry Debtors	20,548.42	14,804.76	4,638.92	5,140.53	5,036.78
Cash and Bank Balances	3,226.71	3,488.00	2,586.94	2,616.93	2,000.67
Other Current Assets	1,350.59	1,023.40	1,494.73	1,269.20	1,935.27
Loans and Advances	5,273.19	5,405.18	3,991.61	2,936.59	1,625.68
<b>Total</b>	<b>37,475.88</b>	<b>30,503.31</b>	<b>19,986.63</b>	<b>16,784.97</b>	<b>14,581.63</b>

Our current assets consist of inventories, trade and other debtors, cash and bank balances, other current assets and loans and advances. Current assets have generally increased in line with the growth of our business activities. Current assets increased to Rs. 37,475.88 lacs in FY 2007 from Rs. 14,581.63 lacs in FY 2003 showing an increase of Rs. 22,894.25 lacs i.e.157%. This is due to significant rise in Sundry Debtors consequent to rise in our sales during this period and increase in the average credit period allowed to customers.

Inventories are 18.9% of total current assets as at March 31, 2007. The inventories increased from Rs. 3,983.23 lacs as at March 31, 2003 to Rs. 7,076.97 lacs as at March 31, 2007 on account of increase in range of products and growth of our export turnover.

Debtors accounted for 54.8% of total current assets as at March 31, 2007. Debtors increased from Rs. 5,036.78 lacs as at March 31, 2003 to Rs. 20,548.42 lacs as at March 31, 2007 on account of increase in turnover and increase in average credit period allowed to customers.

Our Cash & Bank balances include Fixed Deposits, which are under lien with our bankers against our loans and working capital facilities. Cash and Bank balances accounted for 8.6% of total current assets as at March 31, 2007. Cash and Bank balances increased from Rs. 2,000.67 lacs as at March 31, 2003 to Rs. 3,226.71 lacs as at March 31, 2007 due to increase in fixed deposits with our bankers.

Other Current Assets mainly includes Export Incentive Receivables, Deposits, Advance payment of Taxes and prepaid expenses. Other Current Assets constitute 3.6% of the total current assets as at March 31, 2007. There has been a decrease from Rs. 1,935.27 lacs as at March 31, 2003 to Rs. 1,350.59 lacs as at March 31, 2007 on account of decrease in Export Incentives Receivables due to gradual decrease in export incentives granted by government on exports of our stainless steel kitchenware and houseware items.

Loans and Advances accounted for 14.1% of total current assets as at March 31, 2007. Loans and Advances significantly increased to Rs. 5,273.19 lacs as at March 31, 2007 comparing to Rs. 1,625.68 lacs as at March 31, 2003 due to increase in turnover during the period. To secure proper supply of finished goods and to minimize purchase cost we had required to pay some advance to our suppliers and Loans & Advances mainly includes advance payment to our suppliers.

## Current Liabilities and Provisions

(Rs. In lacs)

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
Sundry Creditors	1444.15	6366.08	1702.47	608.46	1947.94
Other Liabilities	747.56	398.61	83.58	49.14	55.53
Provisions	15.51	11.45	13.49	9.11	8.00
<b>Total</b>	<b>2207.22</b>	<b>6776.14</b>	<b>1799.54</b>	<b>666.71</b>	<b>2011.47</b>

Current Liabilities comprise Sundry Creditors and Other Liabilities like accrued liabilities, proposed dividend and provision for expenses. Current Liabilities and Provisions have increased from Rs. 2,011.47 lacs as at March 31, 2003 to Rs. 2,207.22 lacs as at March 31, 2007. This is varying from year to year depending upon cash and credit purchases made by us.

## Non-Current Liabilities

(Rs. In lacs)

Particulars	2006-07	2005-06	2004-05	2003-04	2002-03
Secured Loans	31,558.45	20,503.51	14,503.64	10,110.06	6,602.56
Unsecured Loans	2,502.44	0.00	0.00	0.00	4.01
Deferred tax Liability	651.86	557.56	291.23	33.93	33.86
<b>Total</b>	<b>34712.75</b>	<b>21061.07</b>	<b>15061.20</b>	<b>10143.99</b>	<b>6640.43</b>

Non-current Liabilities consist of long-term secured loans, secured export working capital finance, unsecured loans and deferred tax liabilities. Non-current liabilities increased by Rs. 28,072.32 lacs from Rs. 6,640.43 lacs as at March 31, 2003 to Rs. 34,712.75 lacs as at March 31, 2007 on account of increase in secured loans unsecured loans and deferred tax liabilities. In order to achieve the Revenue growth and funding our increased working capital requirement, our Company had availed working capital loans from various banks and also Term Loans to finance our Wind Power project and Vasai facility.

## Net Worth

Net worth increased from Rs. 6,121.18 lacs as at March 31, 2003 to Rs. 10,143.74 lacs as at March 31, 2007 due to increase in profit during the period. Our Company has issued bonus shares by capitalizing its reserve in the FY 2004, FY 2005 and FY 2006 in the ratio of 1:1 each, enhancing the Share capital from Rs. 163.91 lacs as on March 31, 2003 to Rs. 1,311.28 lacs as on March 31, 2007.

## Cash Flow

The table below summaries the cash flow for the financial year 2007, 2006 and 2005 -

(Rs. in lacs)

Particulars	FY 2007	FY 2006	FY 2005
Cash flow from Operating Activities	3832.17	2418.06	1593.15
Cash flow from Investing Activities	(2549.29)	(3809.07)	(2568.16)
Cash flow from Financing Activities	(942.990)	953.11	855.85
Net Cash Increase in Cash & Cash Equivalents	339.89	(437.900)	(119.16)

## Cash Flow from Operating Activities

Our Net Cash Flow from Operating Activities in FY 2005, FY 2006 and FY 2007 has increased on account of increase in operating profit. Net cash generated from operating activities increased to Rs. 3,832.17 lacs in the FY 2007 as compared to Rs. 2,418.06 lacs in FY 2006 due to increase in Net Profit. Our operating profit increased to Rs. 5,775.78 lacs in FY 2007 from Rs. 3,298.59 lacs in FY 2006. Our working capital addition was Rs. 923.45 lacs principally driven by an increase in trade receivables and inventory.

## Cash Flow from Investing Activities

Our Net Cash from Investing Activities in FY 2005 was negative on account of acquisition of Fixed Assets for Wind Power project and land and site development for Vasai Project. Our net cash flow from investing activities in FY 2006 was negative on account of acquisition of Fixed Assets for Vasai Project. Our net cash from investing activities in FY 2007 was negative on account of acquisition of Fixed Assets for Wind Power project and Vasai Project.

## Cash Flow from Financing Activities

Our cash outflow/used in our financing activities is determined primarily by the level of our long term borrowings, the schedule of principal and interest payment on them and payment of dividends. Our net cash flow from financing activities in FY 2005 was positive primarily on account of increase in long term borrowings. Our net cash from financing activities in FY 2006 was positive primarily on account of increase in long term borrowings. Our net cash from financing activities in FY 2007 was negative on account of repayment of long term borrowings and payment of dividend.

## ***Comparison of Financial Year 2007 with Financial Year 2006***

### **Total Income**

Total Income of our Company has registered a significant growth of 24.7% i.e. Rs. 15,066.38 lacs from Rs. 61,011.95 lacs in FY 2006 to Rs. 76,078.33 lacs in FY 2007. The total income of our Company comprises Export Sales, the Export Incentive Income, Wind Power Income and Other Income. Other income mainly consists of Interest income on fixed deposits. We could achieve this growth, as in the FY 2007, the Export Sales of our Company have gone up by 24.4% i.e. Rs. 14,504.46 lacs from Rs. 59,498.97 lacs in FY 2006 to Rs. 74,003.42 lacs in FY 2007. Our Company has generated revenue from Sale of Wind Power in FY 2007 to the tune of Rs. 194.82 lacs as compared to Rs. 140.80 lacs in FY 2006. The growth in the export turnover was due to efforts made by newly appointed marketing team through extensive foreign traveling, better credit terms allowed to customers.

### **Cost of Goods Sold**

Our Cost of Goods Sold increased from Rs. 55,631.55 lacs in FY 2006 to Rs. 67,750.26 lacs in FY 2007 recording an increase of 21.8% i.e. Rs. 12,118.71 lacs. The increase in Cost of Goods Sold is in line with the significant increase in export turnover. Our Company could negotiate better prices due to its better payment terms negotiated with the suppliers, therefore, though our Revenue grew by 24.4% yet our Cost of Goods Sold increased by 21.87% only.

### **Personnel Cost**

Personnel Cost increased from Rs. 274.88 lacs in FY 2006 to Rs. 574.73 lacs in FY 2007 recording a increase of 109.1% i.e. Rs. 299.85 lacs. This was mainly due to increase in professionally qualified employees for Vasai Project as well as in the field of marketing, operation, finance & administration. It has resulted in substantial increase in personnel cost. Further, our Company has to upward revise the packages of existing employees looking at the rising trend of Industry.

### **Administrative and Other Expenses**

Administrative and Other Expenses increased from Rs. 633.12 lacs in FY 2006 to Rs. 786.79 lacs in FY 2007 registering an increase of 24.3% i.e. Rs. 153.67 lacs. The increase is on account of increase in traveling expenses including Foreign Traveling Expenses, which has significantly increased from Rs. 65.64 lacs to Rs. 174.15 lacs this was done to expand our customer base in the foreign countries.

### **Selling and Other Expenses**

Selling and Other Expenses increased marginally from Rs. 918.86 lacs in FY 2006 to Rs. 966.06 lacs in FY 2007, registering an increase of Rs. 47.19 lacs i.e. 5.1% comparing to the increase in turnover by 24.4%. The Selling & Distribution expenses comprises of Clearing & Forwarding charges, commission on sales, advertisement & sales promotion expenses. Also our Company has executed export sales through its own marketing team instead of commission agents, which was resulted in decrease in commission expenses. It has resulted not corresponding increase in selling & other expenses as compared to increase in Revenue.

### **Interest & Financial Charges**

Interest & Financial Charges have increased by 127.8% i.e. Rs. 1,524.89 lacs from Rs. 1,193.19 lacs in FY 2006 to Rs. 2,718.08 lacs in FY 2007. During the year there was substantial increase of Rs. 8,885 lacs in working capital finance to meet the required growth in our business and steep increase in the interest rate resulting in higher interest cost.

**Depreciation**

Depreciation cost increased from Rs. 180.95 lacs in FY 2006 to Rs. 404.94 lacs in FY 2007 registering an increase of 123.8% i.e. Rs. 223.99 lacs mainly due to charging depreciation on newly added Wind Power project and also completion of warehousing facilities at Vasai Project.

**Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA)**

Our EBIDTA substantially increased in FY 2007 to Rs. 6,000.50 lacs registering a significant growth of 68.9% i.e. Rs. 2,446.97 lacs when compared to the operating profit of Rs. 3,553.53 lacs in FY 2006. Main reason for increase in margin was higher realization through direct marketing, reduction in selling & distribution expenses and increase in turnover and better negotiated prices with the suppliers.

**Income Tax**

During the FY 2007, the provision for Current & Fringe Benefit Tax, Deferred Tax and for Wealth Tax amounts to Rs. 925.76 lacs comparing to previous year figure of Rs. 736.58 lacs. This increase is in line with increase in our profit before tax.

**Profit After Tax**

Profit After Tax increased by 35.3% i.e. Rs. 508.91 lacs from Rs. 1,442.80 lacs in FY 2006 to Rs. 1,951.71 lacs, mainly on account of increase in turnover by 24.4% and reduction in selling & distribution expenses and increasing in the operating margins due to various cost control majors.

***Comparison of Financial Year 2006 with Financial Year 2005*****Total Income**

Total Income of our Company has registered a growth of 6.0% i.e. Rs. 3,475.10 lacs from Rs. 57,536.84 lacs in FY 2005 to Rs. 61,011.94 lacs in FY 2006. The Total Income of our Company comprises Export Sales, the Export Incentive Income, Wind Power Income and Other Income. In the FY 2006, the Export Sales of our Company had gone up by 12.7% however on account of change in the government policies, our Company's Export Incentives benefits had reduced by Rs. 3,469.78 lacs i.e. 75.7%. Our Company has started generating revenue from Sale of Wind Power in FY 2006 and earned Rs. 140.80 lacs.

**Cost of Goods Sold**

Our Cost of Goods Sold increased from Rs. 52,510.79 lacs in FY 2005 to Rs. 55,631.55 lacs in FY 2006 recording an increase only by 5.9% compared to increase in Revenue by 12.7% due to better price realization of our products. During the year our Company has revised its Selling Prices for various products compensating the reduction in export incentive.

**Personnel Cost**

Personnel Cost increased from Rs. 183.08 lacs in FY 2005 to Rs. 274.88 lacs in FY 2006 recording an increase of 50.1% i.e. Rs. 91.80 lacs due to appointments of senior level professionally qualified employees in FY 2006 for ensuring better corporate governance culture in our Company. The manpower of our Company has also been increased due to start of warehousing facility at Vasai Project.

**Administrative and Other Expenses**

Administrative and Other Expenses decreased from Rs. 741.60 lacs in FY 2005 to Rs. 633.12 lacs in FY 2006 registering an decrease of 14.6% i.e. Rs. 108.48 lacs. There were substantial reductions in Octroi & Freight Inwards expenses due to partly shifting of warehousing facility to non-octroi area i.e. for our Vasai Project. There were also reductions in Foreign Traveling expenses and less donations expenses.

### **Selling and Other Expenses**

Selling and Other Expenses decreased from Rs. 1685.77 lacs in FY 2005 to Rs. 918.86 lacs in FY 2006 registering a decrease of Rs. 766.91 lacs i.e. 45.5%. Our Company has shifted the mode of export from CIF (Cost, Insurance and Freight) basis to FOB (Free On Board) basis from Financial Year 2005-06. The export orders executed on Free on Board (FOB) basis have resulted in substantial savings in Ocean Freight, Clearing & Forwarding charges. Our Company has also executed various export orders through its own marketing team, which was resulted in decrease in ommission expenses.

### **Interest & Financial Charges**

Interest & Financial Charges have increased by 87.0% i.e. Rs. 554.99 lacs from Rs. 638.21 lacs in FY 2005 to Rs. 1,193.20 lacs in FY 2006. During the year, our Company has availed Term Loan of Rs. 2280 lacs for our expansion projects at Vasai and Wind Power project and there was also increase in working capital finance with increase in turnover.

### **Depreciation**

Depreciation cost increased from Rs. 48.19 lacs in FY 2005 to Rs. 180.95 lacs in FY 2006 registering an increase of 275.5% i.e. Rs. 132.76 lacs mainly due to providing an additional depreciation on Wind Power project and a part of warehouse building at Vasai Project.

### **Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA)**

Our EBIDTA increased in FY 2006 to Rs. 3,553.53 lacs registering a significant growth of 47.1% i.e. Rs. 1,137.93 lacs when compared to Rs. 2,415.60 lacs in FY 2005. This was mainly due to reduction in Selling & Distribution expenses and also start of revenues from Wind Power project during the FY 2006 and partly operational of our warehousing facility at Vasai which resulted in saving in octroi & freight inward and better control on other administrative expenses.

### **Income Tax**

During the FY 2006, the provision for Current & Fringe Benefit Tax, Deferred Tax and for Wealth Tax was Rs. 736.59 lacs which was increased by Rs. 332.02 lacs compared to FY 2005. It has been increased due to complete withdrawal of exemption given Under Section 80 HHC relating to export income, therefore, our Company had to pay full rate of Income tax on increased profit before tax.

### **Profit After Tax**

Profit After Tax increased by 8.9% i.e. Rs. 118.16 lacs from Rs. 1,324.64 lacs in FY 2005 to Rs. 1,442.80 lacs in FY 2006, mainly on account of reduction in Selling & Distribution expenses and also start of income generation from Wind Power project and saving in octroi & freight inward due to start of warehousing at Vasai Project during the FY 2006.

### ***Comparison of Financial Year 2005 with Financial Year 2004***

#### **Total Income**

Total Income of our Company registered a growth of 51.2% i.e. Rs. 19,487.07 lacs from Rs. 38,049.77 lacs in FY 2004 to Rs. 57,536.84 lacs in FY 2005. Due to extensive efforts put in export marketing through visits to several countries by the promoters, there were significant growth in Export Sales from 32,289.17 lacs in FY 2004 to Rs. 52,784.49 lacs in FY 2005. However, since the Government had reduced the DEPB Rates, the Exports Incentive income recorded a decrease of Rs. 963.94 lacs i.e. by 17.4% from Rs. 5,546.32 lacs in FY 2004 to Rs. 4,582.38 lacs in FY 2005.

**Cost of Goods Sold**

Our Cost of Goods Sold has increased by 52.0% i.e. by Rs 17,957.84 lacs from 34,552.95 lacs in FY 2004 to Rs. 52,510.79 lacs in FY 2005 in line with the increase in the Export Turnover.

**Personnel Cost**

Our Personnel Cost increased by 21.8% by Rs. 32.79 lacs from Rs. 150.29 lacs in FY 2004 to Rs. 183.08 lacs in FY 2005 due to increase in no. of employees for Vasai Project and balance due to normal increment in employment cost.

**Administrative and Other Expenses**

The Administrative and Other Expenses registered an increase of 42.1% i.e. Rs. 219.71 lacs from Rs. 521.89 lacs in FY 2004 to Rs. 741.60 lacs in FY 2005. The increase is in line with the increase in Export Revenue and due to an increase in Foreign Traveling Expenses. The foreign tour expenses have significantly increased from Rs. 26.19 lacs to Rs. 83.46 lacs this was done to establish and expand our customer base in the foreign countries.

**Selling and Other Expenses**

Selling and Other Expenses increased from Rs. 1,442.20 lacs in FY 2004 to Rs. 1,685.77 lacs in FY 2005, thereby registering a growth of Rs. 243.57 lacs in absolute terms. However the same is increased to 16.9% only on percentage basis comparing to growth in total income of 51.2%. Our Company has executed some of the export order on Free on Board (FOB) basis resulting in saving in Ocean Freight, Clearing & Forwarding charges.

**Interest & Financial Charges**

Interest & Financial Charges increased by 18.7% i.e. Rs. 100.34 lacs in absolute terms from Rs. 537.87 lacs in FY 2004 to Rs. 638.21 lacs in FY 2005 on account of availing Term Loan of Rs. 1,625 lacs and also an increase in the working capital limit of Rs. 2,770 lacs in FY 2005.

**Depreciation**

Our Depreciation cost had increased 49.4% i.e. by Rs. 15.94 lacs from Rs. 32.25 lacs in FY 2004 to Rs. 48.19 lacs in FY 2005 due to additional investment in fixed assets.

**Earnings Before Interest, Depreciation, Tax and Amortization (EBIDTA)**

Our EBIDTA for the FY 2004 was Rs. 1,382.44 lacs, which was increased by 74.7%, i.e. Rs. 1,033.17 lacs to Rs. 2,415.60 lacs in FY 2005. This increase is mainly due to rise in Export Sales. The main reason for this increase was Selling & Distribution expenses were less when compared to growth in Export Sales.

**Profit After Tax**

Our profit after tax increased by 63.1% i.e. Rs. 512.41 lacs from Rs. 812.23 lacs in FY 2004 to Rs. 1,324.64 lacs in FY 2005 due to increase of turnover to the extent of 51% and also correspondingly not increase in selling & distribution expenses.

## **Quantitative and Qualitative Disclosure about Market Risk**

We are exposed to market risk from changes in interest rates. The following discussion is based on our financial statements under Indian GAAP.

### ***Interest Rate Risk***

Our financial results are subject to changes in interest rates, which may affect our debt service obligations. Our long-term debts, which bear interest at floating rates linked with prime lending rates of the respective lenders/LIBOR, as determined from time to time amounting Rs. 31,558.45 lacs as at March 31, 2007. Any upward fluctuations in interest rates increase the cost of both existing and new debts. An increase in interest rates of 1% on our existing floating rate debts would increase our annual interest charges by approximately Rs. 315.59 lacs, assuming our average outstanding long-term and short-term loans remains Rs. 31,558.45 lacs during the financial year. We have not protected this risk by availing any interest rate hedging.

### ***Competition***

There is an increase in competition in our industry in which we operate, particularly from unorganized sector in domestic market, which shall make our goals of increasing domestic market shares and broadening our consumer base a continuing challenge. Increasing competitive pressures may also impact our ability to improve realizations from our products. We may also face competition from Chinese products. We need to respond to competitive business strategies adopted by other players and consequently our costs, including advertising and sales promotion expenses may be impacted.

### ***Shopping Malls and Chain Stores in India***

Business strategy in India has been witnessing the emergence of newer channels of distribution, such as direct marketing and new Shopping Malls and Chain Stores. This provides the opportunity to improve supply chain efficiencies and the visibility of our brands for which we are venturing in domestic market, however it also puts pressure on our margins as volume purchases from large Shopping Malls and Chain Stores increase their bargaining position.

### ***Raw Materials Availability***

Stainless Steel sheets are the main component of cost in the total cost of goods sold. The price of Stainless Steel sheets depends on the international demand supply scenario of steel. Any increase in the costs of such materials could affect our profitability in case we are unable to pass on increase cost to our consumers.

## **Known Trends or Uncertainties**

Other than as described in the section titled “Risk Factors” and “Management Discussion and Analysis of Financial Conditions and Results of Operations” beginning on pages no. IX and 140 of this Prospectus, to our knowledge there are no known trends or uncertainties that had or have or are expected to have a material adverse impact on our business and profitability and continuity of our business operations.

## **Future Relationship between Costs and Income**

Other than as described in the section titled “Risk Factors” and “Management Discussion and Analysis of Financial Conditions and Results of Operations” beginning on pages no. IX and 140 of this Prospectus, to our knowledge there are no future relationship between costs and income that have or had or are expected to have a material adverse impact on our operations and finances.

## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigation, suits or civil or criminal prosecution, proceedings including pending proceedings for violation of statutory regulations or alleging criminal or economic offences or tax liabilities against our Company, our Promoters, companies/firms promoted by our Promoters, our Directors that would have a material adverse effect on our business and that there are no defaults, non-payments or overdue of statutory dues, institutional/bank dues and dues payable to holders of debentures or fixed deposits and arrears of cumulative preference shares that would have a material adverse effect on our business.

Except for the criminal complaint filed by our Company, in relation to all litigations mentioned herein below, in case of an adverse ruling, our company may be liable to pay the amount demanded/ decreed, if any, and amount deposited, if any, by our Company with the concerned authorities in this regard may be liable to be forfeited to the extent of the demand/ decree, if any.

#### I. Cases filed by our Company

##### A. Cases under the Income Tax Act

Name of Parties	Court/ Forum/ Case Number	Brief Particulars and contentions	Assessment Year	Disallowed/ Disputed Amount (Rs.)
Varun Continental Ltd v. Income Tax Officer	Bombay High Court I.T.A. No. nil/2006	Our Company had filed a return of income declaring income at Rs. NIL. <i>Inter alia</i> our Company claimed that interest income of Rs.7,02,405/- was income from business. The IT Officer of the Income-tax Department passed assessment order determining income of Rs.4,17,93,915/- <i>inter alia</i> holding that interest income of Rs. 7,02,405/- was assessable under the head – income from other sources. Our Company filed an appeal before Commissioner of Income Tax (Appeals) against the assessment order dated 26 <sup>th</sup> March, 2002. The Income Tax Department filed an appeal before the Income Tax Appellate Tribunal. The ITAT passed an order dated 26/8/2005 dismissing the appeal of the IT Department. The aggrieved IT Department has filed this appeal in the High Court. The IT Tribunal set aside the order of CIT(A) and so the appeal filed by our Company in the High Court. The hearing is awaited.	1999-2000	7,02,405
Varun Industries Ltd v. Income Tax Officer	ITAT ITA 4341/Mum-2007	Our Company has filed an appeal on 7 <sup>th</sup> June 2007 before the ITAT against the order dated 30 <sup>th</sup> March 2007 passed by the CIT (A) in Appeal No. CIT (A)-XXX/IT-71/Rg 7(3)/06-07 The relief claimed in the appeal are (i) initiation of proceedings u/s 147 and assessment order founded on the same to be quashed; (ii) profits on transfer of DEPB be considered for computation of deduction u/s 80HHC of the IT Act; (iii) disallowances out of purchases of Rs.30,21,081 @0.30% on account of inflation in purchase rates to be deleted; and (iv) initiation of the proceedings u/s 271(1)(c) to be dropped.	2001-2002	3,021,081

Varun Industries Ltd v. Income Tax Officer	ITAT ITA 4342/Mum-2007	Our Company has filed an appeal on 7 <sup>th</sup> June 2007 before the ITAT against the order dated 30 <sup>th</sup> March 2007 passed by the CIT (A) in Appeal No. CIT (A)-XXX/IT- 72/Rg 7(3)/06-07. The relief claimed in the appeal are (i) initiation of proceedings u/s 147 and assessment order founded on the same to be quashed; (ii) profits on transfer of DEPB be considered for computation of deduction u/s 80HHC of the IT Act; (iii) disallowances out of purchases of Rs.62,14,634 on account of inflation in purchase rates to be deleted; (iv) consideration of Rs.365,622 claimed by our Company as income from business and profession under the said head; (v) interest amounting to Rs.1,210,728 to be deleted and (iv) initiation of the proceedings u/s 271(1)(c) to be dropped.	2002-2003	6,214,634
Varun Industries Ltd v. Income Tax Officer	ITAT ITA 4343/Mum-2007	Our Company has filed an appeal on 7 <sup>th</sup> June 2007 before the ITAT against the order dated 30 <sup>th</sup> March 2007 passed by the CIT (A) in Appeal No. CIT (A)-XXX/IT-73/Rg 7(3)/06-07. The relief claimed in the appeal are (i) initiation of proceedings u/s 147 and assessment order founded on the same to be quashed; (ii) profits on transfer of DEPB be considered for computation of deduction u/s 80HHC of the IT Act; (iii) disallowances out of purchases of Rs.1,781,983 on account of inflation in purchase rates to be deleted; (iv) consideration of Rs.168,736 claimed by our Company as income from business and profession under the said head; (v) interest amounting to Rs.1,306,685 to be deleted and (vi) initiation of the proceedings u/s 271(1)(c) to be dropped.	2003-2004	1,781,983
Varun Industries Ltd v. Income Tax Officer	ITAT ITA 4344/Mum-2007	Our Company has filed an appeal on 7 <sup>th</sup> June 2007 before the ITAT against the order dated 30 <sup>th</sup> March 2007 passed by the CIT (A) in Appeal No. CIT (A)-XXX/IT-74/Rg.7(3)/06-07.. The relief claimed in the appeal are (i) profits on transfer of DEPB be considered for computation of deduction u/s 80HHC of the IT Act; (ii) face value instead of sale value of DEPB benefit to be considered as part of direct costs of exports for calculation of deduction under 80HHC; (iv) disallowances out of purchases of Rs.506,018 be deleted; (v) interest amounting to Rs.1,928,142 be deleted and (vi) initiation of the proceedings u/s 271(1)(c) to be dropped.	2004-2005	5,062,018
	CIT(A)	Our Company has filed an appeal on 31 <sup>st</sup> July 2007 before the CIT (A) under which it has challenged the addition made by the Assessing Officer on account of inflation of purchases & disallowances of sales promotion expenses and initiation of penalty under section 271(1)(c) of the IT Act.	2005-2006	8,407,466

## B. Cases under the Customs Act

Sr. No.	Authority where Pending	Nature of the case and particulars	Financial Implications (Rs.)
1.	CESTAT (Customs Excise and Service Tax Appellate Tribunal)	<p>Our Company has filed an appeal before the Appellate Tribunal (Customs, Excise &amp; Service Tax) challenging the Order-in-Original dated 20.8.2004 (F. No. S/10-02/04-Adj Cell (X)/SG/MISC-28/02 SIIB JCH/DRI/ BZU/E1/2002/6888 passed by the Commissioner of Customs.</p> <p>The Department had issued a Show Cause Notice on the basis of the investigation carried out by Directorate of Revenue Intelligence, Mumbai Zone Unit, to our Company and its Promoters Shri. Kailash S. Agarwal and Shri. Kiran N. Mehta as to why:</p> <ol style="list-style-type: none"> <li>1. The goods attempted to be exported vide 10 shipping bills as declared FOB value of 2,77,38,281 should not be held liable for confiscation u/s 113(d) and 113(i) of the Customs Act, 1962</li> <li>2. The goods attempted to be exported vide 52 shipping bills as having declared FOB value of 13,46,13,540 should not be held liable for confiscation u/s 113(d) and 113(i) of the Customs Act, 1962</li> <li>3. Why FOB value in respect of the 10 export consignments should not be determined at Rs 135,29,137</li> <li>4. Why penalty u/s 114 of the Customs Act be not imposed</li> <li>5. Why the amount of Rs 110 lacs already deposited by our Company should not be adjusted against import duty</li> </ol> <p>The aforesaid Show Cause Notice was issued on the basis that our Company has mis-declared goods while exporting the consignments and have wrongly availed the benefits of the DEPB scheme.</p> <p>The Commissioner of Customs after hearing to the submission of our Company and its Directors have passed the following orders:</p> <ol style="list-style-type: none"> <li>1. Order confiscation of the goods attempted to be exported vide 10 shipping bills and same may be redeemed on payment of Rs 25 lacs as the goods have already been exported</li> <li>2. With regard to 52 shipping bills, since all the goods have been exported and were not recalled to India at the request of the exporter and the goods are not available for confiscation I impose fine of Rs 50 lacs</li> <li>3. FOB value in respect of the 10 export consignments examined are finally determined at Rs 1,35,29,137 as the said value have already been accepted by the exporter and goods were allowed to be exported after the exporter revised the value in the revised Shipping bills.</li> <li>4. DEPB to be calculated as per the revised weight of 531741.63 Kg</li> <li>5. Penalty of Rs 25. lacs</li> <li>6. Fine and penalty imposed on our Company to be appropriated from the amount of Rs 110 lacs deposited during the investigation</li> <li>7. Penalty of Rs. 5 lacs each on Shri. Kailash S. Agarwal and Shri. Kiran N. Mehta</li> </ol> <p>The Case is pending before the Appellate Tribunal (Customs, Excise and Service Tax)</p>	Our Company has already deposited Rs 100 lacs during the investigation.

### C. Criminal Complaint filed by our Company

Our Company has filed a complaint dated 26.4.2006 u/s 403, 405, 406, 409, 418, 420, 425, 465, 466, & 468 read with Section 34 of the IPC with the Economic Offence Wing of Mumbai Police alleging the act of Vinatia Enterprises (India) Pvt. Limited and its Directors Shri. Abdul Shakoor Shaikh, Smt. Shaheen Shaikh both r/o Bunglow No. 22/191 RSC-2, SVP Nagar Versova, Andheri (W) Mumbai 400 053, Shri. Anoop Kumar Sahai and Smt Monica Sahai both r/o Pratap Vihar, Sector 12, Ghaziabad UP for defrauding and cheating our Company for Rs. 300 lacs.

Vinatia Enterprises (India) Pvt. Limited has refunded to our Company Rs. 100 lacs in two equal instalments of Rs. 50 lacs each dated on 28.08.06 and 22.11.06.

## II. Cases filed against our Company

### A. Income Tax Matters

Name of Parties	Court/ Forum/ Case number	Brief Particulars and contentions	Assessment Year	Disputed/ Disallowed Amount (Rs.)
CIT v. Varun Continental Ltd	Bombay High Court  I.T.A. No. 405/2006	Our Company had filed a return of income for the said assessment year, declaring income at Rs. 4,29,380. The case of our Company was taken up for scrutiny assessment and accordingly notices u/s. 142(1) & 143(2) of the IT Act were issued and after carrying out the assessment proceedings, the Assessing Officer passed assessment order on 26-12-2000, assessing the total income of Rs.13,66,170/-. Our Company preferred an appeal before the CIT (A) who passed the order dated 22-3-02 allowing the appeal. The Income Tax Officer aggrieved by the order of the CIT(A), preferred an appeal before the ITAT. The ITAT set aside the order of CIT(A) and so the appeal filed by the Income Tax Department in the High Court for consideration of FRD Interest to tax under the head Income from Other Sources and for not considering reduction of 10% export incentives from indirect costs under section 80 HHC. Hearing is awaited	1998-1999	2,185,002
CIT v. Varun Continental Ltd	Bombay High Court  I.T.A. No. 238/2007	Our Company had filed a return of income for the said assessment year on 8-11-1999, declaring income at Rs. NIL. As per the assessment order, the A.O. had reduced the indirect costs reflected in the P&L A/c by 10% of the export incentives under Section 80HHC. Our Company filed an appeal before the CIT(A) who partly allowed the appeal. Our Company further made an appeal before the ITAT which was partly allowed. The impugned ITAT order has been contested by CIT in the High Court for not considering reduction of 10% export incentives from indirect costs under section 80 HHC. Hearing is awaited.	1999-2000	5,127,287

CIT v. Varun Continental Ltd	Bombay High Court  I.T.A. No. 266/2007	Our Company had filed a return of income for the said assessment year on 24-11-2000, declaring income at Rs. NIL. As per the assessment order, the A.O. had reduced the indirect costs reflected in the P&L A/c by 10% of the export incentives under Section 80HHC. Our Company filed an appeal before the CIT (A) who partly allowed the appeal. Our Company further made an appeal before the ITAT which was partly allowed. The impugned ITAT order has been contested by CIT in the High Court for not considering reduction of 10% export incentives from indirect costs under section 80 HHC. Hearing is awaited.	2000-2001	1,868,034
CIT v. Varun Continental Ltd	Bombay High Court  I.T.A. No. 1927/2007	Our Company had filed a return of income for the said assessment year on 24-11-2000, declaring assessable income at Rs. NIL. As per the assessment order dated 19 <sup>th</sup> March 2003, the A.O. had denied the reduction of 10% of export incentive from the indirect cost reflected in the P&L A/c by 10% of the export incentives under Section 80HHC. Against the order dated 19 <sup>th</sup> March 2003 passed by the AO, our Company filed an appeal before the CIT(A) who partly allowed the appeal by its order dated 25 <sup>th</sup> July 2003. The IT Department further made an appeal before the ITAT against the order dated 25 <sup>th</sup> July 2003 passed by the CIT(A) which was partly allowed by order dated 4 <sup>th</sup> October 2006 in ITAT Appeal No. 6066/MUM/03. On a Miscellaneous Petition filed by our Company against the said order of ITAT dated 4 <sup>th</sup> October 2006. The ITAT vide their corrigendum order dated 21 <sup>st</sup> March 2007 allowed our Company ground regarding the reduction of indirect cost by 10% of the incentives. This ITAT order has been challenged by CIT before the High Court pleading for not considering reduction of 10% export incentives from indirect costs under section 80 HHC. Hearing is awaited.	2000-2001	1,868,034
CIT v. Varun Continental Ltd	Bombay High Court  I.T.A. No. 267/2007	Our Company had filed a return of income for the said assessment year on 25-11-2001, declaring income at Rs. Nil/-. As per the assessment order, the A.O. had reduced the indirect costs reflected in the P&L A/c by 10% of the export incentives under Section 80HHC. Our Company filed an appeal before the CIT(A) who partly allowed the appeal. Our Company further made an appeal before the ITAT which was partly allowed. The impugned ITAT order has been contested by CIT in the High Court for considering reduction of 10% export incentives from indirect costs under section 80 HHC. Hearing is awaited	2001-2002	4,405,659

CIT v. Varun Continental Ltd	Bombay High Court  I.T.A. No. 1928/2007	Our Company had filed a return of income declaring income at Rs. Nil/-. As per the assessment order dated 5 <sup>th</sup> March 2003, the A.O. had denied the reduction of 10% of export incentive from the indirect costs reflected in the P&L A/c by 10% of the export incentives under Section 80HHC. Against the order dated 5 <sup>th</sup> March 2003, our Company filed an appeal before the CIT (A) who partly allowed the appeal by its order dated 25 <sup>th</sup> July 2003. The IT Department further made an appeal before the ITAT which was partly allowed by ITAT by its order dated 4 <sup>th</sup> October 2006 in ITAT Appeal No. 6607/MUM/03. The ITAT vide their corrigendum order dated 21 <sup>st</sup> March 2007 allowed our Company ground regarding the reduction of indirect cost by 10% of the incentives. The impugned ITAT order has been challenged by CIT in the High Court pleading for considering reduction of 10% export incentives from indirect costs under section 80 HHC. Hearing is awaited	2001-2002	4,405,659
Income Tax Officer v. Varun Industries Limited	ITAT Appeal No. 4466/M/07	The Income Tax Department (AO) against the order dated 30 <sup>th</sup> March 2007 in CIT (A)-XXX/IT-71/Rg. 73/06/07 passed by the CIT (A) filed the appeal. The relief claimed by the Appellant are: (i) instead of profit on transfer of DEPB, the entire DEPB credit to be considered & not to allow 10% of Export Incentive from indirect cost for Section 80HHC purpose of the IT Act; and (ii) reduction in inflation of purchases by 0.1%. Hearing is awaited.	2001-2002	212,595,382
Income Tax Officer v. Varun Industries Limited	ITAT Appeal No. 4467/M/07	Income Tax Department (AO) against the order dated 30 <sup>th</sup> March 2007 in CIT (A)-XXX/IT-72/Rg. 73/06/07 passed by the CIT (A) filed the appeal. The relief claimed by the Appellant are: (i) instead of profit on transfer of DEPB, the entire DEPB credit to be considered & not to allow 10% of Export Incentive from indirect cost for Section 80HHC purpose of the IT Act; and (ii) reduction in inflation of purchases by 0.1%. Hearing is awaited.	2002-2003	26,155,434
Income Tax Officer v. Varun Industries Limited	ITAT Appeal No. 4468/M/07	Income Tax Department (AO) against the order dated 30 <sup>th</sup> March 2007 in CIT (A)-XXX/IT-73/Rg. 73/06/07 passed by the CIT (A) filed the appeal. The relief claimed by the Appellant are: (i) instead of profit on transfer of DEPB, the entire DEPB credit to be considered & not to allow 10% of Export Incentive from indirect cost for Section 80HHC purpose of the IT Act; and (ii) reduction in inflation of purchases by 0.1%. Hearing is awaited.	2003-2004	32,103,494

Income Tax Officer v. Varun Industries Limited	ITAT Appeal No. 4469/M/07	Income Tax Department (AO) against the order dated 30 <sup>th</sup> March 2007 in CIT (A)-XXX/IT-74/Rg. 73/06/07 passed by the CIT (A) filed the appeal. The relief claimed by the Appellant are: (i) instead of profit on transfer of DEPB, the entire DEPB credit to be considered & not to allow 10% of Export Incentive from indirect cost for Section 80HHC purpose of the IT Act; and (ii) reduction in inflation of purchases by 0.1%. Hearing is awaited.	2004-2005	39,116,846
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## B. Criminal Cases

Sr. No.	Authority where Pending	Nature of the case and particulars	Status
1.	The Chief Judicial Magistrate  Case No. 591/2005  Rajasthan High Court  Criminal Writ Petition No 1518 of 2007  Company & Ors  Vs  State of Rajasthan	<p>The State of Rajasthan through Devendrakumar Kadavat, Drug Control Officer, Bikaner has filed a criminal complaint bearing no.591/2005 u/s 16(1)(a), 18 a(1), 18 (a) (vi), 18 (b), 17(c), 17-A(f), 22(1)(cca) and Section 27(b) &amp; (d) Drugs and Cosmetic Act 1940 against Gaurav Medicos Bikaner and other 22. Our Company and its directors Shri. Kiran N. Mehta, Shri. Kailash S. Agarwal and Shri. Virendra N. Mehta are accused no 8,9,10 &amp; 11 respectively.</p> <p>The Complainant inspector, conducted an inspection on 5.9.02 at the place of accused no.1, and requested for the details of Tab. F A D 0.25 B. No. OSN -01, Mfd Date Oct 2000 with exp/d Sept 2004. The medicine was supplied by our Company.</p> <p>Later he purchased the said medicines and sent for the sample test with respect to the contents as specified on the cover of the Tab. to CIPL Gaziabad.</p> <p>The CIPL had by its report no. CIPL/6007/395 dated 31.10.2002 certified that <i>“the samples do not conform to the claim in that the sample contain as additional compound other than what is stated on the label. Also please see remark under identification. It also fail in assay”</i></p> <p>The Inspector then sent the copy of the report to our Company and sought for the purchase and sale details of the said medicine. Our Company by its reply dated confirmed the selling of the said medicine procured from the accused no. 14, M/s Sayona Medicare Pvt. Ltd., Baroda. Our Company had further replied that they only do the marketing of the aforesaid medicine and are in no way concerned with manufacturing of the said medicines.</p> <p>On the basis of the aforesaid facts, the Complainant Inspector has filed a complaint. The Company has filed a Writ Petition before the Rajasthan High Court for quashing the issue of process against the Company and its Directors. The Hon’ble Rajasthan High Court has by its order dated 1.10.2007 stayed the proceedings at the Chief Judicial Magistrate, Bikaner, in Criminal Case No 591/2005.</p>	The Complaint is pending hearing.

### C. Show Cause Notices issued to our Company

Sr. No.	Authority issuing the Show cause notice and date of the notice	Nature of the case and particulars	Financial Implications (Rs.)
1.	The Directorate of Revenue Intelligence, Mumbai Zone Unit Show Cause notice bearing F.No.DRI/MZU/NS/I NV-11/2005-06/306 dated 13 <sup>th</sup> April 2007	<p>The Directorate of Revenue Intelligence, Mumbai Zonal Unit Department have issued a Show Cause Notice on the basis of the investigation carried out by them, to our Company and its erstwhile Director Shri. Sanjay Bhandari as to why:</p> <p>The goods attempted to be exported vide 2 shipping bills having total declared FOB value of Rs 1,22,97,074 should not be held liable for confiscation under section 113(d) and 113(i) of the Customs Act 1962.</p> <p>The said notice is based on the allegations that our Company has mis-declared the description; quality and weight in the containers seized by the DRI and has therefore wrongly availed the benefits of the DEPB Scheme. The Company has filed its reply to the said show cause notice.</p>	1,22,97,074 and the penalty if any awarded u/s 113(d) and 113(i) of the Customs Act 1962.

### Cases filed by/against our Directors

There is no litigation pending against any Promoter or Director of our Company, except the following:

#### I. Litigations Pending against Shri. Kiran N. Mehta

##### A. Cases filed by Shri. Kiran N. Mehta

Sr. No.	Authority where Pending	Nature of the case and particulars	Financial implication (Rs.)
1.	CESTAT (Customs Excise and Service Tax Appellate Tribunal)	<p>Shri. Kiran N. Mehta has filed an appeal before the Appellate Tribunal (Customs, Excise and Service Tax) West Zonal bench Mumbai challenging the Order-in-Original dated 20.8.2004 (F. No. S/10-02/2004-Adj Cell (X)/SG/MISC-28/02 SIIB JCH/DRI/ BZU /E1/2002/6888 passed by the Commissioner of Customs.</p> <p>The Department had issued a Show Cause Notice on the basis of the investigation carried out by Directorate of Revenue Intelligence, Mumbai Zone Unit, to Shri. Kailash S. Agarwal and Shri. Kiran N. Mehta as to:</p> <p>Why penalty u/s 114 of the Customs Act be not imposed on each of the Promoters for abetting the said mis-declaration during the exports.</p> <p>The Commissioner of Customs after hearing the submission of our Company and its Directors has imposed Penalty of Rs 5 lacs each on Shri. Kailash S. Agarwal and Shri. Kiran N. Mehta</p> <p>The Case is pending before the Appellate Tribunal (Customs, Excise and Service Tax) West Zonal bench Mumbai</p>	5,00,000

## B. Criminal Case pending against Shri. Kiran N. Mehta

Sr. No.	Authority where pending	Nature of the case and particulars	Status
1.	<p>The Chief Judicial Magistrate</p> <p>Case No. 591/2005</p> <p>Rajasthan High Court</p> <p>Criminal Writ Petition No 1518 of 2007</p> <p>Company &amp; Ors</p> <p>Vs</p> <p>State of Rajasthan</p>	<p>The State of Rajasthan through Devendrakumar Kadavat, Drug Control Officer, Bikaner has filed a criminal complaint bearing no.591/2005 u/s 16(1)(a), 18 a(1), 18 (a)(vi), 18 (b), 17(c), 17-A(f), 22(1)(cca) and Section 27(b) &amp; (d) Drugs and Cosmetic Act 1940 against Gaurav Medicos Bikaner and other 22. Our Company and its directors. Shri Kiran Mehta is accused no 9. Shri. Kiran N. Mehta is made accused in his capacity of being a director in our Company.</p> <p>That the Complainant inspector, conducted an inspection on 5.9.02 at the place of accused no.1, and requested for the details of Tab. F A D 0.25 B. No. OSN -01, Manufacturing date Oct. 2000 with exp/d Sept. 2004. The medicine was supplied by our Company.</p> <p>Later he purchased the said medicines and sent for the sample test with respect to the contents as specified on the cover of the Tab. to CIPL Gaziabad.</p> <p>The CIPL had by its report no. CIPL/6007/395 dated 31.10.2002 certified that “the samples do not conform to the claim in that the sample contain an additional compound other than what is stated on the label. Also please see remark under identification. It also fail in assay”</p> <p>The Inspector then sent the copy of the report to our Company and sought for the purchase and sale details of the said medicine. Our Company by its reply dated confirmed the selling of the said medicine procured from the accused no. 14, M/s. Sayona Medicare Pvt. Ltd., Baroda. Our Company had further replied that they only do the marketing of the aforesaid medicine and are in no way concerned with manufacturing of the said medicines.</p> <p>On the basis of the aforesaid facts, the Complainant inspector has filed a complaint. The Company has filed a Writ Petition before the Rajasthan High Court for quashing the issue of process against the Company and its Directors. The Hon’ble Rajasthan High Court has by its order dated 1.10.2007 stayed the proceedings at the Chief Judicial Magistrate, Bikaner, in Criminal Case No 591/2005.</p>	The Complaint is pending hearing.

## II. Litigations Pending against Shri. Kailash S. Agarwal

### A. Cases filed by Shri. Kailash S. Agarwal

Sr. No.	Authority where Pending	Nature of the case and particulars	Financial Implications (Rs.)
1.	CESTAT (Customs Excise and Service Tax Appellate Tribunal)	<p>Shri. Kailash S. Agarwal has filed an appeal before the Appellant Tribunal (Customs, Excise and Service Tax) West Zonal bench Mumbai challenging the Order-in-Original dated 20.8.2004 (F. No. S/10-02/2004-Adj Cell (X)/SG/MISC-28/02 SIIB JCH/DRI/ BZU /E1/2002/6888 passed by the Commissioner of Customs.</p> <p>The Department had issued a Show Cause Notice on the basis of the investigation carried out by Directorate of Revenue Intelligence, Mumbai Zone Unit, to Shri Kailash Agarwal and Shri. Kiran Mehta as to:</p>	500,000

		<p>Why penalty u/s 114 of the Customs Act be not imposed on each of the Promoters for abetting the said mis-declaration during the exports.</p> <p>The Commissioner of Customs after hearing to the submission of our Company and its Directors has imposed Penalty of Rs 5 lacs each on Shri Agarwal and Shri Mehta.</p> <p>The Case is pending before the Appellant Tribunal (Customs, Excise and Service Tax) West Zonal bench Mumbai.</p>	
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#### B. Criminal Case pending against Shri. Kailash S. Agarwal

Sr. No.	Authority where pending	Nature of the case and particulars	Status
1.	<p>The Chief Judicial Magistrate</p> <p>Case No. 591/2005</p> <p>Rajasthan High Court</p> <p>Criminal Writ Petition No 1518 of 2007</p> <p>Company &amp; Ors</p> <p>Vs</p> <p>State of Rajasthan</p>	<p>The State of Rajasthan through Devendrakumar Kadavat, Drug Control Officer, Bikaner has filed a criminal complaint bearing no.591/2005 u/s 16(1)(a), 18 a(1), 18 (a)(vi), 18 (b), 17(c), 17-A(f), 22(1)(cca) and Section 27(b) &amp; (d) Drugs and Cosmetic Act 1940 against Gaurav Medicos Bikaner and other 22. Our Company and its directors. Shri. Kailash S. Agarwal is accused no 10. He is made accused in his capacity of he being a director in our Company.</p> <p>That the Complainant inspector, conducted an inspection on 5.9.02 at the place of accused no.1, and requested for the details of Tab. F A D 0.25 B. No. OSN -01, Mfd Date Oct 2000 with exp/d Sept 2004. The medicine was supplied by our Company.</p> <p>Later he purchased the said medicines and sent for the sample test with respect to the contents as specified on the cover of the Tab. to CIPL Gaziabad.</p> <p>The CIPL had by its report no. CIPL/6007/395 dated 31.10.2002 certified that “the samples do not conform to the claim in that the sample contain an additional compound other than what is stated on the label. Also please see remark under identification. It also fail in assay”</p> <p>The Inspector then sent the copy of the report to our Company and sought for the purchase and sell details of the said medicine. Our Company by its reply dated confirmed the selling of the said medicine procured from the accused no. 14, M/s Sayona Medicare Pvt. Ltd., Baroda. Our Company had further replied that they only do the marketing of the aforesaid medicine and are in no ways concerned with manufacturing of the said medicines.</p> <p>On the basis of the aforesaid facts, the Complainant inspector has filed a complaint. The Company has filed a Writ Petition before the Rajasthan High Court for quashing the issue of process against the Company and its Directors. The Hon’ble Rajasthan High Court has by its order dated 1.10.2007 stayed the proceedings at the Chief Judicial Magistrate, Bikaner, in Criminal Case No 591/2005.</p>	The Complaint is pending hearing.

### III. Litigations Pending against Shri. Virendra N. Mehta

#### A. Criminal Cases pending against Shri. Virendra N. Mehta

Sr. No.	Authority where pending	Nature of the case and particulars	Status
1.	<p>The Chief Judicial Magistrate, Bikaner</p> <p>Case No. 591/2005</p> <p>Rajasthan High Court</p> <p>Criminal Writ Petition No 1518 of 2007</p> <p>Company &amp; Ors</p> <p>Vs</p> <p>State of Rajasthan</p>	<p>The State of Rajasthan through Devendrakumar Kadavat, Drug Control Officer, Bikaner has filed a criminal complaint bearing no.591/2005 u/s 16(1)(a), 18 a(1), 18 (a) (vi), 18 (b), 17(c), 17-A(f), 22(1)(cca) and Section 27(b) &amp; (d) Drugs and Cosmetic Act 1940 against Gaurav Medicos Bikaner and other 22. Shri Virendra Mehta is accused no 11 as the Director of our Company.</p> <p>That the Complainant inspector, conducted an inspection on 5.9.02 at the place of accused no.1, and requested for the details of Tab. F A D 0.25 B. No. OSN -01, M/d Oct 2000 with exp/d Sept 2004. The medicine was supplied by our Company.</p> <p>Later he purchased the said medicines and sent for the sample test with respect to the contents as specified on the cover of the Tab. to CIPL Gaziabad.</p> <p>The CIPL had by its report no. CIPL/6007/395 dated 31.10.2002 certified that “the samples does not conform to the claim in that the sample contain as additional compound other than what is stated on the label. Also please see remark under identification. It also fail in assay”</p> <p>The Inspector then sent the copy of the report to our Company and sought for the purchase and sell details of the said medicine. Our Company by its reply dated confirmed the selling of the said medicine procured from the accused no. 14, M/s Sayona Medicare Pvt. Ltd., Baroda. Our Company had further replied that they only do the marketing of the aforesaid medicine and are in no ways concerned with manufacturing of the said medicines.</p> <p>On the basis of the aforesaid facts, the Complainant inspector has filed a complaint. The Company has filed a Writ Petition before the Rajasthan High Court for quashing the issue of process against the Company and its Directors. The Hon’ble Rajasthan High Court has by its order dated 1.10.2007 stayed the proceedings at the Chief Judicial Magistrate, Bikaner, in Criminal Case No 591/2005.</p>	The Complaint is pending hearing.

#### Outstanding Litigation of Our Subsidiaries

There is no outstanding litigation of any of our subsidiary company as on date of filing of this Prospectus.

#### Outstanding Litigation of Our Group Companies

There is no outstanding litigation of any of our group companies as on date of filing of this Prospectus.

#### Material Development

There is no material development since the date of the last financial statements disclosed in this Prospectus that would materially adversely affect the performance or prospectus of our Company.

## GOVERNMENT/STATUTORY AND BUSINESS APPROVALS

Our Company has received the necessary consents, licenses, permissions and approvals from the Government and various Government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business save and except as mentioned below:

### A. Incorporation

- i. The Registrar of Companies, Maharashtra, Mumbai has issued the certificate of incorporation to our Company with no. 11-97945 of 1996 incorporated in the name and style Varun Continental Limited with the date of Incorporation of 8.3.1996.
- ii. The Registrar of Companies, Maharashtra Mumbai by its certificate dated 21.4.2005 has issued the fresh certificate of incorporation consequent upon change of the name of our Company from Varun Continental Limited to Varun Industries Limited
- iii. Our Company was granted certificate of commencement of business on 15.3.1996 by the Registrar of Companies, Maharashtra, Mumbai.
- iv. Our Company has been allotted CIN: U28990 MH1996 PLC 097945

### B. Sales Tax (Value Added Tax)

#### Bangalore Office:

The Commercial Taxes Department, Government of Karnataka by its Value Added Tax registration certificate dated 9.11.2005 has registered our Company with a reference No. 29310455402 dated 1.11.2005

#### Mumbai Office:

Our Company had earlier got registered separately under the Bombay Sales Tax and Central Sales Tax (Registration and Turnover) Rules 1957 as 400027/S/606 and 400027/C/453 respectively.

Our Company had by its TIN Application No. 0222957 applied for a consolidated and a single TIN for the aforesaid registration. The same has been allotted as follows:

VAT TIN is 27610000340 V  
CST TIN is 27610000340 C

### C. Income Tax

Our Company has been allotted Permanent Account Number: AAACV2069F under the Income Tax Act by the Income Tax Department, Mumbai

Our Company has been allotted TAN: MUMV05062B under the Income Tax Act by the Income Tax Department, Mumbai

The National Securities Depository Limited by its letter dated May 17, 2005 intimated to our Company that has been registered under the Income Tax for e-TDS intermediary under Tax deduction Account Number: MUMV05062B



## D. Intellectual Property Rights

### a. The Copyright Act 1956

Our Company has registered its original artistic work “Varun Stainless Steel Made in India” under the Copyright Act with the registration No A-55847/99 under the Class of Work being an Artistic Work in English language.

### b. Trade Marks Act 1999

Our Company’s following trademarks have been duly registered under the Trade Marks Act 1999

Sr. No.	Trade Mark	Trade Mark Registration No. and date	Class of goods	Specification of goods	Registration Certificate No.	Trade Mark Valid Upto
1.	Varun Steel	No.954346 on 8.9.2000	Class 21	Stainless Steel Utensils	334413	7.9.2010
2.	Varun Stainless Steel	No. 954347 on 8.9.2000	Class 21	Stainless Steel Utensils	517432	7.9.2010
3.	Varun –India	No. 954349 on 8.9.2000	Class 21	Stainless Steel Utensils	479846	7.9.2010
4.	Varun Steel	No. 954350 on 8.9.2000	Class 21	Stainless Steel Utensils	513183	7.9.2010
5.	Varun	No. 908992 on 10.3.2000	Class 21	Stainless Steel Utensils	365895	9.3.2010
6.		No. 908993 on 10.3.2000	Class 21	Stainless Steel Utensils	281698	9.3.2010
7.	Varun Kitchen Ware	No. 954345 on 8.9.2000	Class 21	Stainless Steel Utensils	304247	7.9.2010
8.	 VARUN®	No. 908991 on 10.3.2000	Class 21	Stainless Steel Utensils	365898	9.3.2010
9.	Varun Household	No. 954348 on 8.9.2000	Class 21	Stainless Steel Utensils	445388	7.9.2010
10.	OSN	No. 980259 on 29.12.2000	Class 21	Stainless Steel Utensils and Kitchenware items	345486	28.12.2010
11.	Varun	No. 1092824 on 5.4.2002	Class 16	Books and publications of all kinds and descriptions, stationary, periodicals, journals Manuals brochures, directories, calendars, diaries, stickers, posters, visiting cards, letterheads, bills, advertisements and advertisements materials paper or plastic covers and folders, files envelopes	322881	4.4.2012
12.	Varun Stainless Steel Made in India	No. 806275 on 16.6.1998	Class 21	Stainless Steel Utensils	548874	15.6.2008

*Application for Cancellation:*

- i. The Trade Marks Registry, Government of India, has issued a certificate dated 28.3.2005 bearing no 340439 with respect to the registration of the Trade Mark “Lincoln Co” under section 23(2), Rule 62 (I) in class 21 under no. 930098 as of the date 7.6.2000 in respect of Stainless Steel Utensils. Our Company has vide its letter dated 6<sup>th</sup> March 2007 applied to the Trade Mark registry for withdrawal/cancellation of the aforesaid brand.
- ii. Our Company had made an application No. 908990 dated 2<sup>nd</sup> March, 2000 (Brand “555”) to the Trade Marks Registry for registration in Class 21. Our Company by a letter dated 6<sup>th</sup> March 2007, requested the TM Registry to withdraw the application for registration for the above said Brand in the said Class. The said Mark was advertised before acceptance under 20(1) in the Trade Marks Journal.
- iii. Our Company had made an application No. 1252445 dated 27<sup>th</sup> November 2003 (Brand “Bergner”) to the Trade Marks Registry for registration in Class 21. Our Company by a letter dated 6<sup>th</sup> March 2007, requested the Trade Mark Registry to withdraw the application for registration for the above said Brand in the said Class. The said Mark was advertised before acceptance under 20(1) in the Trade Marks Journal.

**E. Industrial Approvals**

**a. Certificate of Importer –Exporter Code (IEC)**

Certificate of Importer Exporter Code (IEC) dated 29.4.2005 issued by the Ministry of Commerce, Government of India with IEC Number: 0389023825 as issued on 9.4.1996.

**b. Bombay Shops and Establishments Act 1948**

Certificate of registration No. E-II/009186 dated 26.5.2005 under the provisions of the Bombay Shops and Establishment Act 1948. The registration is valid upto 31.12.2007.

- c. Life membership with All India Stainless Steel Industries Association since 7.8.2002 with membership no. being 150.
- d. Membership with Export Promotion Council for Handicrafts since 8.11.2005 with membership no. EPCH/MEM/23240/2005-2006.

**e. Provident Fund**

Code No. MH/PE/APP/43806/Ent-IV/E/685 dated 6.5.1999 has been allotted by the Regional Provident Fund Commissioner, Maharashtra and Goa with effect from 1.9.1998. While registering, our Company has been classified as Trading and Commercial unit.

**f. Employee’s State Insurance Corporation**

The respective Regional Offices of Employees State Insurance Corporation established under the Employees State Insurance Act 1948 has allotted our Company the following registration no:

**Mumbai Office:**

Registration No: No.B/COV/NS-43721 (31-42925-102) dated 16.6.1998

**Vasai Plant**

Registration No: No.B/Cov./2(9)/MAROL/31-42925-102 (Marol) dated 30.04.2007

#### **Delhi Office:**

Registration No.: 31-42925-102/DL-1610/B dated 8.5.2006

#### **Bangalore Office:**

Registration no.: KAR.INSUI.SO/BO. 31-42925-102(BNG) dated 24.4.2006

- g. The Ministry of Commerce & Industry, Government of India has by its certificate bearing no 014734 dated 8.12.2004 have recognized our Company as “Export House” with a 4 star rating. The Certificate is valid from 1.4.2004 to 31.3.2009.

#### **h. Profession Tax**

Certificate of registration bearing no. 0439960 has been issued to our Company allotting the registration no. PT/R/1/1/25/6713 registering our Company under sub section (1) of section 5 of the Maharashtra State Tax on Professions, Trade, Callings and Employments Act 1975.

- i. Associate Member of the Gem & Jewellery Export Promotion Council sponsored by the Ministry of Commerce, Govt. of India with Associate membership no. MUM/AM-VI/V-4

#### **F. ISO Certificate**

Certificate of registration bearing no. QSC/WR/L-7001104.2 dated November 29, 2006 (initially issued in year 2003 valid from November 10, 2003 to November 9, 2006) renewed and issued by Bureau of Indian Standards to our Company for its quality management system assessed in accordance to the Standard IS/ISO 9001:2000 for the scope “Export of Stainless Steel Kitchenware and Various Types of Utensils and Cutlery excluding Design and Development Activities” and valid from November 10, 2006 till November 9, 2009.

#### **G. Vasai Plant**

##### **Construction Permissions**

- a. CIDCO has by its Assessment Order no 89 dated 29.11.2004 granted Company the permission for the proposed Industrial Buildings on S. No. 14 (Part) of village Valiv taluka Vasai district Thane on the terms and conditions mentioned therein. CIDCO has permitted Company for the built up area upto 12547.258 sq. mtrs on payment of the requisite charges stated thereunder.
- b. CIDCO has by its letter dated 30.3.2007 issued its ex-facto permission to our Company for the Project and part occupancy certificate for industrial building No.1 on land bearing S. No. 14 H No. 3 of Village Valiv, Taluka Vasai, District Thane.

By this letter CIDCO has approved plans for proposed Industrial Buildings on land as per the following details:

Sr. No.	Predominant Use	Bldg No.	No of floors	No of Units	Total built up area (sq. mtrs)
1.	Industrial	1	(Gr+1)	Single unit	1259.36
2.	Industrial	2	Gr only	Single Unit	1671.79

This permission is valid only for one year from the date of issue of the Commencement Certificate for each building distinctively. It also states that the terms and conditions as stated in the Commencement certificate dated 29.11.2004 issued to our Company should stand applicable.

The aforesaid part occupancy certificate is valid subject to the following consents/approvals being obtained

- NOC from the Directorate of Industries before commencement of manufacturing activities
- Water based/Chemical/Hazardous/obnoxious Units shall not be allowed in the Industrial Area
- NOC and consent letter from authorities/bodies or organizations shall be obtained from time to time as per the prevailing applicable laws and to observe their conditions scrupulously

### **Industrial Licenses**

- c. The Secretariat for Industrial Assistance, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India, New Delhi has by its Letter of Intent No.LI:1 (2007) dated January 16, 2007 accorded its consent to grant an Industrial Licence under the Industries (Development and Regulation) Act 1951 for establishment of new undertaking at land bearing S. No. 14 H No. 3 of Village Valiv, Vasai - Vajreshwari Road Taluka Vasai, district Thane for manufacture of Stainless Steel Utensils items having a annual capacity of 10,000 MT. The said licence is issued on the following terms and conditions being complied:
  - i. The location of the industrial project will be subject to Central or State Environmental laws or regulations including local zoning and land use laws and regulations.
  - ii. Adequate steps be taken to the satisfaction of the government to prevent air, water and soil pollution
  - iii. Our Company to undertake to export a minimum of 50% of the new or additional annual production to be achieved within a maximum period of 3 years.
  - iv. Our Company to undertake to comply with the existing laws on employment of child labour

The Letter of Intent is valid for a period of 3 years from the date of issue.

- d. Certificate bearing no. 088496 /Reg. No. Vasai 2(w)(i) 28996 registering our Company as a Factory under the Factories Act 1948. The License is renewed till 31.12.2009. Our Company has a labour strength of 250 nos., which may be further increased upto 500 as licensed.
- e. **License under the Contract Labour (Regulation & Abolition) Act 1970**

#### **Principal Employer**

Certificate bearing registration No. 41/13 on 15.7.2005 registering company as Principal Employer under the Contract Labour (Regulation & Abolition) Act 1970

#### **Contractor:**

Certificate bearing registration No. 091/34 dated 15.7.2005 as a Contractor under the Contract Labour (Regulation & Abolition) Act 1970 has been allotted to Shapoorji Pallonji & Co Ltd, the builder of our Vasai plant.

The Licence is valid till 31.12.2007.

- f. A fresh/additional power supply on 22/KV to the extent of 160 KVA maximum demand with connected load of 140 KW to our Company's plant at Vasai Plant has been permitted by the Maharashtra State Electricity Board, O & M Circle, Vasai by its letter dated 15.12.2004.
- g. Navghar – Manikpur Municipality (Nagar Parishad) has by its reference no. 5014 / 2802 / 06 dated 28<sup>th</sup> September 2006 has granted permission to our Company for 5 nos. ½ inches water connection to our factory site at Vasai.

- h. The District Industries Centre (UDYOG SETU) by its letter-dated 15.9.06 has granted the location clearance to our Company for the following infrastructure facilities:

Factory address	Survey No.14, Hissa No.3, Village Valiv, taluka Vasai, district Thane
Plot area	19681.975 sq. mtrs
Built up Area	12547.258 sq. mtrs
Value of Machinery	Rs 13,45,00,000
Connected Power load	1200KW
Items of Production	Kitchen utensils of various categories and types, stock pots of various capacities, Pressure Cookers of various capacities, Cooking pots of various types and capacities. Cutlery items, miscellaneous home appliances

- i. The Directorate of Industrial Safety and Health, Vasai (W) by its letter dated 3.8.2007 bearing No. 03/2007/VAM/2728/Vasai has approved the construction of the factory in accordance with plans submitted to the Directorate under the Factories Act 1948 on the terms and conditions mentioned therein.
- j. The Industries, Energy and Labour Department, Government of India by its certificate dated 1.8.2007 bearing registration no. 23/V/OB/15633 granted License bearing No. 71081 to Work the Lift in the Vasai Plant of the Company with a carrying capacity of the same being 3000 kilograms.
- k. The Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India has by its letter dated 29.06.07 bearing No. CIL: 9(2007) has granted license to the Company for establishing a new industrial undertaking for the manufacture of Stainless Steel Utensils, Vasai plant with a maximum utilization capacity of plant and machinery having Annual manufacturing Capacity of 10000 MT on the terms and conditions mentioned therein.
- l. The Licensing Officer, Government of Maharashtra, Thane, by its certificate dated 04.07.07 bearing No. 100/40 issued License bearing No. DC/THN/CLA/100/40 under Contract Labour (Regulation and Abolition) Act, 1970 to M/s Global Contractual Services to act as Contractors to Varun Industries Limited.

#### Approvals under the Environment Laws

- m. The Maharashtra Pollution Control Board, Regional Office Thane by its letter No. MPC/ROT/2068 dated 18.8.2006 granted its consent to our Company to establish under section 25 of the Water (Prevention and Control of Pollution) Act 1974 and under section 21 of the Air (Prevention and Control of Pollution) Act 1981 and Authorization/Renewal of Authorization under Rule 5 of the Hazardous Waste (Management & Handling) Rules, 2003.

The said consent to establish is granted for a period upto commissioning of unit manufacture of the following products detailed below, without buffing activity. The products are:

Sr. No.	Product	Max. Qty./Day
1.	Kitchen Utensils of various categories and types	All 28.67 MT/Day (Approx.)
2.	Stock pots of various capacities	
3.	Pressure Cooker for various capacities	
4.	Cooking pots of various types and capacities	
5.	Cutlery Items	
6.	Miscellaneous Home Appliances	

- n. The Maharashtra Pollution Control Board by its letter No. MPCB/SROT-II/19/669 dated 28.2.2007 granted its consent to our Company to operate under section 26 of the Water (Prevention and Control of Pollution) Act 1974 and under section 21 of the Air (Prevention and Control of Pollution) Act 1981 and Authorization/Renewal of Authorization under Rule 5 of the Hazardous Waste (Management & Handling) Rules, 1989.

The said consent is valid for the manufacture of the following products detailed below, without the use of any chemical, plating, pickling, buffing, painting or surface treatment. The products are:

Sr. No.	Product	Max. Qty./Day
1.	Kitchen Utensils of various categories and types	All 28.67 MT/Day (Approx.)
2.	Stock pots of various capacities	
3.	Pressure Cooker for various capacities	
4.	Cooking pots of various types and capacities	
5.	Cutlery Items	
6.	Miscellaneous Home Appliances	

The consent to operate is granted for a period up to 28.2.2019

## H. Wind Mill Project

1. The office of the Executive Engineer- III (TCC IV), R.R.V.P.N.L, Barmer by its letter dated 2.4.2005 has issued the Commissioning Certificate for the Suzlon make 2 Wind Electric Generators at Village Soda-Mada, Dist Jaisalmer, Rajasthan

The details of the machineries commissioned are:

Rating of Wind Electric Generators: 1.25 MW  
Quantity: 2 Nos  
Location: J-277 & 279  
Date of Commissioning: 30.3.2005

2. The office of the Executive Engineer- III (TCC IV), R.R.V.P.N.L, Barmer by its letter dated 2.4.2005 has issued the commissioning certificate for the Suzlon make 1 Wind Electric Generators at Village Hansuwa, Dist Jaisalmer, Rajasthan

The details of the machineries commissioned are:

Rating of Wind Electric Generators: 1.25 MW  
Quantity: 1 No.  
Location: J-254  
Date of Commissioning: 30.3.2005

3. The office of the Executive Engineer- II (C & M)/TCC IV, R.R.V.P.N.L, Barmer by its letter dated 30.03.2007 has issued the Commissioning Certificate for the Suzlon make 2 Wind Electric Generators at Jaisalmer, Rajasthan

The details of the machineries commissioned are:

Rating of Wind Electric Generators: 0.60 MW  
Quantity: 2 Nos  
Location: J-165 & J-167  
Date of Commissioning: 29.3.2007

## I. Jodhpur Stailess Steel Re-Rolling Mill

### Industrial Approvals

1. The District Industries Centre, Jodhpur, Government of Rajasthan, by its letter dated 21.11.2006 have acknowledged the Memorandum filed by the Company expressing its intent to set up an manufacturing facility of S S Plates & Sheet (Manufacture/Service) enterprise at the Basni II nd Phase, Jodhpur and has allocated entrepreneur's memorandum number as 08-015-13-00112
2. By a certificate of registration dated 21.11.2006, the Company has been granted Central Excise Registration no. AAACV2069FXM001 for its manufacturing facility at E-371, MIA, Phase –II, Basni, Jodhpur. The Company had applied for the registration on 20.11.2006.
3. By the certificate of registration dated 1.2.05 issued by the Vanijya Kar Adhikari Jodhpur, Rajasthan has registered the Company having its principal place of business within the State of Rajasthan at 113, Macchar Tower, 1<sup>st</sup> B, Sardarpura, Jodhpur as a dealer under section 7(1)/7(2) of the Central Sales Tax Act 1956. The registration No. is 08962706373. This license was further amended pursuant to the Rajasthan VAT Act, 2003 with effect from 1.4.2006. The Company was registered under section 3(2) or 5(1) for dealing into the goods of following description:  
Iron & Steel, Timber, Hardware, Paints, Chemicals, Polishing Material, Leather etc.
4. The Registering Authority, Jodhpur, issued the Certificate of Registration dated 22.12.2006 bearing No. RET/1949/N/0340 under section 11 of the Rajasthan Tax on Entry of Goods into local Areas Act 1999, subject to the provisions of the said Act and Rules framed there under.
5. By an agreement for large industrial consumer dated 31.7.2007 between Jodhpur Vidyut Vitran nigram Limited and the Company, the Nigam has agreed to supply to to tile consumer for industrial purpose at the factory premises upto maximum demand of 600 KVA.
6. Rajasthan State Pollution Control Board by its letter dated 1.9.2007 bearing No. F.5 (JD-452) RPCB/Gr.II/4244 has granted its consent to the Company to establish under the provisions of Air (Prevention & Control of Pollution) Act 1981 & Water (Prevention & Control of Pollution) Act, 1974 for SS Patta/sheet re-rolling plant at E-371, MIA II, Phase Basani Jodhpur upto a capacity of 10000 MT/Annum and for installtion of following machineries:
 

Hot Rolling Mill (5 Hi)	1
Hot Pusher Furnace	1
Annealing Furnace	2
Roller Machines (4 Hi)	13
DG Set 500 KV A	2
7. The Licensing Authority under the Factories Act, have by its Certificate of Registration dated 3.10.2007 bearing Sr. No. 39455 has registered the Company under the registration no. 19280 as a factory under the Factories Act 1948. The License is valid upto 31.3.2012.

## **J. Mining of Iron Ore**

1. Our Company has by its application dated 8.8.2005 applied for Mining lease for Iron Ore over an area of 102.32 acres in Narayanapura Village, Sandur taluka, district Bellary for a term of 20 years.
2. The Karnataka State Pollution Control Board has by its letter 21.7.2006 has accorded its consent for establishment under the Water (Prevention & Control of Pollution) Act 1974 and the Air (Prevention & Control of Pollution) Act 1981 for mining of Iron Ore of capacity 65000 TPA in an area of 24.28 hectares at ML No. 967AML2005, Narayanapura Village, Sandur Taluka, Bellary District, by Narayanapura Iron Ore Mines of M/s Varun Industries Limited subject to the following -
  - The project is to be cleared by the Ministry of Environment & Forest, Government of India, New Delhi
  - Mining area shall not exceed 24.28 hectares and mining of Iron Ore shall be as per the IBM Plan.
  - Mining authorities shall obtain environmental clearances from Ministry of Environment & Forest, Government of India and Mining Lease from the Government of Karnataka before commencing mining and consent for operation shall be issued only after the above statutory clearance are obtained.
  - The total water consumption shall not exceed 5KLD
  - There shall not be generation of any trade effluent from any activity process
3. The Ministry of Environment & Forests, Government of India by its letter dated April 26, 2007 have accorded environmental clearance to the lease of Iron Ore Mines at Narayanapur, Sandur Taluka, Dist. Bellary Karnataka under the provisions of EIA Notification dated 14th September 2006 subject to the compliance of the terms and conditions stated therein.

## **K. Oil and Gas Drilling Division**

1. The Office of the Assistant Labour Commissioner (Central), Baroda by its certificate dated 10.9.2007 has issued a License bearing No BRC/ALC/LIC/46 (274)/2007 under the Contract Labour (Regulation and Abolition) Act, 1970 for appointing 70 labours for doing the work of Hiring of Services for Operation & Maintenance of departmental workover Rigs at Ankleshwar. The registration is valid upto 9.9.2008.

### **Government Approvals pending and/or not yet applied for -**

The objects of the Issue, *inter alia*, include setting up of a manufacturing facility at Vasai and meeting working capital requirement for expansion, our Company would require certain licenses, approvals and permissions for undertaking these activities, and details thereof are mentioned hereunder:

- A. The Company has by an application dated 12.9.2006 applied for approval of the Gratuity Scheme under Part 'C' of the Fourth Schedule to the Income Tax Act 1961. The approval is yet to be received.

### **B. Vasai Plant:**

Except for the licenses and approvals mentioned hereinabove our Company are yet to apply for any other license, approval or permission in relation to the new manufacturing facility at Vasai. An indicative list of the major licenses, approvals and permissions we may need in relation to our proposed manufacturing unit at Vasai are:

- i. The Company has by its letter dated 26.7.06 applied to Director General Civil Aviation, New Delhi for the permission for Helicopter landing on terrace of RCC Building of the Company's factory at Vasai for private use. The Company has proposed to prepare the proposed helipad on the top of the Main Warehouse building, which is 20.50 mtrs high from road level

### **C. Jodhpur Stainless Steel Re-Rolling Mill**

Except for the licenses and approvals mentioned hereinabove our Company are yet to apply for any other license, approval or permission in relation to the new manufacturing facility at Jodhpur. An indicative list of the major licenses, approvals and permissions we may need in relation to our proposed manufacturing unit at Jodhpur are:

- i. If we import our plant and machinery under EPCG, Advance License or any other export promotion scheme, then we would require license(s) under such scheme(s) which would be adequate to cover the cost of imports;
- ii. License to operate a factory along with approvals for the machine plan layout and the building under the Factories Act;
- iii. The Electrical Inspectors' approval for diesel generator sets (for standby power) under the Electricity Act;
- iv. Water connection approvals;
- v. Registration under the Contract Labour (Regulation & Abolition) Act for engaging contract labour, if any, employed by our Company.
- vi. Other approvals and permissions relating to Employees Provident Fund, Employees State Insurance etc.

### **D. Mining Division**

- i. Service Tax registration under the Service Tax Rules.
- ii. Registration under the Contract Labour (Regulation & Abolition) Act for engaging contract labour, if any, employed by our Company.

### **E. Wind Power Generation**

Erection and Commissioning Certificate for Suzlon make 2 Wind Electric Generators at Village Sadiya, district Jaisalmer (Rajasthan) from the office of the Executive Engineer Rajasthan.

Other than the aforesaid, we do not currently foresee any other major approvals, licenses or permissions that may be required for implementing our proposed expansion. We have not obtained any of these approvals as on the date of filing this Prospectus with SEBI.

Our Company has received all the necessary approvals and licenses for conducting its present business and the proposed business except those mentioned above.

Subject to above exception and disclaimers, our Company has obtained all the necessary consents, licenses, permissions and approvals from the Government/RBI and various government agencies required for carrying on the present as well as the proposed business of our Company. It must, however, be distinctly understood that in granting the above consents/licenses/permissions/approvals, the Government does not take any responsibility for the financial soundness of our Company or for the correctness of any of the statements or any commitments made or opinions expressed.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of Equity Shares has been authorized vide Special Resolution passed at the Extra-ordinary General Meeting of our Company held on December 8, 2006 and a resolution passed by the Board of Directors at its meeting held on November 16, 2006.

### Prohibition by SEBI

Our Company, our Directors, our Promoters, our group companies, other companies promoted by our Promoters and companies with which our Company's directors are associated as directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

### Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time. In this regard we have appointed Shri. Rajendra Kumar Haran (President -Legal & HRD and Company Secretary) as Compliance Officer of our Company.

### Eligibility for the Issue

Our Company is eligible to make a public issue of Equity Shares in terms of clause 2.2.1 of the SEBI Guidelines.

- We have net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- We have a pre-Issue net worth of not less than Rs. 10 million in each of the preceding three full years (of 12 months each)
- We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years;
- The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended March 31, 2006;
- We have not changed our name during the last one-year.

Our Company has received the certificate dated June 2, 2007 from our Statutory Auditors of our Company, certifying the following -

The net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditors' Report included in this Offer Document under the section "Unconsolidated Financial Statements under Indian GAAP", as at and for the last five year ended March 31, 2003 to March 31, 2007 is set forth below –

(Rs. in lacs)					
Particulars	As on 31-03-2007	As on 31-03-2006	As on 31-03-2005	As on 31-03-2004	As on 31-03-2003
Net Tangible Assets	44,856.49	29,943.46	22,757.41	16,966.84	12,761.61
Monetary Assets	3,251.41	3,520.26	2,722.51	2,616.93	2,000.67
Net Profits, as restated	1,951.71	1,442.80	1,324.64	812.23	601.87
Net Worth	10,143.74	8,882.39	7,962.54	6,822.85	6,121.18

Notes:

1. Net tangible assets are defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities), net of provision for diminution in value.
2. Monetary assets include cash on hand and bank and quoted investments including units in open ended mutual fund schemes.
3. The net profits of the company is as per sec 205 of Companies Act and has been calculated from the audited financials statements of the respective year / period before making adjustments for restatement of financial statements.
4. Net Worth of the company includes equity share capital and reserves.

#### **Disclaimer Clause**

**AS REQUIRED A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS 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 OFFER DOCUMENT. THE LEAD MANAGER - IDBI CAPITAL MARKET SERVICES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGERS, IDBI CAPITAL MARKET SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED JUNE 26, 2007 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS -**

- I. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY. WE CONFIRM THAT:**
  - A) THE DRAFT 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 ANOTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- C) THE DISCLOSURES MADE IN THE DRAFT 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) WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.**
- E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE NETWORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.**

**III. WE CERTIFY THAT WRITTEN CONSENT HAS BEEN OBTAINED FROM THE PROMOTERS FOR INCLUSION OF THEIR SECURITIES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM AN PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE SOLD/DISPOSED/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING OF THE DRAFT PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.**

**THE FILING OF THE DRAFT PROSPECTUS DOES NOT, HOWEVER ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 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 LEAD MANAGER FOR ANY IRREGULARITIES OR LAPSES IN THE DRAFT PROSPECTUS.**

Note:

The SEBI Registration of Registrar to the Issue i.e. Bigshare Services Private Limited is valid upto June 15, 2007. The application for renewal of Certificate of Registration in the prescribed manner was made by Bigshare Services Private Limited on March 16, 2007 to SEBI, three months before expiry of the period of certificate as required under Regulation 9(1) of the SEBI (Registrars to an Issue and Share Transfer Agents), Regulations, 1993. The approval of SEBI in this regard is awaited.

#### **Caution Statement / Company and Lead Managers Disclaimer**

Our Company, our Directors and the Lead Managers accept no responsibility for statements made otherwise than in this Prospectus or in the advertisement or in any other material issued by or at our instance and any one placing reliance on any other source of information would be doing so at his/her/their own risks.

The Lead Managers do not accept any responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Lead Managers and us.

All information will be made available by us and the Lead Managers to the public and the investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at collection centers or elsewhere.

**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) and to NRIs and FIIs as defined under the Indian laws. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any other jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or herself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**Disclaimer Clause of Bombay Stock Exchange Limited (BSE)**

As required a copy of this Draft Prospectus has been submitted to BSE. The BSE has given the permission to our Company vide its letter dated July 30, 2007 to use their name in this Prospectus as one of the stock exchanges on which Equity Shares of our Company being issued in terms of this Prospectus are proposed to be listed. The BSE has scrutinized this Draft Prospectus for their limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by the BSE should not in any way be deemed or construed that the Draft Prospectus has been cleared or approved by BSE nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that our Company's securities will be listed or will continue to be listed on the BSE 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.

Every person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to an independent inquiry or any investigation and analysis and shall not have any claim against the 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 National Stock Exchange of India Limited (NSE)**

As required a copy of this Draft Prospectus has been submitted to the NSE. The NSE has given the permission to our Company vide its letter dated to September 14, 2007 use their name in this Prospectus as one of the stock exchanges on which Equity Shares of our Company being issued in terms of this Prospectus are proposed to be listed. NSE has scrutinized this Draft Prospectus for their limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft 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 Prospectus; nor does it warrant that our Company's securities will be listed or will continue to be listed on the Exchange nor does it take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company.

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

### **Filing**

A copy of this Prospectus along with the documents filed under Section 60B of the Companies Act, 1956 has been delivered for registration to The Registrar of Companies, Maharashtra, Mumbai and a copy of the Prospectus filed under Section 60 of the Companies Act, 1956 has been delivered for registration with RoC. A copy of the Prospectus has been filed with SEBI, Mumbai.

### **Listing**

The Equity Shares issued through this Prospectus are proposed to be listed on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). In-principle approval for listing of the Equity Shares of our Company from BSE has been received vide their letter dated July 30, 2007 and from NSE has been received vide letter dated September 14, 2007.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the Basis of Allotment for this Issue.

### **Impersonation**

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 which is reproduced below:

**“Any person who-**

**makes in a fictitious name an application to a company for acquiring, or subscribing for, any shares therein, or otherwise induces a company to allot or register any transfer of shares therein to him or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”**

### **CONSENTS**

We have obtained the consents in writing of –

- (a) the Directors
- (b) the Compliance Officer
- (c) the Auditors
- (d) the Legal Advisors
- (e) the Bankers to the Company
- (f) the Bankers to the Issue
- (g) the Lead Manager
- (h) the Co-lead Manager
- (i) the Registrar to the Issue
- (j) the IPO grading Agency

to act in their respective capacities and would be filed along with a copy of the Prospectus with the RoC as required under the Companies Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

In accordance with the Companies Act, 1956 and the SEBI Guidelines, our Company's Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Prospectus for registration with the RoC. M/s. Chunnilal & Co., Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus. M/s. Chunnilal & Co., Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus.

The IPO grading agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, have given their written consent to the inclusion of their report in the form and context in which it appears in the Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

### **Expert Opinion**

Except the report of the grading agency in respect of the IPO grading of this Issue and except as stated in this Prospectus, we have not obtained any expert opinions.

### **Expenses of the Issue**

Details of fees payable are estimated as under -

		(Rs. in lacs)
<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount</b>
1.	Lead Management and Selling Commissions	245.00
2.	IPO Grading Expenses	4.43
3.	Advertisement and Marketing Expenses	100.00
4.	Printing and Stationery, Distribution, Postage, etc.	81.12
5.	Others (Registrar Fees, Legal Fees etc.)	19.45
	<b>Total</b>	<b>450.00</b>

### ***Fees Payable to LMs***

The total fees payable to the LMs will be as per the Memorandum of Understanding signed amongst our Company and the LMs, a copy of which is available for inspection at the Registered Office of our Company.

### ***Fees Payable to Registrar to the Issue***

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed between our Company and the Registrar, copy of which is available for inspection at our Registered Office.

The Registrar will also be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc. Adequate funds will be provided to the Registrar to the Issue to enable them to make refunds to unsuccessful applicants.

### **Others**

The total fees payable to the Legal Advisor and Auditors will be as per the terms of their respective engagement letters.

**Underwriting Commission, Brokerage and Selling Commission**

Since this Issue is not underwritten, therefore, no Underwriting Commission will be payable.

Brokerage for the Issue will be paid not more than at a rate 5% of the Issue Price of the Equity Shares by our Company on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers' / Agents' codes on the application form, our Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

We, at our sole discretion, may consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by us.

**Previous Public or Rights Issues (during the last five years)**

We have not made any public or rights issue during last five years.

**Commission or Brokerage on Previous Issues**

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of our Company since its inception.

**Outstanding Debenture or Bond Issues**

As on the date of filing of this Prospectus, our Company does not have any outstanding Debenture or Bond Issue.

**Companies under the same Management**

There is no listed company under the same management within the meaning of Section 370 (1B) of the Companies Act.

**Option to Subscribe**

Equity shares being offered through this Prospectus can be applied for in dematerialized form only.

**Stock Market Data for our Equity Shares**

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

**Particulars in regard to Public Issue during the last five years**

We have not made any public issues during the last five years.

**Promise vis-à-vis Performance**

Our Company did not make any issue in past so the performance of our Company vis-à-vis the projection is not applicable.

**Listed Ventures of Promoter**

No listed company promoted by our Promoters has made any Public Issue during the last three years.

### **Investors' Grievances Redressal Mechanism**

The agreement between the Registrar to this Issue and us will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and making refunds as per the modes disclosed to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to this Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Shri. Rajendra Kumar Haran (President - Legal & HRD and Company Secretary of our Company) as the Compliance Officer and he may be contacted at 13, Shankeshwar Darshan, A.G. Pawar Cross Lane, Byculla (E), Mumbai - 400 027, Tel. No.: + 91-22-2374 6868, Fax No.: +91-22-2374 8686, E-mail: [haranrk@varun.com](mailto:haranrk@varun.com). Investors can contact him for redressal of any complaints.

### **Changes in Auditors during the last three Financial Years and reasons thereof**

There have been no changes of the Auditors of our Company since inception.

### **Capitalisation of Reserves or Profits**

Other than for issuing bonus shares, our Company has not capitalized its reserves or profits at any time since inception.

### **Revaluation of Assets**

We have not revalued our assets since inception.

## SECTION VII – ISSUE RELATED INFORMATION

### TERMS OF THE ISSUE

#### Principal Terms and Conditions of the Issue

The Equity Shares now being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, the terms of this Prospectus and Application Form and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Equity Shares. Further to the above, the Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI/Government of India/Stock Exchanges and/or other authorities, as in force on the date of this Issue and to the extent applicable.

#### Ranking of Equity Shares

The Equity Shares to be issued shall, subject to the Memorandum and Articles of Association of our Company, rank pari passu with the existing Equity Shares of our Company in all respects including rights in respect of dividend. The Allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of allotment.

#### Mode of Payment of Dividend

The declaration and payment of dividend will be recommended by the Board of Directors and the shareholders at their discretion, and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of our Company.

#### Face Value and Issue Price

The Equity Shares of face value of Rs. 10/- each are being offered in terms of this Prospectus at a price of Rs 60/- per Equity Share. The Issue price includes a premium of Rs.50/- per Equity Share. The Issue Price is 6 times of the face value. At any given point of time there shall be only one denomination of Equity Shares of our Company, subject to applicable laws.

#### Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights unless prohibited by law-

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers;
- 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, 1956 and Articles of Association of our Company.

For further details on the main provisions of our Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to the section titled "Main Provisions of Articles of Association of our Company" beginning on page no. 202 of this 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 dematerialized form for all investors. Since trading of our Equity Shares is in dematerialized 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 100 Equity Shares. For details of allocation and allotment, please refer to the sub-section titled “Basis of Allotment” starting from page no.197 of this Prospectus.

### **Nomination Facility to the Investor**

In accordance with Section 109A of the Companies Act, the sole or first Applicant, along with other joint Applicants, may nominate any one person in whom, in the event of the death of sole Applicant or in case of joint Applicants, death of all the Applicants, as the case may be, the Equity Shares transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or at the Registrar and Transfer Agents of our Company.

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

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

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

**Since the allotment of Equity Shares in this Issue will be made only in dematerialized mode, there is no need to make a separate nomination with our Company. Nominations registered with respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.**

### **Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Issue amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheque(s) having been returned unpaid or withdrawal of applications, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest as per Section 73 of the Companies Act, 1956.

If the number of Allottees in this proposed Issue is less than 1,000 Allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

**Arrangements for Disposal of Odd Lots**

Our Company's Equity Shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

**Restriction on Transfer and Transmission of Shares**

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer to section titled "Main Provisions of Articles of Association of our Company" appearing on page no. 202 of this Prospectus.

As per the policy of RBI, Overseas Corporate Bodies cannot participate in the Issue.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of "U.S. persons" (as defined in Regulation S of the U.S. Securities Act, 1933), except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "Qualified Institutional Buyers", as defined in Rule 144A of the Securities Act and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.**

**Withdrawal of the Issue**

Our Company, in consultation with the Lead Manager reserves the right not to proceed with this Issue anytime after the Issue Opening Date without assigning any reason thereof.

## Issue Structure

Public Issue of 90,00,000 Equity Shares of face value Rs. 10/- each at a price of Rs. 60/- for cash (at a premium of Rs. 50 per Equity Share) aggregating Rs. 5,400 lacs, comprising Promoters' Contribution of 24,30,000 Equity Shares of Rs. 10/- each at a price of Rs. 60/- for cash aggregating to Rs. 1,458 lacs. The Net Issue to the Public is of 65,70,000 equity shares of Rs. 10/- each at a price of Rs. 60/- for cash aggregating to Rs. 3,942 lacs.

Particulars	Retail Investor	Non Retail investor
Number of Equity shares (available for allocation)*	At least 32,85,000 Equity Shares	Up to 32,85,000 Equity Shares
Percentage of Net Issue to Public available for allocation	Minimum 50 % of the net offer to the public	Maximum 50% of net offer to the public to QIBs and Non Institutional Applicants *
Basis of allocation if respective category is oversubscribed	Proportionate	Proportionate
Minimum Application Size	100 Equity shares	1,700 Equity shares
Maximum Application Size	Such number of Equity Shares in multiples of 100 Equity Shares whereby the application amount does not exceed Rs. 1,00,000/-	Such number of Equity Shares in multiples of 100 Equity Shares whereby the application amount does not exceed Net offer to public
Mode of allotment	Compulsorily in Dematerialized form	Compulsorily in Dematerialized form
Trading Lot/Market Lot	One Equity Share	One Equity Share
Who can apply**	Individuals including eligible NRIs and HUFs (in the name of the Karta) applying for such number of Equity Shares such that the application amount does not exceed Rs. 1,00,000/-	Public financial institutions, as specified in section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, venture capital funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI and State Industrial Development Corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million. Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, NRIs, societies whose application amount does exceed Rs. 1,00,000/-
Application Money and Terms of Payment	Full amount for shares applied to be paid on application at the collection centers	Full amount for shares applied to be paid on application at the collection center

\* Under subscription, if any, in any of the categories shall be met through over subscription in any other category at the sole discretion of our Company in consultation with the Lead Manager.

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

## ISSUE PROCEDURE

### Availability of Prospectus and Application Forms

The Memorandum Form 2A containing the salient features of the Prospectus (on the Prospectus being filed with RoC) together with the Application Forms and copies of the Prospectus may be obtained from our Registered Office, the office of the Lead Manager to the Issue, the office of the Registrar to the Issue and at the collection centers of the Bankers to the Issue as mentioned on the Application Form. Any individual desiring to have a full copy of the Prospectus may contact the Lead Manager or the Compliance Officer. NRI/FII/Indian Mutual Funds can obtain the Application form from our Registered Office and the office of the Lead Manager to the Issue

### Who can make applications?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Companies, bodies corporate and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
3. Commercial Banks and Regional Rural Banks, Co-operative Banks May also apply subject to permission from the Reserve Bank of India;
4. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
5. Indian Mutual Funds registered with SEBI;
6. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI Regulations, as applicable);
7. Venture Capital Funds registered with SEBI;
8. Foreign Venture Capital Investors registered with SEBI;
9. State Industrial Development Corporations;
10. Multilateral and bilateral development financial institutions;
11. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with minimum corpus of Rs. 2,500 lacs and who are authorised under their constitution to hold and invest in Equity Shares;
14. Pension funds with minimum corpus of Rs. 2,500 lacs and who are authorised under their constitution to hold and invest in Equity Shares;
15. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/ society and who are authorised under their constitution to hold and invest in Equity Shares; and
16. Scientific and/ or industrial research organizations authorised to invest in Equity Shares.

### Applications by Hindu Undivided Family (HUF)

Applications may be made by Hindu Undivided Family through the Karta of the HUF and will be treated at par with individual applications.

### Terms of Payment

The entire Issue price of Rs. 60/- per share is payable on application only. In case of allotment of lesser number of Equity Shares than the number applied, our Company shall refund the excess amount paid on application to the applicants.

### **Minimum and Maximum Application Size**

Applications should be for minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter. An applicant in the Net Issue category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public.

### **Option to Subscribe in the Issue**

As on the date of this Prospectus, there are no pending options to subscribe to Equity Shares or convertible instruments pending conversion into Equity Shares of any kind. The investor shall have the option to subscribe to Equity Shares to be dealt with in a depository. Shares shall be allotted only in demat form. The investor shall have the option to hold the security certificates or to hold the securities in demat form with a depository. After the allotment in the proposed issue, Allottees may request their respective Depository Participant for re-materialization of Equity Shares if they wish to hold the Equity Shares in physical form. The Equity Shares of our Company will be traded on the stock exchanges only in demat mode.

### **Applications under Power of Attorney**

In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds; a certified copy of the Power of Attorney or the relevant authority as the case may be along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the Application Form indicating the serial number of the Application Form and the name of the Bank and the branch office where the application is submitted. In case of Applications made pursuant to a power of attorney by FII, 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 Application Form. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore.

In case of Applications 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 Application Form. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore.

In case of Applications made by provident funds with minimum corpus of Rs. 2,500 lacs (subject to applicable law) and pension funds with minimum corpus of Rs. 2,500 lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Application Form. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore.

In case of Applications made by mutual fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Application Form. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason.

**Our Company in absolute discretion reserves the right to relax the above conditions of simultaneous lodging of the power of attorney and other relevant documents along with the Application Forms, subject to such terms and conditions as our Company and the Lead Manager may deem fit.**

### **Application by Mutual Funds/Scheduled Banks/Indian and Multilateral Development Financial Institutions**

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under 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 Application can be made in respect of each scheme of the mutual fund registered with SEBI and such Applications in respect of more than one scheme of the mutual fund will not be treated as multiple Applications provided that the Applications clearly indicate the scheme concerned for which the Application has been made.

Scheduled Banks and Indian and Multilateral Development Financial Institutions can apply in this public issue based upon their own investment limits and approvals

### **Application by Non-Resident Indian (NRI)**

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment on repatriable basis. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

### **Application by FIIs**

*As per the current regulations, the following restrictions are applicable for investments by FIIs:*

The allotment of Equity Shares to a single FII should not exceed 10% of the Post-Issue paid-up capital of our Company. In respect of an FII investing in Equity Shares of our Company 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.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals, in terms of Regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub account may issue, deal or hold, off-shore derivative instruments, such as Participatory Notes, Equity-Linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any Stock Exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities, in the countries of their incorporation or establishment, subject to compliance of "know your client" requirements. An FII or sub account shall also ensure that no further downstream issue or transfer of any instrument referred to herein above is made to any other person other than a regulated entity.

**Applications by NRIs/FIIs (on a Repatriation Basis):**

1. Allotment/transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.
2. In case of application by NRIs on repatriation basis, the payments must be made through Indian rupee drafts purchased abroad or cheques or banks, for the amount payable on application remitted through normal banking channels or out of funds held in the Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Accounts of Non-Resident Subscribers applying on a repatriation basis. Payment by bank drafts should be accompanied by Bank Certificate confirming that the bank draft has been issued by debiting to NRE or FCNR account.
3. In case of application by FIIs on repatriation basis, the payments must be made out of funds held in Special Non Resident Rupee account, along with documentary evidence in support of the remittance like FIRC, bank certificate etc. from the authorized dealer. Payment by bank draft should be accompanied by a Bank Certificate confirming that the bank draft has been issued by debiting to Special Non Resident Rupee account.
4. Duly filled Application Forms by NRIs / FIIs will be accepted at designated branches of the Bankers to the Issue as mentioned in the application form.
5. Refunds/ dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges/commission. In case of applicants who remit their application money from funds held in NRE/FCNR accounts, such payments shall be credited to their respective NRE/FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee drafts from abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE/FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. Our Company will not be responsible for loss, if any, incurred by the Applicant on account of conversion of foreign currency into Indian Rupees and vice versa.
6. Applicants in this category may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment on repatriable basis. 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 blue coloured forms meant for applications on repatriable basis.
7. Our Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in the Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.
8. Other than the compulsory allotment of 10% of the Issue to QIBs, there is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allotment.

## Application by SEBI Registered Venture Capital Funds and Foreign Venture Capital Investors

***As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:***

The SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund registered with SEBI, in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only upto 33.33% of the investable funds by way of subscription to an initial public offer.

The above information is given for the benefit of the Applicants. Our Company and the Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Prospectus. Applicants are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations, and our Company and the Lead Manager shall on no grounds whatsoever be liable for or responsible for any breach of applicable regulations by any investor or category of investors.

## Filing of Prospectus with the Registrar of Companies

A copy of the Prospectus, along with the material contracts and documents filed under Section 56 and Section 60 of the Companies Act has been delivered for registration to the Registrar of Companies.

## Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on the Draft Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in an English national daily with wide circulation, one Hindi National newspaper and a regional language newspaper with wide circulation at city of our Registered Office. Material updates, if any, between the date of filing the Prospectus with the Registrar of Companies and the date of release of this statutory advertisement will be included in the statutory advertisement.

## General Instructions for Applicants

1. Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in ENGLISH as per the instructions contained herein and in the Application Form and are liable to be rejected if not so made. The prescribed application forms will have the following colours –

Category	Colour of Application Form
Indian public including QIB, NRIs applying on a non-repatriation basis	White
Non-residents including Eligible NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue

2. Thumb impressions and signatures other than in English/ Hindi/ Bengali or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.

### 3. Applicant's Depository Account Details

**ALL THE APPLICANTS WILL GET THEIR EQUITY SHARES IN DEMATERIALIZED FORM ONLY. ALL APPLICANTS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. APPLICANTS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN, WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE 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 APPLICATION FORM.**

Applicants should note that on the basis of name of the Applicants, Depository Participant's name, Depository Participant - Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from Depository the demographic details of the Applicants such as address, bank account details for making refunds and occupation (hereinafter referred to as "Demographic Details"). Hence, Applicants are advised to immediately update their bank account details including Magnetic Ink Character Recognition (MICR) Code (a nine-digit code appearing on a cheque leaf) as appearing on the records of the depository participant and carefully fill in their Depository Account details in Application Form. Please note that failure to do so could result in delays in credit of refunds to Applicants at the Applicants sole risk and neither the Lead Manager nor our Company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

These Demographic Details would be used for all correspondence with the Applicants including mailing of the Allocation Advice and making refunds as per the modes disclosed and the demographic details given by Applicants in the Application Form would not be used for these purposes by the Registrar. Hence, Applicants are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct. By signing the Application Form, Applicant would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Allotment Advice / Refund Orders/ refund advice would be mailed at the address of the Applicants as per the Demographic Details received from the Depositories. Applicants may note that delivery of Allotment advice/ refund orders/ refund advice may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In the case of refunds through electronic modes as detailed in page no. 199 of this Prospectus, Applicants may note that refund may get delayed if the bank particulars obtained from the Depositories are incorrect.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Applications are liable to be rejected.

4. Applicants should write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.
5. Applications by NRIs on non-repatriation basis can be made using the form meant for Public out of the funds held in Non-Resident Ordinary (NRO) Account. The relevant bank certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.

6. Refund Orders/ECS refunds for credits/Allotment Advice would be mailed at the address of the applicant as per the Demographic Details received from the Depositories. Applicants may note that delivery of refund orders/ intimation for ECS refunds of credits /allotment advice may get delayed, if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Applicant in the Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Applicants sole risk and neither our Company nor the Registrar nor the Lead Manager shall be liable to compensate the Applicant for any losses caused to the Applicant due to any such delay or liable to pay any such interest for such delay.
7. Our Company in its absolute discretion, reserves the right to permit the holder of Power of Attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the Refund Orders/ECS refunds for credits/Allotment Advice, the demographic details given on the Application Form should be used (and not those obtained from the Depository of the Applicant). In such cases, the Registrar shall use Demographic Details as given in the Application Form instead of those obtained from the Depositories.

### **Payment Instructions**

1. Payments should be made in - cheque or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at and is a member or a sub-member of the Bankers' "Clearing House", located at the Centers (indicated in the Application Form) where the Application is accepted. However, if the amount payable on application is Rs. 20,000/- or more, in terms of section 269SS of the Income Tax Act, 1961; such payment must be effected only by way of an account payee cheque or bank draft. In case payment is effected in contravention of the conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal Orders will not be accepted.
2. Money orders, postal orders, outstation cheques or bank drafts, cheques / draft drawn on Banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected
3. A separate cheque / bank draft must accompany each application form.
4. In case of Applications by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Applicant applying on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
5. In case of Applications 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 Special Rupee Account.

6. All cheques / bank drafts accompanying the application should be crossed “A/c Payee Only” and made payable to the Bankers to the Issue and marked as under -

Category of Application	Cheques / Bank Drafts favouring
Net Issue to the Public including NRIs / FIIs on non-repatriation basis	"Bank A/c. Varun – Public Issue – R"
NRIs/ FIIs on repatriation basis	"Bank A/c. Varun – Public Issue – NR"

Investors will not have facility of applying through stockinvest instruments as RBI has withdrawn the stockinvest scheme vide notification no. DBOD.NO.FSC.BC.42/24.47.001/ 2003-04 dated 5/11/2003.

#### **Submission of completed application forms:**

All applications duly completed and accompanied by cash/ cheques/ bank drafts shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Application(s) should not be sent to the office of our Company or the Lead Manager to the Issue or the Registrar to the Issue.

Applicants residing at places where no collection centers have been opened may submit / mail their applications at their sole risk along with application money due there on by Bank Draft to the Registrar to the Issue, super scribing the envelope “Varun Industries Ltd. – Public Issue” so as to reach the Registrar to the Issue on or before the Issue Closing date. Such bank drafts should be payable at Mumbai only. Our Company or the Lead Manager or the Registrar to the Issue will not be responsible for postal delays and loss in transit and no claim, damage or loss due to postal delays or loss in transit of any kind will be entertained.

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed application form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each Application Form.

Applications shall be deemed to have been received by our Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrar to the Issue as detailed above and not otherwise.

#### **Other Instructions**

##### **1. Joint Applications in case of Individuals**

Applications may be made in single or joint names (not more than three). In case of Applications in joint names, refund, pay orders, dividend warrants etc. if any, will be drawn in favour of the First Applicant and all communications will be addressed to the First Applicant at his/her address.

##### **2. Multiple Applications**

An Applicant should submit only one Application Form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the Sole and/ or First Applicant is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file, which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.

3. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Application Form and create an address master.
4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A printout of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.
5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate application can be made in respect of each scheme of the mutual fund registered with SEBI and such applications in respect of more than one scheme of the mutual fund will not be treated as multiple applications provided that the applications clearly indicate the scheme concerned for which the application has been made

Our Company reserves the right to accept or reject, in absolute discretion, any or all-multiple applications. Unless our Company specifically agrees in writing with or without such terms and conditions it deems fit, a separate cheque/draft must accompany each Application Form.

### 3. PAN / GIR Number

Where application(s) is/are for Rs. 50,000 or more, the applicant or in the case of a Application in joint names, each of the Applicants, should mention his/her Permanent Account Number (PAN) allotted under the Income Tax 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 Applicants should not submit the GIR Number instead of the PAN as the Application is liable to be rejected on this ground.** In case the Sole/First Applicant and Joint applicant(s) is/are not required to obtain PAN, each of the applicant(s) shall mention "Not Applicable" and in the event that the sole applicant and/or the joint applicant(s) have applied for PAN which has not yet been allotted each of the applicant(s) should mention "Applied for" in the Application Form. Further, where the applicant(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Applicant and each of the Joint Applicant(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 PAN and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address -

- (a) Ration Card
- (b) Passport
- (c) Driving License
- (d) Identity Card issued by any institution
- (e) Copy of the electricity bill or telephone bill showing residential address
- (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address
- (g) Any other documentary evidence in support of address given in the declaration

**It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Applicants are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

#### **4. Unique Identification Number - MAPIN**

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/Circulars vide its circular MAPIN/Cir- 13/ 2005. However, in a press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UIN's in a phased manner. The press release states that the cut-off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 1 lac to Rs. 5 lacs or more. The limit will be reduced progressively. For trade order value of less than Rs. 5 lacs, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

#### **5. Right to Reject the Applications**

In case of all categories of Applicants, we have a right to reject Applications based on technical grounds. Consequent refunds shall be made in the manner mentioned in paragraph titled "Mode of Making Refunds" beginning on page no. 199 of this Prospectus.

#### **6. Grounds for Technical Rejections**

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following -

1. Amount paid does not tally with the amount payable for the value of Equity Shares applied for;
2. Age of First Applicant not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
4. NRIs, except eligible NRIs and Non-Residents;
5. Applications by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
6. PAN not stated if Application is for Rs. 50,000 or more
7. GIR number given instead of PAN;
8. Copy of PAN card or PAN allotment letter is not enclosed if the application is for more than Rs.50,000/-
9. Bank Account details for refund are not given;
10. Applications for number of Equity Shares, which are not in multiples of 100;
11. Category not ticked;
12. Multiple Applications as explained above in this Prospectus;
13. In case of Application under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Applications accompanied by stockinvest/money order/postal order/cash (wherever applicable);
15. Signature of sole and/or joint Applicants missing;
16. Application Form does not have the Applicant's depository account details;
17. Application Form is not delivered by the Applicant within the time prescribed as per the Application Form, Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and the Application Form;
18. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Applicants (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
19. Applications for amounts greater than the maximum permissible amounts prescribed by the regulations.
20. Applications by any persons outside India if not in compliance with applicable foreign and Indian laws;
21. Applications by OCBs; and
22. Applications by U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act.

## 7. Equity Share in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Share of our Company can be held in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the Statement issued through electronic mode). Successful Allottees in this Issue will be compulsorily allotted Equity Shares in dematerialized form. In this context, two tripartite agreements have been signed between our Company, the Registrar to the Issue and the Depositories:

1. An Agreement dated May 26,2003, between our Company, NSDL and Registrar to the Issue; and
2. An Agreement dated December 04,2006 between our Company, CDSL and Registrar to the Issue.

All Allottees to this Issue can seek allotment only in dematerialized mode. However, an investor will have an option to hold the Equity Shares in physical form or demat form. After the allotment in the proposed Issue, Allottees may request their respective DPs for re-materialization of Equity Shares if they wish to hold Equity Shares in physical form. Applications without relevant details of his or her depository account are liable to be rejected. The specific attention of Applicants is required for -

- a) An applicant applying for Equity Shares must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
- b) The Applicant must necessarily fill in the details (including the Beneficiary Account Number and DP Identification Number) in the Application Form.
- c) Equity Shares allotted to a successful Applicant in the demat form will be credited directly to the respective Beneficiary Accounts (with the DP)
- d) Name(s) in the Application Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e) The Registrar to this Issue will directly send non-transferable Allotment Letters/ Refund Orders to the Applicant.
- f) Application will be liable to be rejected if incomplete or incorrect details are given under the headings pertaining to details to enable allotment in dematerialized form in the Application Form.
- g) The Applicant is responsible for the correctness of the Applicant's Demographic Details given in the Application Form vis-à-vis those with his/ her DP.
- h) It may be noted that Equity Shares in demat form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. BSE and NSE where the Equity Shares of our Company are proposed to be listed are connected to NSDL and CDSL.
- i) Trading in the Equity Shares of our Company would be only in dematerialized form for all investors.

Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment/share certificates/credit of securities in depositories beneficiary account/refund orders, etc., Investors may contact Compliance Officer or Registrar to the Issue.

**For further instructions regarding application for the Equity Shares, investors are requested to read the Application Form carefully.**

## **Disposal of Applications and Application Money**

We shall give credit of Equity Share allotted to successful Allottee in his/her beneficiary account with Depository Participants within 30 days of the Issue Closing Date. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS). For further details regarding mode of making refunds, please refer to paragraph titled “Mode of Making Refunds” beginning on page 199 of the Prospectus.

In case of other applicants, our Company 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, except for Applicants who have opted to receive refunds through the ECS facility. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 30 days of closure of this Issue. We shall ensure dispatch of refund orders, if any, by “Under Certificate of Posting” or registered post or speed post or ECS, as applicable, only at the Sole/First Applicant’s sole risk within 30 days of the Issue Closing Date and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by our Company. 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 Allotment.

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 the finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, our Company further undertakes that:

- i. allotment shall be made only in dematerialized form within 30 (thirty) days of the Issue Closing Date;
- ii. despatch refund orders within 30 (thirty) days of the Issue Closing Date would be ensured; and
- iii. our Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 30 (thirty) days time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 30 (thirty) days 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.

## **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.”**

### **Interest on Excess Application Money**

Payment of interest at rate of 15% per annum on the excess application money, after adjusting the amount due on allotment and unpaid calls will be made to the applicants, if the refund orders are not dispatched within 30 days from the date of closure of the subscription list.

### **Basis of Allotment**

Allotment will be made in consultation with BSE (the Designated Stock Exchange). In the event of over subscription, the allotment will be made on a proportionate basis in marketable lots as given below:

- a. Applicants will be categorized according to the number of Equity Shares applied for.
- b. The total number of Equity Shares to be allocated to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of Equity Shares applied for in that category multiplied by the inverse of the over subscription ratio (number of applicants in the category x number of Equity Shares applied for).
- c. If the proportionate allotment to an applicant works out to a number that is not a multiple of 100, the applicant would be allotted Equity Shares by rounding off to the nearest integer subject to a minimum allotment of 100 Equity Shares.
- d. For applications where the proportionate allotment works out to less than 100 Equity Shares the allotment will be made as follows:
  - i) Each successful applicant shall be allotted 100 Shares; and
  - ii) The successful applicants out of the total applicants for that category shall be determined by the drawl of lots in such a manner that the total number of Shares allotted in that category is equal to the number of Shares worked out as per (b) above.
- e. If the Shares allotted on a proportionate basis to any category is more than the Shares allotted to the applicants in that category, the balance available Shares for allocation shall be first adjusted against any category, where the allotted Shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance Shares, if any, remaining after such adjustment will be added to the category comprising applicants applying for the minimum number of Shares
- f. If as a result of the process of rounding off to the nearest integer results in the actual allotment being higher than the shares offered, the final allotment may be higher at the sole discretion of the Board of Directors upto 110% of the size of the offer specified under “Capital Structure” mentioned in this Prospectus.
- g. The Executive Director/ Managing Director of BSE along with the Lead Manager and the Registrar to the Issue shall be responsible to ensure that the Basis of Allotment is finalized in a fair and proper manner and in accordance with the SEBI Guidelines.

### **Reservation for Retail Individual Investor**

The above proportionate allotment of shares in this Issue, if oversubscribed shall be subject to the reservation for small individual applicants as described below -

- i) A minimum of 50% of the net offer of shares to the Public shall initially be made available for allotment to retail individual investors as the case may be that is those individual applicants (including HUFs) who have applied for Equity Shares of or for a value of not more than Rs. 1,00,000/-.
- ii) The balance net Issue of shares to the public shall be made available for allotment to
  - a) individual applicants other than retails individual investors who have applied for allotment of Equity Shares for a value of more than Rs. 1,00,000/-, and
  - b) other investors, including Corporate Bodies/ Institutions irrespective of number of shares applied for.
- iii) The unsubscribe portion of the net issue to any one of the categories specified in (i) or (ii) shall/may be made available for allocation to applicants in the other category, if so required.

The drawl of lots (where required) to finalize the basis of allotment shall be done in the presence of a public representative on the Governing Board of BSE (designated stock exchange).

### **Letters of Allotment or Refund Orders**

Our Company shall give credit to the beneficiary account with Depository Participants within two (2) working days from the date of the allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, 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 of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through “Under Certificate of Posting” intimating them about the mode of credit of refund within 30 days of closure of Issue.

We shall ensure despatch of refund orders/refund advice, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the Sole/First Applicant’s sole risk within 30 days of the Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

### **Payment of Refund**

Applicants should note that on the basis of name of the Applicants, Depository Participant’s name, Depository Participant-Identification (DP ID) number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository, the Applicant’s bank account details including the nine digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf. Hence, Applicants 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 Applicants at the Applicants sole risk and neither the Lead Manager nor our Company nor the Refund Banker nor the Registrar to the Issue shall have any responsibility and undertake any liability for the same.

## Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference -

- I. ECS** - Payment of refund would be done through ECS for applicants having an account at any of the 15 centers where clearing houses for ECS are managed by Reserve Bank of India, namely Ahmedabad, Bangalore, Bhubneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the nine-digit Magnetic Ink Character Recognition (MICR) code as appearing on the cheque leaf, from the depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centers named hereinabove, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or RTGS.
- II. Direct Credit** – Applicants having their bank account with the Refund Banker i.e. Standard Chartered Bank shall be eligible to receive refunds, if any, through direct credit. The refund amount, if any would be credited directly to the eligible applicant's bank account with the Refund Banker.
- III. RTGS** – Applicants having a bank account at any of the 15 centres detailed above and whose application amount exceeds Rs. 10 lacs, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All applicants eligible to exercise this option shall mandatory provide the Indian Financial System Code (IFSC) code in the Application form. In the event of failure to provide the IFSC code in the Application form, the refund shall be made through the ECS or direct credit, if eligibility disclosed.
- IV. NEFT (National Electronic Fund Transfer):** Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the IFSC, which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in I, II, III and IV hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine digit MICR Code, the refund orders would be despatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above.

## Interest in case of delay in dispatch of allotment letters/making refunds

We agree that as far as possible allotment of securities offered to the public shall be made not later than 30 days from the Issue Closing Date. We further agree that we shall pay interest @ 15% per annum if the allotment letters/refunds orders have not been dispatched to the applicants within 30 days of the Issue Closing Date or if in a case where refund or portion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 30 days from the Issue Closing Date, provided that the beneficiary particulars relating to such Applicants as given by the Applicants is valid at the time of the upload of the electronic transfer.

### **Undertaking by our Company**

We undertake as follows -

- a) that the complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.
- b) that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at Stock Exchange where the Equity Shares are proposed to be listed within seven working days of finalization of basis of allotment.
- c) that the funds required for making refunds to unsuccessful applicants or applicants allotted less shares than applied for, as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us.
- d) that where refunds are effected through Electronic transfer of funds, a suitable communication shall be sent to the applicants within 30 days of closure of this Issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of the refund.
- e) that the Promoters' contribution in full, wherever required, shall be brought in advance before this Issue opens for public subscription,
- f) that the certificates of the Equity Shares/refund orders to the Non-Resident Indians shall be dispatched within specified time.
- g) refunds shall be made as per the modes disclosed and allotment advice shall be dispatched to NRIs or FIIs or foreign venture capital and other investors registered with SEBI within the specified time.

### **Utilization of Issue Proceeds**

The Board of Directors of our Company certifies that:

- a) all monies received out of this Issue of equity shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;
- b) details of all monies utilized out of this Issue referred to in sub-item (a) shall be disclosed under an appropriate separate head in Balance Sheet of our Company indicating the purpose for which such monies have been utilized;
- c) details of all unutilized monies out of this Issue of equity shares, if any, referred to in sub-item(a) shall be disclosed under an appropriate separate head in the Balance Sheet of our Company indicating the form in which such unutilized monies have been invested.

### **Our Board of Directors of our Company further certifies that:**

- a) the utilization of monies received under Promoter's contribution and from firm allotment and reservations, if any shall be disclosed under an appropriate head in the Balance Sheet of our Company indicating the purpose for which such monies have been utilized.
- b) the details of all unutilized monies out of the funds received under Promoter's contribution and from firm allotment and reservations, if any shall be disclosed under a separate head in the Balance Sheet of our Company indicating the form in which such unutilized monies have been invested.

We undertake that we shall not access the money raised in this Issue till finalization of basis of allotment or completion of the issue formalities.

### **Rectification of Register of Members**

Our Company, under Section 111A of the Companies Act will have the right to rectify the register of members to comply with the Companies Act.

### **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 our Company is permitted up to 100% under the automatic route.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

### **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.

### **Restrictions on Investments by FIIs**

As per the current applicable regulations, no single FII can hold more than 10% of our post-issue paid-up capital (i.e., 10% of 2,21,12,800 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. The above information is given for the benefit of the Investors and neither our Company nor the Lead Managers are liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Investors are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under applicable laws or regulations.

### **Communications**

All future communications in connection with applications made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Applicant, Application Form number, number of Equity Shares applied for, date, bank and branch where the application was submitted and cheque number and issuing bank thereof.

Applicants can contact the Compliance Officer in case of any Pre-issue related clarification. In case of Post-Issue related problems such as non-receipt of letters of allotment/share certificates/credit of securities in depositories beneficiary account/refund orders etc., Investors may contact Compliance Officer or Registrar to the Issue.

## SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OUR COMPANY

### MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY

The regulations contained in Table 'A' of Schedule I to the Companies Act shall apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of our Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of our Company with reference to repeal or alteration of or addition to, its regulations by Special Resolution, as prescribed by the Companies Act, be such as are contained in these Articles.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, an abstract of the main provisions of the Articles of Association of our Company is set out below -

#### (i) *Preliminary*

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Table 'A' not to apply but company to be governed by these Articles</b>	The regulations contained in Table 'A' in the First Schedule to the Companies Act, 1956, shall not apply to Company, 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 the repeal or alterations of, or addition to, its regulations by Special Resolution, as prescribed by the said Companies Act, 1956 be such as are contained in these Articles.

### DEFINITIONS & INTERPRETATIONS

<b>Title of Article</b>	<b>Article Number and contents</b>
Interpretations	<p>i) "The Company" or "this Company" means Varun Industries Limited</p> <p>ii) "The Act" means "The Companies Act, 1956" as amended from time to time or any statutory modification or re-enactment thereof for the time being in force.</p> <p>iii) "Auditors" means and includes those persons appointed as such for the time being of the Company.</p> <p>iv) "Beneficial Owner" means beneficial owner as defined in clause (a) of sub section (1) of section 2 of Depositories Act, 1996.</p> <p>v) "Board" means a meeting of the Directors duly called and constituted, or, as the case may be, the Directors assembled at a Board or acting by circular under these Articles or the Directors of the Company collectively.</p> <p>vi) "Capital" means the capital for the time being raised for authorised to the raised, for the purpose of the Company.</p> <p>vii) "Debenture" includes Debenture Stock.</p> <p>viii) "Depository" means a Depository as defined under clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996.</p> <p>ix) "Depositories Act" means the Depositories Act, 1996 or any statutory modification or re-enactment thereof for the time being in force.</p> <p>x) "Dividend" includes Bonus.</p> <p>xi) "In writing" or "written" include words printed, lithographed, typewritten, represented or reproduced in any made in visible form.</p> <p>xii) "Members" means the duly registered holders, from time to time, of the shares of the Company and includes the subscribers of the Memorandum of Association.</p> <p>xiii) "Month" means Calendar month.</p> <p>xiv) "Office" means the Registered Office for the time being of the Company.</p> <p>xv) "Proxy" means an instrument whereby any person is authorised to vote for a Member</p>

	<p>at a General Meeting on a poll.</p> <p>xvi) “The Register” means the Register of Members to be kept pursuant to the Act.</p> <p>xvii) “Seal” means the Common Seals for the time being of the Company.</p> <p>xviii) “Share” means a share in the share capital of the company and includes stock except where a distinction between stock and share is expressed or implied.</p> <p>xix) “Special Resolution” and “Ordinary Resolution” have the meanings assigned thereof respectively by Section 189 of the Act;</p> <p>xx) “The presents” means these Articles of Association as originally framed or as altered from time to time and includes the Memorandum where the context so requires;</p> <p>xxi) Words importing the masculine gender also include the feminine gender.</p> <p>xxii) Subject as aforesaid any words or expression defined in the act shall except where the subject or context forbids bear the same meaning in these Articles.</p>
<b>Copies shall be furnished</b>	3. Copies of the Memorandum and Articles of Association of the Company and other documents referred to in Section 39 of the Act shall be furnished by the Company to every member at his request, within seven days of the request, on payment of the sum of Rupee One for each copy of such other amount as may be prescribed by the Act.

(ii) *Articles relating to rights of members regarding voting, dividend, lien on shares, process for modification of such rights and forfeiture of shares*

**VOTE OF MEMBERS**

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Votes of members</b>	<p>98. Subject to the provisions of the Act and these Articles, votes may be given either personally or by an attorney or by proxy or in the case of a body corporate also by a representative duly authorized under section 187 of the Act.</p> <p>99. Subject to the provisions of the Act and these Articles upon a show of hand every member entitled to vote and present in person (including a body corporate present by a representative duly authorized in accordance with the provisions of Section 187 of the Act and Article 99) or by Attorney shall have one vote.</p> <p>100. No member not personally present shall be entitled to vote on a show of hands unless such member is present by Attorney or unless such member is a body corporate present by a representative duly authorized under Section 187 of the Act in which case such Attorney or representative may vote on a show of hands as if he were a member of the Company.</p> <p>101. Any person entitled under the Transmission Clause (Article 59 hereof) to transfer any shares 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 at least forty-eight hours before the time of holding the meeting or adjourned meeting, as the case may be, at which the proposes to vote, he shall satisfy the Board of Directors or any person authorized by the Board of Directors in that behalf of his right to transfer such shares, unless the Directors shall have previously admitted his right to transfer such shares or his right to vote at such meeting in respect thereof.</p>
<b>Voting right of Joint Holders</b>	102. Where there are joint registered holders of any shares, any one of such persons may vote at any meeting either personally or by Attorney duly authorized under Power of Attorney or by proxy in respect of such shares as if he were solely entitled thereto; and if more than one of such joint-holders be personally present at any meeting then one of the said persons so present whose name stands first or higher on the Register in respect of such share shall alone be entitled to vote in respect thereof.
<b>Appointment of Proxy</b>	103. a) Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote on a poll instead of himself, but a proxy so appointed shall not have any right to

	<p>speak at the meeting.</p> <p>b) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his Attorney duly authorized in writing or, if such appointer is a corporation, under its common seal or the hand of an officer of an attorney duly authorized by it.</p> <p>104. a) Every notice convening a meeting of the Company shall state that a member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.</p> <p>b) A member presenting proxy shall be entitled to vote only on a poll.</p>
<b>Instrument of proxy to be deposited at office</b>	<p>105. The instrument appointing a proxy and the power of Attorney or other authority (if any) under which it is signed or a notarized certified copy thereof shall be deposited at the Registered Office of the company not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.</p> <p>106. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given provided no intimation in writing of the death, revocation or transfer shall have been received at the Registered Office of the Company or by the Chairman of the meeting at which the vote is given.</p>
<b>Form of proxy</b>	<p>107. Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act.</p>
<b>Inspection of proxies</b>	<p>108. Every member entitled to vote at a meeting of the company according to the provisions of these Articles of any resolution to be moved thereat, shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged, at any time during the business hours of the company, provided not less than three days notice in writing to the intention so to inspect is given to the company.</p>
<b>Members not entitled to vote when call due on Company</b>	<p>109. No member shall be entitled to vote at any general meeting either personally or by proxy or as proxy for another member or be reckoned in a quorum while any call or other sum shall be due and payable to the company in respect of any the share of such member or in respect of any shares on which the company has or had exercised any right or lien.</p>

## DIVIDENDS AND RESERVES

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Declaration of Dividend</b>	<p>160. The Company in general meeting may subject to Section 205 of the Act declare dividends, to be paid to members according to their respective rights and interests in the profits but subject to any law for the time being in force and may fix the time for payment but no dividend shall exceed the amount recommended by the Board of Directors. However, the Company in general meeting may declare a smaller dividend than recommended.</p> <p>173. Annual general meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend; and the dividend may if so arranged between that Company and the members to be set off against the calls.</p>
<b>Interim Dividend</b>	<p>162. Subject to the provisions of the Act any law for the time being in force the Board of Directors may from time to time, pay to the members' interim dividend as, in their judgment, the position of the Company justified.</p>

<b>Reserve funds</b>	<p>171. No dividend shall be declared or paid by the Company for the financial year except out of the profits of the Company for that year arrived at after providing for depreciation in accordance with the provisions of sub section (2) of section 505 of the Act except after the transfer to the reserves of the Company of such percentage of its profits for that year, as may be prescribed. Provided that nothing in the sub-section shall be deemed to prohibit the voluntary transfer by a Company of a higher percentage of its profits to the reserves in accordance with such rules as may be made by the Central Government in this behalf.</p>
<b>Method of payment of dividend</b>	<p>159. The profits of the Company subject to any special rights relating thereto created or authorised to be created by the Memorandum or these Articles and subject to the provisions of any law for the time being in force and subject to these Articles shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively.</p> <p>Provided always that (subject as aforesaid) any capital paid up on a share during that period in respect of which dividend is declared shall, unless the Directors, otherwise determine, only entitle and shall be deemed always to have only entitled, the holder of such share to an apportioned amount of such dividend as from the date of payment.</p> <p>161. No dividend shall be paid otherwise than out of the profits of the year of any other undistributed profits or otherwise than in accordance with the provisions of Section 205, 206 and 207 of the Act or any other law for the time being in force and no dividend shall carry interest as against the Company unless required by law. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.</p> <p>163. Where capital is paid in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or participate in profits.</p> <p>164. The Company shall pay dividends in proportion to the amount paid up or credited as paid up on each share, where a larger amount is paid up or credited as paid up on some shares than on others.</p> <p>165. The Board of Directors may, if they so think fit, retain the dividends payable upon shares in respect of which any person is under Article 59 entitled to become a member or which any person under that Article is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.</p> <p>167. A transfer of shares shall not pass the rights to any dividend declared thereon before the Registration of the transfer.</p> <p>172. No dividends shall be paid otherwise than in cash.</p>
<b>Deduction of arrears</b>	<p>166. No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons; and the directors may without prejudice to any other right or remedy of the Company deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.</p>
<b>Payment by cheques or warrant</b>	<p>169. Unless otherwise directed and dividend may be paid by cheque or warrant sent through post to the registered address of the member or person entitled, or in case of joint holders to that one of them first named in the Register in respect of the joint holding. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means. Several executors or administrators of a deceased member in whose sole name any share stands, shall for the purposes of this clause be deemed to be joint holders thereof.</p>

<b>Unpaid Dividend Account</b>	<p>170. Where a dividend has been declared by the Company but has not been paid, or the warrant in respect thereof has not been posted within thirty days from the date of the declaration, to any shareholder entitled to the payment of the dividend, the Company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted within the said period of thirty days, the special account to be opened by the Company in that behalf in any Scheduled Bank to be called “Unpaid Dividend Account” of “VARUN CONTINENTAL LIMITED” and all the other provisions of Section 205A of the Act in respect of the any such unpaid dividend or any part thereof shall be applicable, observed, performed and complied with. No unclaimed dividend shall be forfeited by the Board.</p> <p>170A. Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank as the unpaid dividend account of the Company and transfer to the said account, the total amount of dividend which remains unpaid or unclaimed.</p> <p>Any money transferred to the said unpaid dividend account of the Company, which remains unpaid or unclaimed for a period of 7 years from the date of such transfer, shall be transferred by the Company to the fund established under section 205C (1) of the Act by the Central Government. No unclaimed or unpaid dividend shall be forfeited by the Board.</p>
<b>Receipt by joint holders</b>	168. Any one of several persons who are registered as the joint holders of any share may give effectual receipts for all dividends and payment on account of dividends in respect of such share.

#### FORFEITURE AND LIEN

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Company’s lien on shares</b>	<p>47. a) The Company shall have a first and paramount lien on every share other than fully paid-up shares for all moneys whether presently payable or not payable at a fixed time in respect of such shares. Provided that the Board of Directors may at any time declare any shares to be wholly or in part exempt from the provisions of this Article.</p> <p>b) Any lien on shares shall extend to all dividends from time to time declared in respect of each shares.</p> <p>c) 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.</p>
<b>Enforcing lien by sale</b>	48. For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as they think fit; but 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 as provided for service of documents in these Articles on such members, his heirs, executors or administrators and default shall have been made by him or them in the payment, fulfillment, or discharge of such debts, liabilities, or engagements for seven days after such notice. To give effect to any such sale, the Board may authorise some person to execute an instrument of transfer in respect of the shares sold and to transfer the shares sold to the purchaser thereof and the purchaser shall be registered as the holder of the shares comprised in any such transfer. Upon any such sale aforesaid the certificates in respect of the shares sold shall stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new certificate or certificates in lieu thereof to the Purchaser or purchasers concerned.

<b>Application of proceeds of sale</b>	49. The net proceeds of any such sale after payment of the costs of such sale shall be applied in or towards satisfaction of the debts, liabilities, or engagements of such member and the residue (if any) or the short fall (if any) shall be paid to or recovered from him, his heirs, executors, administrators or assignees, as the case may be.
<b>Post-enforcement of lien/sale or forfeiture</b>	50. a) Upon any sale after forfeiture or the enforcing a lien in purported exercise of the powers hereinabove given, the Board of Directors may 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 and of the entry in the Register in respect of the shares sold shall not be impeached by any person, and the remedy (if any) of any person aggrieved by the sale be in damages only and against the Company exclusive. b) Upon any sale, re-allotment or other disposal under the provisions of the proceedings 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 where any shares under the powers in that behalf herein contained are sold by the Board of Directors and the certificate in respect thereof has not been delivered up to the Company by the former holder of such shares, the Board of Directors may issue a new certificate for such shares distinguishing it in such manner as it may think fit from the certificate not so delivered up.
<b>Non-payment of sums payable at fixed times</b>	51. The provisions of the Articles as to forfeiture shall apply in the case of non-payment of any sum which by terms of the issue of a share becomes payable at a fixed time, whether on account of the amount of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
<b>If call or installment not paid, notice may be given</b>	39. If any member fails to pay any call or installment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board of Directors may, at any time thereafter while the call or instalment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that have been incurred by the Company by reason of such non-repayment.
<b>Notice of Forfeiture</b>	42. 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.
<b>Form of notice of forfeiture</b>	40. The notice shall name the day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of the nonpayment at or before the time and at the place appointed, the shares in respect of which the calls was made or installment is payable, will be liable to be forfeited.
<b>In default of payment, shares to be forfeited</b>	41. If the requisitions of any such notice as aforesaid are not complied with, any shares in respect of which such notice has been given may, at any time thereafter and before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
<b>Forfeited shares</b>	43. 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 of Directors may think fit. 44. The Board of Directors may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of annual the forfeiture thereof upon such conditions as it think fit.

<b>Liability after forfeiture</b>	45. Any member whose share shall have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of forfeiture until payment at such rate not exceeding 9 per cent per annum or such other rate as the Board of Directors may determine, and the Board of Directors may enforce the payment thereof, or any part thereof, if it thinks fit.
<b>Declaration of forfeiture</b>	46(b). A declaration in writing that the Declarant is a Director or Secretary of the Company and that certain shares in the Company have been duly forfeited 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.
<b>Effect of forfeiture</b>	46(a). The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company in respect of the share and all other rights incidental to the share, except only such of those rights as by these presents are expressly saved.

### MODIFICATION OF CLASS RIGHTS

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Modification of rights</b>	<p>12. If at any time the share capital by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares all or any of the rights and privileges attached to each class may, subject to the provisions of Section 106 and 107 of the Act, and whether or not the Company is being wound up, be varied modified abrogated or dealt with, with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a Special Resolution passed at a separate meeting of the holders of the issued shares of that class and all the provisions contained in these Articles as to general meetings (including the provisions relating to quorum at such meetings) shall mutatis mutandis apply to every such meeting.</p> <p>13. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly prohibited by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.</p>

### UNDERWRITING AND BROKERAGE

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Underwriting and Brokerage</b>	<p>29. a) Subject to the provisions of Section 76 of the Act of the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolute or conditionally) for any shares of debentures in the Company, such commission shall not exceed 5% on the nominal value of the share or 2.5% on the nominal value of debentures in each subscribe or to be subscribed.</p> <p>b) The Company may also, on any issue of shares or debentures pay such brokerage as may be lawful.</p>

## INTEREST OUT OF CAPITAL

Title of Article	Article Number and contents
<b>Interest out of Capital</b>	<p>30. Where any shares are issued for purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant, which cannot be made profitable for a lengthy period of Company:</p> <p>a) may pay interest on so much of that share capital and 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</p> <p>b) may charge the same to the capital as part of the cost of construction of the work or building or the provision of the plant.</p>

### *(iii) Other provisions of Articles of Association*

## CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

Title of Article	Article Number and contents
<b>Amount of Capital</b>	4. The Authorised Share Capital of the Company is as laid down in Clause V of Memorandum of Association of the Company.
<b>Increase of capital</b>	<p>5. a) The Company in general meeting may, from time to time by Ordinary Resolution increase the capital by the creation of new shares, such increase to be of such aggregate amount and of such classes &amp; to be divided into shares of such respective amounts as the resolution shall prescribe.</p> <p>b) Subject to the provisions of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the Company in general meeting shall prescribe, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company, and with a right of voting at general meetings of the Company in conformity with Sections 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Sections 97 of the Act.</p> <p>6. Except, so far as otherwise provided by the conditions of issue or by these Articles, 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 installment, forfeiture, lien, surrender transfer and transmission voting and otherwise.</p>
<b>Redemption</b>	<p>7. Subject to the provisions of Section 80 of the Act any such new shares may be issued as preference shares which are or at the option of the Company are to be liable to be redeemed, and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption subject however to the following conditions:</p> <p>a) no such shares shall be redeemed except out of profits of the Company which would otherwise be available for dividend or out of the proceeds of fresh issue of shares made for the purpose of redemption.</p> <p>b) no such shares shall be redeemed unless they are fully paid up.</p> <p>c) the premium, if any payable on redemption shall have been provided for out of the profits of the company or the company's share premium account before the shares are redeemed.</p> <p>d) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend be transferred to a reserve fund, to be called "the Capital Redemption Reserve Account" a sum equal to the nominal amount of the shares redeemed and the provisions of the Act relating to the reduction of the Share Capitals of the Company shall, except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.</p>

	<p>e) Subject to the provisions of Section 80 of the Act, the redemption of preference share here under may be affected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf in such manner as the Directors determine.</p> <p>f) Whenever the Company shall redeem any Redeemable Preference Shares, the Company shall, within one month thereafter, give notice thereof to the Registrar of Companies as required by Section 95 of the Act.</p>
<b>Alteration and Consolidation of Capital</b>	<p>9. Subject to the provisions of Section 94 of the Act the Company in general meeting may from time to time</p> <p>i) consolidate and divide all or any of its share capital into shares of larger amount than it's existing shares.</p> <p>ii) convert all or any of its fully paid-up shares into stock and reconvert that stock into fully paid-up shares of any denomination.</p> <p>iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any, un-paid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.</p> <p>iv) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.</p> <p>9A. The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase/acquire its Equity Shares and any securities that may have right to subscribe for shares of the Company and make payment out of its capital and/or Company's fund, in respect of such purchase(s) including the power to re-sell.</p>
<b>Reduction of Capital etc by our Company</b>	<p>8. Subject to the provisions of Section 78, 80 and 100 to 105 of the Act, the Company may from time to time, by Special Resolution reduce its capital in any manner for the time being authorised by law, and in particular, capital may be paid off on the footing that it may be called up again or otherwise. The Article is not to derogate from any power the Company would have it if were omitted.</p>

### CONVERSION OF SHARES INTO STOCK

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Mode of conversion</b>	<p>10. The company in general meeting may convert any paid up shares into stock; and when any shares shall have been converted into stock, auditorium several holders of such stock may hence forth transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations as and subject to which shares from which the stock arise might have been transferred, if no conversion and taken place, or as near thereto as circumstance will admit. The company may at any time reconvert any stock into paid up shares of any denomination.</p>
<b>Privileges of stockholders</b>	<p>11. The holders of stock shall according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meeting of the company and other matters as if they held the shares form which the stock arise, but no such privileges or advantages (except participation in the dividends and profits of the company and in the assets of winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.</p>

## GENERAL MEETINGS

Title of Article	Article Number and contents
<b>Annual General Meeting</b>	<p>70. The Annual General Meeting shall be held in accordance with section 166 of the Act and shall be called for a time during business hours, on a day that is not a public holiday and shall held either at the Registered Office of the Company or at some other place within the city or town where the Registered Office of the Company is situated as the Board of Directors may determine and the notice calling the meeting shall specify it as the Annual General Meeting.</p> <p>72. At every Annual General Meeting of the Company there shall be laid on the table the Director's Reports and audited statement of accounts, auditor's report (if not already incorporated in the audited statement of accounts), the proxies lodged and the Register of Director's holdings maintained under Section 307 of the Act. The Auditor's report shall be read before the Company in General Meeting and shall be open to inspection by any member of the Company.</p>
<b>Extraordinary General Meeting</b>	73. All General Meetings other than Annual General Meetings shall be called Extra ordinary General Meeting.
<b>Rights of members</b>	71. Every member of the Company shall be entitled to attend every general meeting either in person or by proxy, and the Auditor of the Company shall have the right to attend and to be heard at any general meeting on any part of the business, which concerns him as Auditor.
<b>Calling of extraordinary general meeting by the Company</b>	<p>74. The Board may, whenever it thinks fit, call an Extra Ordinary General Meeting. If at any time there are not within India Directors capable of acting who are sufficient in number to form a quorum, any Director may call on Extraordinary General Meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board at such time and place as he may determine.</p> <p>75. The Board of Directors of the Company shall on the requisition of such number of members of the Company as is specified in sub-section (4) of Section 169 of the Act, forthwith proceed duly to call an Extraordinary General Meeting of the Company, and in respect of any such requisition and of any meeting to be called pursuant thereto, all the other provisions of Section 169 of the Act and of any statutory modification of re-enactment thereof for the time being shall apply.</p>
<b>Notice of General Meeting</b>	<p>76. A General Meeting of the Company may be called by giving not less than 21 days notice in writing. However, a General Meeting may be called after giving a shorter notice than 21 days, if consent is accorded thereto: -</p> <ul style="list-style-type: none"> <li>i) In the case of an Annual General Meeting, by all the members entitled to vote thereat; and</li> <li>ii) In the case of any other meeting, by members of the Company holding not less than 95 per cent of such part of the paid-up share capital of the Company as gives them a right to vote at that meeting.</li> </ul> <p>Provided that where any members of the Company are entitled to vote only on some resolution or resolutions to be passed at the meeting and not on the others, those members shall be taken into account for the purpose of this Article in respect of the former resolutions but not in respect of the latter.</p> <p>77. Every notice of a meeting of the Company shall specify the place, the date and hour of the meeting, and shall contain a statement of the business to be transacted thereat. No General Meeting, Annual or Extraordinary, shall be competent to enter upon, discuss or transact any business which has not been specially mentioned in the notice or notices upon which it was convened.</p>

<b>Businesses to be transacted at general meetings</b>	<p>78. a) In the case of an Annual General Meeting all business to be transacted at the meeting shall be deemed special, with the exception of business relating to :-</p> <ul style="list-style-type: none"> <li>i) the consideration of the accounts, balance sheet and profit and loss account and the reports of the Board of Directors and of the auditors.</li> <li>ii) the declaration of a dividend;</li> <li>iii) the appointment of Directors in the place of those retiring; and</li> <li>iv) the appointment of and, the fixing of the remuneration of the auditors;</li> </ul> <p>In the case of any other meeting all business shall be deemed special.</p> <p>b) Where any items of business to be transacted at the meeting are deemed to be special as aforesaid; there shall be annexed to the notice of the meeting a statement setting out all material facts regarding each such item of business including in particular, the nature and extent of the interest if any, therein of every Director and the Manager, if any, of the Company.</p> <p>Provided, that where any item of special business as aforesaid to be transacted at a meeting of the Company relates to, or affects any other Company, the extent of shareholding interest in that other Company, of every Director and the Manager, if any, of the Company shall also be set out in the explanatory statement, if the extent of such shareholding interest is not less than twenty per cent of the paid-up share capital of that other Company.</p> <p>c) Where any item of business to be transacted at any general meeting of the Company consists of the according of approval of any document, the time and place where the document can be inspected shall be specified in the statement aforesaid.</p>
<b>Serving of Notice</b>	<p>79. A document may be served by the Company on any member thereof either personally, or by sending it by post to his registered address, or if he has no registered address in India, to the address if any, within India supplied by him to the Company for the giving of notice to and serving of documents on him. Notice shall be given to the persons entitled to the share in consequence of the death or insolvency of a member, by sending through the post in a pre-paid letter, addressed to them by name or by the title of the representatives of the deceased or Assignees of the insolvent or by any like description, at the address in India, if any, supplied for the purpose by the persons claiming to be so entitled or, unless such an address has been so supplied, by giving the notice in any manner in which it might have been if the death or insolvency had not occurred. Provided that where the notice of a Meeting is given by advertising the same in a newspaper circulating in a neighborhood of the registered office of the Company under sub-section (3) of Section 53 of the Act, the explanatory statement need not be annexed to the notice as required by Section 173 of the said Act, but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the company.</p> <p>80. Notice of every meeting of the Company shall be given to the Auditor or Auditors for the time being of the Company, in any manner set out in Article 77 for giving notice to any member or members of the Company.</p> <p>81. The accidental omission to give notice of any meeting to or the non-receipt of any notice by any member or their person to whom it should be given shall not invalidate the proceedings at the meeting.</p> <p>82. Where by any provision contained in the Act or in these Articles, special notice is required of any resolution, notice in respect of the same shall be given to the Company and by the Company as provided in Section 190 of the Act.</p>

## PROCEEDINGS OF GENERAL MEETINGS

Title of Article	Article Number and contents
<b>Quorum</b>	83. Five members personally present shall be a quorum for a General Meeting. No business shall be transferred at any general meeting unless quorum requisite shall be present at the commencement of the business.
<b>Chairman</b>	<p>84. The Chairman and in the absence, the Vice Chairman if any, of the Board of Directors shall be entitled to take the chair at every General Meeting. If there be no such Chairman or if at any meeting he or the Vice-chairman, if any shall not be present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose one of themselves to be Chairman and in default of their doing so, the members present shall choose a Director as Chairman, and if no Director is present or if all the Directors present decline to take the Chair, then the members present shall choose one of themselves to be Chairman.</p> <p>If a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with the provisions of these Articles, the Chairman elected on a show of hands exercising all the powers of the Chairman for the purpose of conducting the poll, under the said provisions. If some other person is elected Chairman as result of the poll, he shall be Chairman for the rest of the meeting.</p> <p>87. A declaration by the Chairman that on a show of hands a resolution has or has not been carried either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.</p>
<b>Conduct of meeting</b>	<p>85. a) If within half an hour from the time appointed for the meeting of the Company a quorum is not present, the meeting, if convened upon the requisition of members, shall stand dissolved. In any other case it shall stand adjourned to the same day in the next week, at the same time and place or to such other day, time and place as the Board may determine.</p> <p>b) If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, those members who are present shall be a quorum and may transact the business for which the meeting was called.</p> <p>86. Every question submitted to a General Meeting and every resolution in to the vote at a General Meeting, unless a poll is demanded as hereinafter provided, be in the first instance decided by a show of hands.</p> <p>88. i) At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of voting on the show of hands) ordered to be taken by the Chairman of the meeting of his own motion, or is ordered to be taken by him on a demand being made in that behalf by any member or members present to person or by proxy and holding shares in the Company;</p> <p>a) which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution, or</p> <p>b) on which an aggregate sum of not less than rupees fifty thousand has been paid up.</p> <p>A declaration by the Chairman that a resolution has, on show of hands, been carried unanimously or by a particular majority, or lost and an entry to the effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without further proof of the number or proportion of the votes recorded in favour of or against that resolution.</p> <p>ii) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.</p>

	<p>89. i) A poll demanded on a question of adjournment shall be taken forthwith.  ii) A poll demanded on any other question (not being a question relating to the election of a Chairman, which is provided for the Articles 82 hereof) shall be taken at such time not being later than forty-eight hours from the time when the demand was made, as the Chairman may direct.</p> <p>90. The Chairman of a General Meeting may, with the consent of the Meeting, adjourn the same from time to time and from place to place, but not business shall be transacted at any adjourned meeting other than business left unfinished at the meeting at which the adjournment took place.</p> <p>91. On a poll taken at a meeting of the Company, a member entitled for more than one vote, or his proxy or other persons 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.</p> <p>92. i) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him.  ii) The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutinizer from office and to fill vacancies in the office of scrutinizers arising from such removal or from any other cause.  iii) Of the two scrutinizers, appointed under this Article one 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.</p> <p>93. a) The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting by show of hands. The Chairman present at the taking of a poll shall be the judge of the validity of every vote tendered at such poll.  b) i) Subject to the provisions of the Act, the Chairman of the meeting shall have power to regulate the manner in which the poll shall be taken.  ii) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.  c) In the case of any equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to his own vote or vote to which he may be entitled as member.</p>
<b>Resolutions</b>	<p>94. Where a resolution is passed at an adjourned meeting of:  a) the Company; or  b) the holders of any class of shares in the company; the resolution shall, for all purposes, be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.</p> <p>95. A copy of each of the following resolutions together with a copy of the statement of material facts annexed under Section 173 to the notice of the meeting in which such resolution has been passed, or agreements shall, be printed or typewritten and duly certified under the signature of an officer of the Company and filed with the Registrar within the time prescribed under the Act.  a) Special Resolution  b) Resolutions which have been agreed to by all the members of the Company but which, if not so agreed to, would not have been effective for their purpose unless they had been passed as Special Resolutions;  c) Resolutions of the Board or agreements relating to the appointment, re-appointment or the renewal of the appointment or variations of the term of appointment of a Managing Director;  d) Resolutions or agreements which have been agreed to by all the members of any class of shareholders but which, if not so agreed to, would not have been effective for their purpose unless they had been passed by some particular majority and all resolutions or agreements which effectively bind all the members of any class of shareholders though not agreed to</p>

	<p>by all those members.</p> <p>e) Resolutions requiring the Company to be wound up voluntarily passed in pursuance of sub section 1 of Section 484 of the Act;</p> <p>f) Resolutions passed by the Company according consent to the exercise by its Board of Directors of any of the powers under clause (a), clause (d) and clause (e) of subsection (i) of Section 293 of the Act;</p> <p>g) Resolutions passed by the Company approving the appointments of sole selling agents under section 294 or 294AA of the Act;</p> <p>h) Copies of the terms and conditions of appointment of a sole selling agent appointed under section 294 or of a sole selling agent other person appointed under section 294AA.</p> <p>A copy of every resolution which has the effect of altering the Articles of Association of the Company and a copy of every Agreement referred to in the above sub-clause (a), (d) and (e) shall be embodied in or annexed to every copy of the Articles issued after the passing of the resolution or the making of the agreement.</p>
<b>Minute Books</b>	<p>96. The company shall cause minutes of the proceedings of every general meeting to be entered in the book kept for the purpose and the minutes shall contain and include the matters specified in section 193 of the Act.</p> <p>97. The books containing the aforesaid minutes shall be kept at the Registered office of the Company and be open to the inspection of any member without charge as provided in section 196 of the Act and any member shall be furnished with a copy of any minutes in accordance with the terms of that section.</p>

#### SHARES, CERTIFICATES AND DEMATERIALISATION

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Numbering of shares</b>	<p>14. The shares in the capital shall be numbered progressively according to their several denominations, provided however that the provision relating to progressive numbering shall not apply to the shares of the Company which have been dematerialised and except in the manner hereinbefore mentioned, no share shall be subdivided.</p>
<b>Issue of new shares</b>	<p>15. a) Where at any time it is proposed to increase the subscribed capital of the Company by the issue of further new shares, then subject to the provisions of Section 81 of the Act or other applicable provisions (if any) of the Act, such further new shares shall be offered to the persons who at the date of the offer are holders of the equity shares in the Company, in proportion, as nearly as circumstances admit to the capital paid up on those shares at the date; and such offer shall be made by a notice specifying the number of shares offered and limiting the time not being less than 15 days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. The offer aforesaid shall include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person acceptable to the Board of Directors. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company. Option or right to Call of Shares shall not be given to any person or persons without the sanction of the Company in General Meeting.</p> <p>b) Notwithstanding anything contained in Clause (a) hereinabove further new shares aforesaid may be offered to any persons, (whether or not these persons include the persons who, at the date of the offer, are holders of the equity shares of the Company) in any manner whatsoever: -</p> <p>i) if a Special Resolution to that effect is passed by the Company in general meeting; or.</p> <p>ii) where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on pool, as the case may be) in favour of the proposal contained in the Resolution moved at the general meeting sanctioning the issue of such shares (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central</p>

	<p>Government is satisfied, on an application made by the Board of Directors in that behalf that the proposal is most beneficial to the Company.</p> <p>iii) Notwithstanding anything contained in Clause (a) above, but subject, however to Section 81 (3) of the Act, the Company may increase its subscribed capital on exercise of an option attracted to the Debenture issue or loans raised by the Company to convert such Debentures or loans into shares, or to subscribe for shares in the Company.</p>
<b>Powers of the Company in general meeting</b>	<p>16. In addition to and without derogation from the powers conferred on the Board under Article 13(a) and (b) above the Company in general meeting may by a Special Resolution determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or not) in such proportion and on such terms and conditions and (subject to compliance with the provisions of Sections 78 and 79 of the Act) either at a premium or at par or at a discount, as such general meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par or at discount (subject to compliance with the provisions of Sections 78 and 79 of the Act, in either case) such option being exercisable at such time and for such consideration as may be directed by such general meeting; or the Company in general meeting may make other provisions whatsoever for the issue, allotment of disposals of any shares.</p>
<b>Members' right to shares</b>	<p>17. Any application signed by the applicant for shares in the Company, followed by an allotment; of any share therein shall be an acceptance of shares within the meaning of these Articles; and every person who thus or otherwise accepts any shares and whose name is on the Register shall, for the purpose of the Act and these Articles, be a Member of the Company.</p> <p>18. The money (if any) which the Board of Directors shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the inscription of the name of the allottee in the Register as the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.</p> <p>19. Every member of his heirs, executor 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 and in such manner as the Board of Directors shall from time to time, in accordance with the Company's regulations, require or fix for the payment thereof.</p> <p>24. If any share stands in the name of two or more persons, the person first named in the Register shall as regards receipt of dividends or cash bonus, or service of notices or any other matter connected with the Company except voting at meeting 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 instalments and calls due in respect of such shares and for all incidents thereof accordingly to the Company's regulations.</p>
<b>Members' right to shares and issue of share certificates</b>	<p>20 (a) A certificate with Common Seal of the Company specifying any shares held by any Member shall be prima facie evidence of the title of the Member to such shares.</p> <p>20 (b) The certificates of title to shares shall be issued under the Seal of the Company which shall be affixed in the presence of and signed by (i) Two Directors or persons acting on behalf of the Directors under a duly registered Power of Attorney; and (ii) the Secretary or some other persons - appointed by the Board for the purpose; provided that if the composition of the Board permits of it a least one of the aforesaid two Directors shall be a person other than a Managing Director or Wholetime Director. A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography. PROVIDED ALWAYS that notwithstanding anything contained in this Articles the certificates of title to shares may be</p>

	<p>executed and issued in accordance with such other provision of the Act or the Rules made thereunder as may be in force for the time being and from time to time.</p> <p>20(c) Notwithstanding anything contained herein, the Company shall be entitled to dematerialise its shares, debentures and other securities pursuant to the Depositories Act and to offer its shares, debentures and other securities for subscription in a dematerialised form. The Company shall further be entitled to maintain a Register of Members and Register of Debenture holders holding shares, debentures or other securities both in material and dematerialised form in any medium as permitted by law including any form of electronic medium.</p> <p>21 (a) Every member or allottee of Shares shall be entitled without payment to receive one certificate or more certificates in marketable lots for all the shares registered in his name. Every certificate of shares shall specify the denoting numbers of the shares in respect of which it is issued and the amount paid up thereon. For every further certificate the Board of Directors shall be entitled but shall not be bound to prescribe a charge not exceeding one rupee.</p> <p>21 (b) The Company shall unless the conditions of issue otherwise provide, within three months after the allotment of any of its shares or debentures and within one month of the receipt of application for registration of transfer, transmission, sub-division, consolidation or renewal of any such shares or debentures complete and have ready for delivery the certificate of all shares and debentures allotted or transferred, transmitted, sub-divided, consolidated or renewed.</p> <p>25. The certificate of shares registered in the name of two or more persons shall be delivered to the persons first named in the Register.</p>
<b>Fees to be charged by Company on issue of share certificates</b>	<p>23. If any certificates be old, decrepit, worn-out defaced, torn or be otherwise mutilated or rendered useless for any reason whatsoever or there is no further space on the back thereof for endorsements or transfer; then, upon production thereof to the Board of Directors, they may order the same to be cancelled and issue a new certificate in lieu thereof; and if any certificate be lost or destroyed, then, upon proof thereof to the satisfaction of the Board of Directors and on such indemnity as the Board of Directors deem adequate being given and upon such advertisement being published and on such other terms and conditions as the Board of Directors may require, a new certificates in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Such sum not exceeding rupee one as the Board of Directors may from time to time prescribe shall be paid to the Company for every certificate issued under this Clause. Provided that no fee shall be charged for issue of new certificates on subdivision or consolidation of share certificates into lots of markets units of trading in replacement of those which are old, decrepit or worn-out of where the pages on the reverse for recording transfers have been fully utilised.</p>
<b>Issue of fractional certificates</b>	<p>22. The Company may issue such fractional certificate as the Board of Directors may approve in respect of any of the shares of the Company on such terms as the Board of Directors think fit as to the period within which the fractional certificates are to be converted into share certificates.</p>
<b>Declaration by person not holding beneficial interest in shares</b>	<p>26. a) Notwithstanding anything contained in Section 153 of the Act, any person whose name is entered in the Register of Members of the Company as the holder of the share in the Company, but does not hold the beneficial interest in such share, shall, within such time and in such form, as may be prescribed, make a declaration to the Company specifying the name and other particulars of the person who holds the beneficial interest in such share.</p> <p>b) Where any declaration is made to the Company, as aforementioned the Company shall make a note a declaration, in its register of members and shall file, within thirty days from the date of receipt of the declaration by it a return to the prescribed form with the Registrar with regard to such declaration.</p>

	c) 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 the Depository, as the absolute owner thereof, and accordingly, shall not except as ordered by a Court of competent jurisdiction or by statute or the Act required, be bound to recognise any equitable beneficial or other claim to or interest in such share on the part of any other person.
<b>Notice of change of name</b>	27. No member who shall change his name or who, being a female, shall marry, shall be entitled to recover any dividend or to vote in the name other than the one registered with the Company, until notice of the change of name or of marriage, respectively, is given to the Company in order that the same be registered after production of satisfactory evidence.
<b>Shares as security</b>	28. Save as otherwise provided by Section 77 of the Act, the funds of the Company shall be applied in the purchase of or in lending on security of any share of the Company.
<b>Transfer of Securities</b>	64A. a) In case of transfer of shares or any 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, the provision of the Depositories Act shall apply.  b) The provisions relating to instrument of transfer shall not apply to the shares of the Company, which have been dematerialised.

### CALLS

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Calls</b>	31. The Board of Directors may, from time to time by a Resolution passed at a meeting of the Board (and not by circular resolution) make such calls as may think fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and each member shall pay the amount of every call so made on him to the persons and at the time and place appointed by the Board. A call may be made payable by installments.
<b>Payment of call money</b>	34. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board of Directors.  35. If the sum payment in respect of any call or instalment be not paid on or before the day appointed for payment thereof, the holder for the time being of the shares in respect of which the call shall have been made or the instalment shall be due, shall pay interest for the same at the rate of nine per cent per annum from the date appointed for the payment thereof to the time of the actual payment, or at such other rate as the Board of Directors may from time to time determine. The Board of Directors may however in their absolute discretion forego payment of any interest wherein their opinion the circumstances so justify.
<b>Notice for calls</b>	32. Not less than fifteen days' notice of any call shall be given by the company specifying the time and place of payment, and the person or persons to whom such calls shall be paid; provided that before the time for payment of such call the Board of Directors may by notice in writing to the members, revoke the same or extend the time for payment thereof.
<b>Payment at fixed time or installment</b>	33. If by the terms of issue of any shares or otherwise any amount is made payable at any fixed time or by installment at fixed times (whether on account of the amount of the share capital or by ways of premium) every such amount or installment shall be payable as if were a call duly made by the Board of Directors and of such due notice had been given and all the provisions herein contained in respect of calls shall relate and apply to such amount or premium or installment accordingly.
<b>Payment of calls in advance</b>	38. The Board of Directors may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of the amounts of their respective shares beyond the sums actually thereof, from time to time and at any time thereafter, as exceeds the called up and upon the moneys so paid in advance or upon so much amount of the calls then made upon and due in respect of the shares on account of which such advances are made, the Board of Directors may pay or allow interest, at such rate as the member paying the sum in advance and the Board of Directors agree upon. The Board of Directors may at

	their absolute discretion repay at any time any amount so advanced or may at any time repay the same upon giving to the member notice in writing, of not less than three months, PROVIDED that moneys paid in advance of calls or any shares may carry interest but shall not confer a right to dividend or to participate in profits.
<b>Conclusive evidence of debt in event of claim made by Company against members</b>	35. If the sum payment in respect of any call or instalment be not paid on or before the day appointed for payment thereof, the holder for the time being of the shares in respect of which the call shall have been made or the instalment shall be due, shall pay interest for the same at the rate of nine per cent per annum from the date appointed for the payment thereof to the time of the actual payment, or at such other rate as the Board of Directors may from time to time determine. The Board of Directors may however in their absolute discretion forego payment of any interest wherein their opinion the circumstances so justify.
<b>Partial payment not to preclude forfeiture</b>	37. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

### TRANSFER AND TRANSMISSION OF SHARES

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Register of Transfers</b>	52. The Company shall keep a book, to be called "Register of Transfer", and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of shares.
<b>Form of Transfer</b>	53. No transfer shall be registered unless a proper instrument of transfer has been delivered to the Company in the prescribed form and in accordance with the provisions of Section 108 of the Act. Every such instrument of transfer shall be duly stamped and executed both by the transferor and the transferee and attested. The transferor shall be deemed to remain the holder of such shares until the name of the transferee shall have been entered in the Register in respect thereof. Directors may refuse to register transfers
<b>Register in respect thereof. Directors may refuse to register transfers</b>	54. a) Subject to the provisions of Section 111 of the Act the Board of Directors may at any time in their absolute and uncontrolled discretion and without assigning any reason decline to register any proposed transfer of shares. This clause shall apply notwithstanding that the proposed transferee may be already be a member. However, registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever.  b) The Board of Directors shall be entitled to decline to register more than three persons as the Joint holders of any shares.
<b>In the event Board of Directors refuse to transfer shares</b>	55. If the Board of Directors refuses to register a transfer of any shares, they all within one month from the date on which the transfer was lodged with the Company send to the transferee and transferor notice of the refusal. Provided however, that where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered, the Company shall: a) transfer the dividend in relation to such shares to the special account referred to in Section 203 A unless the Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer: and b) keep in abeyance to relation to such shares any offer of rights shares under clause (a) of the sub-section (1) of section 81 and of any issue of fully paid-up bonus shares in pursuance of sub-section (30 of Section 205).
<b>Person of unsound mind etc.</b>	56. No transfer shall be made to a person of unsound mind or a partnership firm.

<b>Instrument of transfer</b>	<p>57. a) Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by the certificate or certificates of the shares to be transferred, and such other evidence as the Board of Directors may require to prove the title of the transferor, his right to transfer the shares and generally under and subject to such conditions and regulations as the Board of Directors shall from time to time prescribe.</p> <p>b) Every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board of Directors. But any instrument of transfer which the Board of Directors may decline to register shall, on demand, be returned to the person depositing the same.</p>
<b>Sum to be paid against transfer</b>	58. There shall be paid to the Company, in respect of transfer or transmission of any number of shares to the same party, such sum as shall be determined by the Board of Directors in conformity with the regulations of the Bombay Stock Exchange.
<b>Notice by advertisement</b>	59. The Board of Directors shall have power of giving not less than seven days previous notice by advertisement in some newspaper circulating in the state in which the Company's Registered Office is situated to close the Register of transfer, the Register of Members and/ or the Register of Debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year, as the Board may deem expedient.
<b>Registration of persons entitled to share otherwise than transfer</b>	<p>60. The executors or administrators of a deceased member shall be the only persons recognised by the Company as having any title to his share except in case of joint holders, in which case the surviving holder or holders or the executors or administrators of the last surviving holders shall be the only persons entitled to be recognised; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him. The Company shall not be bound to recognise such executor or administrator unless he shall have first obtained Probate or Letters of Administration or other legal representation as the case may be, from a duly Constituted Court in India to grant such Probate or Letters of Administration. Provided nevertheless that in cases, which the Board in its discretion consider to be special cases and in such cases only, it shall be lawful for the Board of Directors to dispense with the production of Probate or Letters of Administration or a Succession Certificate upon such terms as to indemnity publication of notice or otherwise as the Board of Directors may, deem fit.</p> <p>61. Subject to the provisions of these Articles any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board of Directors (which the Board shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect to which he proposes to act under the Article, or of his title, as the Board of Directors think sufficient, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer hereinabove contained, transfer such shares. This clause is hereinafter referred to as "The Transmission Clause".</p>
<b>Entitlement to transferee on transmission</b>	62. The Board of Directors shall have the same right to refuse to register a person entitled by the transmission to any shares or his nominee, as if he were the transferee named in any ordinary instrument of transfer presented for registration.
<b>Right to debentures</b>	64. The provision of these Articles shall mutatis mutandis apply to the transfer of or the transmission by operation of law the right to Debentures of the Company.
<b>Company not liable for disregard of a notice prohibiting registration of a transfer</b>	63. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares, made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register) to the prejudice of a persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice or referred thereto in any book or record of the Company, and the Company shall not be bound or required to regard to attend or give effect to any notice which may be given to it

	of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, notwithstanding that the notice may have been entered in or referred to in some book or record of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice, and give effect thereto if the Board of Directors shall so think fit.
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### BORROWING POWERS

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Borrowing powers</b>	<p>65. a) Subject to the provisions of Sections 58A, 58B, 292 and 293 of the Act, and these Articles, the Board of Directors may from time to time at its discretion by a resolution passed by a Meeting of the Board, accept deposits from the public and may generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) exceed the aggregate of the paid-up capital of the Company and its free reserves (not being reserves set apart for the specific purpose) the Board of Directors shall not borrow such moneys without the consent of the Company in general meeting.</p> <p>b) The Company may invite or renew either from the public or from its members deposits upto the limit and in the manner and subject to the rules and conditions prescribed by the Central Government as contemplated by Sections 58A and 58B of the Act.</p>
<b>Uncalled capital subject to charge</b>	<p>68. a) If any uncalled capital of the Company is included in or charged by any mortgage or other security, the Board of Directors shall subject to the provisions of the Act and these Articles make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed or, if permitted by the Act may, by instrument under the Company's Seal, authorise the person in whose favour 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 capital, and the provisions hereinbefore contained in regard to calls, shall, mutatis, mutandis, apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally and other presently or contingently and either to the exclusion of the Board's power or otherwise and shall be assignable if expressed so to be.</p> <p>b) Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge and shall not be entitled, by notice to the shareholders or otherwise, to obtain priority over such prior charge.</p>
<b>Liability of directors</b>	<p>69. Subject to the provisions of the Act and these Articles if the Directors or any of them or any other persons shall become personally liable for the payment of any sum primarily due from the Company by reason of furnishing any guarantee or otherwise the Directors may execute or cause to be executed any mortgage charge or security over or affecting the whole or any part of the assets of the Company by ways of security or indemnity to secure the Directors or persons so becoming liable as aforesaid from and against any loss in respect of such liability arising out of the said guarantee.</p>

## DIRECTORS

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Number of directors</b>	<p>110. a) Until otherwise determined by a General Meeting, and approved by the Central Government and subject to Section 252 of the Act the number of Directors shall not be less than 3 (three) nor more than Twelve excluding any Debenture Director.</p> <p>b) Directors of the Company at present are:</p> <ol style="list-style-type: none"> <li>1. Shri. Kirankumar Navratanmal Mehta</li> <li>2. Shri. Parasmal Chunnilal Mehta</li> <li>3. Shri. Navaratanmal Chunnilal Mehta</li> <li>4. Shri. Virendra Navratanmal Mehta</li> <li>5. Shri. Kailashkumar Shreeram Agarwal</li> <li>6. Smt. Meena Kirankumar Mehta</li> <li>7. Smt. Anuradha Kailashkumar Agarwal</li> </ol>
<b>Nomination, appointment and removal of special director</b>	<p>111. The Company shall, subject to the provisions of the Act, be entitled to agree with any person; firm or corporation that he or it shall have the right to appoint his or its nominee on the Board of Directors of the Company upon such terms and conditions as the company may deem fit. Such nominee and their successors in office appointed under this Article shall be called Special Directors of the Company.</p> <p>The Special Directors appointed under this Article shall be entitled to hold office until requested to retire by the Government, Financial Institution, person firm or corporation who may have appointed them and will not be bound to retire by rotation or be subject to Article 125 and 126 of the Articles of Association of the Company. A Special Director shall also not require to hold any qualification shares. As and whenever a Special Director vacates office whether upon request as aforesaid or by death, resignation or otherwise, the Government, Financial Institution, person, firm or corporation who appointed such Special Director may appoint any other Director in his place. The Special Director may at any time by notice in writing to the Company resign his office. Subject as aforesaid, a Special Director shall be entitled to the same rights and privileges and be subject to the same obligation as any other Director of the Company.</p>

## PROCEEDINGS OF THE BOARD OF DIRECTORS

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Meetings</b>	<p>133. The Directors may meet together as a Board for the dispatch of business from time, and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meeting and proceedings as they may think fit.</p> <p>134. A Director may, and upon the request of a Director, the Secretary shall, at any time, convene a meeting of the Board of Directors. Notice of every meeting of the Directors shall be given in writing to every Director for the time being in India, and at his usual address in India to every other Director.</p>
<b>Quorum</b>	<p>135. Subject to section 287 of the Act, the quorum for a meeting of the Board of Directors shall be one-third of its total strength (excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that one-third being rounded off as one), or two Directors, whichever is higher provided that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of the remaining Directors, that is to say, the number of Directors who are not 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 the time.</p> <p>136. If a meeting of the Board cannot be held for want of quorum, then the meeting shall stand adjourned to such day, time and place as the director of Directors present at the meeting may fix.</p>

<b>Election of chairman of the Board</b>	137. The Directors may from time to time elect one of their members to be Chairman of the Board of Directors to preside over the meeting and determine the period for which he is to hold office. The Directors may likewise appoint a Vice-Chairman of the Board of Directors to preside over the meeting at which the Chairman shall not be present. If so such Chairman and/or Vice-Chairman is elected, or if at any meeting of the Board of Directors the Chairman and/or the Vice-Chairman are not present within five minutes of the time appointed for holding the same the Directors present shall choose one of their Members to be Chairman of such meeting.
<b>Delegation of power</b>	140. Subject to the restrictions contained in Section 292 of the Act the Board of Directors may delegate any of their powers to Committees of the Board consisting of such member or members of its body as it thinks fit, and it may from time to time revoke and discharge any such Committee of the Board either wholly or in part, either as to persons or purposes but every Committee of the Board, either wholly or in part and either as to persons or purposes, so formed shall, in the exercise of the power so deleted confirm to any regulations that may from time to time be imposed on it by the Board of Directors. All acts done by such committee of the Board in conformity with such regulations and in fulfillment of the purpose of their appointment but not otherwise shall have the like force and effect as if done by the Board. Subject to the provisions of the Act the Board may from time to time fix remuneration to be paid to any member or members of their body constituting a Committee appointed by the Board in terms of these Articles and may pay the same.
<b>Meetings and proceedings of board and committee of board</b>	<p>139. A meeting of the Board of Directors for the time being at which a quorum is Present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles or the Regulations of the Company are for the time being vested in or exercisable by the Board of Directors generally.</p> <p>138. Questions arising at any Board Meeting, shall be decided by a majority of votes, and in case of any quality of votes, the Chairman shall have a second or casting vote.</p> <p>141. The meeting and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meeting and proceedings of the Directors, so far as the same are applicable, thereto and are not superseded by any regulations made by the Directors under the last proceeding Articles.</p>
<b>Acts done by Board or Committee valid notwithstanding defective appointment etc.</b>	143. All acts done by any meeting of the Board or by a Committee of the Board, or by any person acting as a Director, shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Directors or Committee or person acting as aforesaid, or that they or any of them are disqualified or had vacated office, or that the appointment of any 67 of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director and had not vacated office or his appointment had not been terminated.
<b>Resolution to be circulated in draft</b>	142. No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft together with the necessary papers, if any, to all the directors or to all the members of the Committee, then in India (not being less in number than the quorum for a meeting of the Board of Committee, as the case may be) and to all other directors or members of the Committee, at their usual address in India and has been approved by such of the Directors or members of the Committee as are then in India or by a majority of such of them as are entitled to vote on the resolution.

<b>Minutes of meetings</b>	<p>144. The Company shall cause minutes of the meetings of the Board of Directors and of Committee of the Board to be duly entered in a book or books provided for the purpose in accordance with the relevant provisions of Section 193 of the Act. The minutes shall contain a fair and correct summary of the proceedings at the meeting including the following:</p> <ul style="list-style-type: none"> <li>i) The names of the Directors present at such meetings of the Board of Directors, and of any Committee of the Board;</li> <li>ii) all orders made by the Board of Directors and Committee of the Board and of all appointments of officers and Committees of Directors;</li> <li>iii) all resolutions and proceeding of meetings of the Board of Directors and Committees of the Board; and</li> <li>iv) in the case of such resolution passed at a meeting of the Board of Directors, or Committees of the Board of Directors, or Committees of the Board, the names of Directors, if any, dissenting from or not concurring in the resolution; or abstain from voting.</li> </ul> <p>145. All such minutes shall be signed by the Chairman of the meetings as recorded or by the person who shall preside as Chairman at the next succeeding meeting and all minutes purported to be so sign shall for all purposes whatsoever be prime facie evidence of the actual passing of the resolutions recorded and the actual and regular transaction or occurrence of the proceedings so recorded and of the regularity of the meeting at which the same shall appear to have taken place.</p>
<b>Maintenance of Registers etc.</b>	<p>146. The Company shall maintain the following Registers, Books and Documents namely:</p> <ul style="list-style-type: none"> <li>a) Register of Investment not held in Company's name according to Section 49 of the Act.</li> <li>b) Register of Mortgages and charges according to Section 143 of the Act.</li> <li>c) Register of Members, and an Index of Members according to Sections 150 and 151 of the Act.</li> <li>d) Register and Index of Debenture holders according to Section 152 of the Act.</li> <li>e) Register of contracts, companies and firms in which Directors are interested according to Section 301 of the Act.</li> <li>f) Register of Directors according to Section 303 of the Act.</li> <li>g) Register of Directors' Shareholding according to Section 307 of the Act.</li> <li>h) Register of Investments in shares or debentures of bodies corporate in the same group according to Section 372 of the Act.</li> <li>i) Books of Accounts in accordance with the provisions of Section 209 of the Act.</li> <li>j) Copy of instrument creating any charge requiring registration according to section 136 of the Act.</li> <li>k) Copies of Annual Returns prepared under Section 159 of the Act together with the copies of Certificates and Documents required to be annexed thereto under Section 161.</li> <li>l) Register of Renewed and Duplicate Certificate according to rule (2) of the Companies (Issue of Share Certificates) Rules, 1960.</li> <li>m) Register of Deposits according to Rule 7 of the Companies (Acceptance of Deposits) Rules, 1975, or any modification or replacement thereof.</li> <li>n) Register of Foreign Members.</li> </ul> <p>147. The said Registers, Books and Documents shall be kept open for inspection by such persons as may be entitled thereto respectively, under the Act on such days and during such business hours as may, consistently with the provisions of the Act in that behalf, be determined by the Company in general meeting.</p>

## POWERS OF DIRECTORS

Title of Article	Article Number and contents
<b>Power to take decisions on management of business</b>	<p>148. 1) The management and control of the business of the Company shall be vested in the Directors who may exercise all such powers of the and do all such acts and things as are not by the Act or any statutory modification thereof for the time being in force or by any other Act or by the Memorandum or by these Articles, required to be exercised by the Company in general meeting, subject nevertheless to any regulations of these Articles to the provisions of the Act or any Statutory modifications thereof for the time being in force or any other Act on to such regulations or provisions, as may be prescribed by the company in General Meeting but no regulation made by the Company in general Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board of Directors shall not except with the consent of the Company in General Meeting.</p> <p>a) Sell, lease or otherwise dispose of the whole, or substantially the whole of the undertaking of the Company, or where the Company, or where the Company owns more than one undertaking of the whole or substantially the whole of any such undertaking.</p> <p>b) Remit or give time for the repayment of any debt due by a Director.</p> <p>c) Invest otherwise than in trust securities, ( the amount of compensation received by the Company in respect of the compulsory acquisition after the commencement of the Companies Amendment Act 1960), of any such undertaking as is referred to in Clause (a), or of any premises or properties used for any such undertaking and without which it cannot be carried on only with difficulty or only after a considerable time.</p> <p>d) Borrow moneys in excess of the limits provided in Article 63;</p> <p>e) Contribute to charitable and other funds not directly relating to the business of the Company or welfare of its employees, any amount and aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately proceeding, whichever is greater.</p> <p>149. 1) Without derogating from the power vested in the Board of Directors under these Articles the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at Meeting of the Board;</p> <p>a) The power to make calls on shareholders in respect of money unpaid on their shares.</p> <p>b) The power to issue debentures.</p> <p>c) The power to borrow moneys otherwise than on debentures.</p> <p>d) The power to invest the funds of the Company.</p> <p>e) The power to make loans.</p> <p>Provided that the Board may be resolution passed at a meeting delegate to any Committee of Directors or any other Principal Officer of the Company or to a Principal Officer of any of its branch offices, the powers specified in (c), (d) and (e) of this clause to the extent specified below on such conditions as the Board may prescribe.</p> <p>2) Every resolution delegating the power referred to in Clause (1) (c) shall specify the total amount outstanding at any one time upto which moneys may be borrowed by the delegates; provided, however, that where the Company has an arrangement with its Bankers for the borrowing of Moneys by way of overdraft cash or otherwise the actual day to day operation of the overdraft, cash credit or other accounts by means of which the arrangement is made is availed of shall not require the sanction of the Board.</p> <p>3) Every resolution delegating the power referred to in Clause (1) (d) shall specify the total amount upto which the funds may be invested and the nature of the investments which may be made by the delegates.</p> <p>4) Every resolution delegating the power referred to in clause (1)(e) shall specify the total amount upto which the loan may be made by the delegates the purpose for which the loans may be made for each purpose in individual cases.</p> <p>5) Nothing in this Article contained shall be deemed to affect the rights of the Company in General Meeting to impose restrictions and conditions on the exercise by the Board of any of the powers referred to in (a), (b), (c), (d) and (e) of Clause (1) above.</p>

<p><b>General Powers conferred under Article 6 and 148 hereof</b></p>	<p>150. Without prejudice to the general power conferred by Articles 63 and 148 and so as not in any way to limit or restrict these powers and without prejudice to the other powers conferred by these Articles but subject to the restrictions contained in the last preceding two Articles, the Directors shall have the following powers, that is to say; power:</p> <ol style="list-style-type: none"> <li>1) To pay and charge to the capital account of the Company any commission or interest lawfully payable there out under the provisions of Section 76 and 208 of the Act.</li> <li>2) Subject to Section 292 and 297 of the Act, to purchase or otherwise acquire for the Company any property right or privileges which the company is authorized to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such titles as all the then prevailing circumstances or the case may justify in the interest of the Company.</li> <li>3) At their discretion and subject to the provisions of the Act, to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in shares, bond, debentures, mortgages or, other securities of the Company, and any such shares may be issued as paid up and such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so changed.</li> <li>4) To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper all or any part of the buildings machinery goods stores produce and other moveable property of the Company either separately or conjointly, also to insure all or any portion of the goods produce machinery and other articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.</li> <li>5) To open accounts with any bank or bankers or with any Company firm or individual and to pay money and draw money from and such amount from time to time as the Directors may think fit.</li> <li>6) To secure the fulfillment or any Contracts, Agreement or Engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.</li> <li>7) To appoint any person or persons (whether incorporated or not) to accept and hold in trust of the Company any property belonging to the Company or in which it is interested, or for any other purposes and to execute and do all such acts and things as may be required in relation to any such trust, and to provided for the remuneration of such Trustee or Trustees.</li> <li>8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers of otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due or of any claims or demands by or against the Company, and to, refer any claims or demands by or against the Company or any differences to arbitration, and observe, perform, implement and enforce any awards made thereon.</li> <li>9) To act on behalf of the Company in all matters relating to bankrupts and insolvents.</li> <li>10) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.</li> <li>11) Subject to the provisions of Section 292, 293(1), 295, 370, 372 and 373 of the Act, to invest and deal with any moneys of the Company, upon such security (not being share of the Company) or without security and in such manner as they think may think fit, and from time to time to vary or realize such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.</li> <li>12) To execute in the name of and on behalf of the Company in favour of the Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefits of the Company, such mortgages of the Company's property (present and future) as they think fit; and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.</li> <li>13) To determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptance, endorsements, cheques, dividend warrants, release, contracts and documents and to give the necessary authority for such purpose.</li> </ol>
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	<p>14) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and to give to any officer of other person employed by the Company a commission on the profits of any particular business or transactions, and to charge such bonus or commission as part of the working expenses of the Company.</p> <p>15) To provide for the welfare of the Director, Ex-Director or the employees or ex-employees of the Company and the wives, widows and families or the dependants or connections of such persons, by building or contributing to the building of housings, dwellings or chawls, or by grants or money pensions, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing to provident fund and other associations, institutions fund or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical, and other attendance and other assistance as the Board of Directors shall think fit, and to subscribe or contribute or otherwise to assist or other institutions or objects or for any exhibition or for any public general or useful objects.</p> <p>16) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as a reserve fund or sinking fund or any special fund to meet contingencies or to repay debentures or debenture-stock, or for special dividends or for equalizing dividends or for repairing, improving, extending and maintaining any of the property of the Company, and for such other purpose (including the purpose referred to preceding clause), as the Board of Directors may, in their absolute direction think, conducive to the interest of the Company, and to invest the several sums to set aside or so much thereof as required to be invested, upon such investments? (other than shares of the Company) as they may think fit, and from time to time deal with and vary such investments and dispose of and apply and expand all or any part thereof for the benefit of the Company, in such manner and for such purpose as the Board of Directors, in their absolute discretion think conducive to the interest of the Company, notwithstanding that the matters to which the Board of Directors apply or upon which they expend the same, or any part thereof may be matters to or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the Reserve Fund into such special funds as the Board of Directors may think fit, and to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of debenture or debenture-stock and that without being bound to keep the same separate from the other assets, and without being bound to pay interest on the same with power however to the Board of Directors, at their discretion to pay or allow to the credit of such funds interest at such rate as the Board of Directors may think proper.</p> <p>17) To appoint and, at their discretion, remove or suspend such managers, secretaries, officers, assistants, supervisors clerks agent and servants for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties, and fix their salaries, emoluments to remunerations and to require security in such instances and to such amount as they may think fit and also without prejudice as aforesaid, from time to time provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit, and the provisions contained in the two next following sub-clauses shall be without prejudice to the general powers conferred by the sub-clause.</p> <p>18) To comply with the requirements of any local law which in their opinion it shall in the interest of the company be necessary or expedient to comply with.</p> <p>19) From time to time and at any time to establish and Local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to be members of such Local Board or any managers or agents and to fix their remunerations.</p> <p>20) Subject to the provisions of Section 292 of the Act and Articles 149 from time to time, and at any time to delegate to any such Local Board, or any member or members thereof or any managers or agents so appointed any of the powers, authorities and discretions Board of Directors, and to authorise the members for the time being of any such Local Board, or</p>
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	<p>any of them to fill up any vacancies therein and to act notwithstanding vacancies; and any such appointment or delegation under clause 19 of this Articles may be made on such terms and subject to such conditions as the Board of Directors may think fit, and the Board of Directors may at any time remove any person so appointed, and may annual or vary and such delegation.</p> <p>21) At any time and from time to time by power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions and for such period and subject to such conditions as the Board of Directors, may from time to time think fit.</p> <p>22) Subject to Section 294, 297 and 300 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company, to enter into all such negotiations, arrangements and contracts and rescind and vary all such arrangement or contracts and execute and do all such acts, deeds, and things in the name and behalf of the Company as they may consider expedient for on in relation to any of the matters aforesaid or otherwise for the purpose of the Company.</p> <p>23) Generally subject to the provisions of the Act and these Articles to delegate the powers, authorities and discretion vested in the Directors to any person, company, or fluctuating body or persons as aforesaid.</p> <p>24) From time to time to make, vary and repeal byelaws for the regulations of the business of the Company, its officers and servants.</p>
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#### MANAGING DIRECTOR OR WHOLE TIME DIRECTORS

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Appointment of directors</b>	151. Subject to the provisions of the Act, the Directors may from time to time appoint one or more of its members to be as Managing Director or Managing Directors (in which expression shall be included a Joint Managing Director or Whole Time Director or Whole-Time Directors) of the Company for a fixed term not exceeding five years upon such terms and conditions as they may think fit, (subject to the provisions of the Act and subject to the provisions of any contract between him or them and the Company) remove or dismiss him or dismiss him or them from office and appoint another or others in his or their place or places.
<b>Retirement provisions</b>	152. Subject to the provision of the Act and of these Articles, a Managing Director or Whole-Time Director shall not, while he continues to hold that office, be subject to retirement by rotation under the Act or Article 125 Clause (1) but he shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and he shall ipso facto and immediately cease to be a Managing Director or Whole-Time Director if he cease to hold the office of Director for any cause provided that if at any time the number of Directors ( including the Managing Director or Whole-Time Director ) as are not subject to retirement by rotating shall exceed one-third of the total number of the Directors for the time being then such Managing Director or Managing Directors or Whole Time Director or Whole-Time Directors, as the directors may from time to time select, shall be liable to retirement by rotation shall not exceed one-third of the total number of Directors for the time being.
<b>Remuneration</b>	153. Subject to the provisions of the Act and the approval of the Company in General Meeting, the remuneration of a Managing Director or Whole-Time Director shall from time to time be fixed by the Directors, and may be by way of fixed salary, or commission on profits of the Company or by participation in any such profits or by any or all of these models.
<b>Directors to look after the management of Company</b>	154. Subject to the superintendence, control and discretion of the Board of Directors, the day to day Management of the Company may be entrusted to the director or Directors with power to the Board to distribute such day to day functions among such Directors, if more than one, in any manner as directed by the Board, or to delegate such power of distribution

	to any one of them. The Board may from time to time entrust to and confer upon a Managing Director or Whole-Time Director for the time being save as prohibited in the Act, such of the powers exercisable under these presents by the Directors as they may think fit, and may confer such powers for such time to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think expedient and they may subject to the provisions of the Act and these Articles confer such powers either collaterally with or to the exclusion of or in substitution for all or any of the powers of the Directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.
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### SECRETARY

Title of Article	Article Number and contents
<b>Appointment of secretary of the Company</b>	155. a) The Board of Directors may from time to time appoint any individual, as the Secretary of the Company to perform duties which may be performed by a Secretary under the Act and any other purely ministerial and administrative duties as the Board of Directors may from time to time assign to the Secretary including the duty to keep the registers required to be kept under the Act. b) The Board of Directors may at any time appoint a temporary substitute of the Secretary who shall for the purposes of these Articles and the Act be deemed to be the Secretary.

### COMMON SEAL

Title of Article	Article Number and contents
<b>Common Seal</b>	156. 1) The Board of Directors shall provide a Common Seal for the purposes of the Company, and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Directors 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 Directors or a committee of the Directors previously given. 2) Every deed or other instrument which the Seal of the Company is required to be affixed, shall unless the same is executed by a duly constituted Attorney of the Company, be signed by two Directors or by a Director and countersigned by the Secretary or by some other person appointed by the Board for the purpose. Provided nevertheless that certificates of title to shares may be sealed and signed as provided in Article 18.
<b>Affixture of common seal</b>	157. Save as otherwise expressly provided by the Act, a document or proceeding requiring authentication by the Company may be signed by a Director or Secretary or other officer authorized in that behalf by the Board of the Company and need not be under its seal.

### ANNUAL RETURNS

Title of Article	Article Number and contents
<b>Annual Returns</b>	158. The Company shall make requisite annual returns in accordance with Section 159 and 161 of the Act and shall file with the Register three copies of the balance sheet and profit and loss account in accordance with Section 220 of the Act.

## CAPITALISATION

Title of Article	Article Number and contents
<b>Provisions of capitalisation</b>	174. Any general meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit or the reserve fund, or any Capital Redemption Reserve Fund, or in the hands of the Company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account be, subject to the provisions of section 78 of the Act, capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such shareholders in paying up in full either at par or such premium as the resolution may provide, any un-issued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued share or debentures or debenture-stock, and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum.
<b>General meeting to resolve issues on surplus monies</b>	175. A general meeting may resolve that any surplus moneys arising from the realization of any capital assets of the Company, or any investments representing the same, or any other undistributed profits of the Company not subject to charge for Income-tax distributed among the members on the footing that they receive the same as capital.
<b>Directors' duties</b>	<p>176. For the purpose of giving effect to any resolution under the two last preceding articles, the Directors may settle any difficulty which may arise in regard to the distribution as they think expedient, and in particular may issue fractional certificate, and may (fix the value for distribution of any specific assets, and may) determine the cash payments shall be made to any members upon the footing of the value so fixed or that fractions of less value than Re. 1 may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalized fund as may seem expedient to the Directors and generally may make such arrangements for the acceptance allotment and sale of such shares or other specific assets and fractional certificates or otherwise as they may think fit. Where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Companies Act, 1956 and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund and such appointment shall be effective.</p> <p>177. If and whenever any shares become held by any member in fraction, the Directors may subject to the provisions of the Act and these Articles and sell these shares which members hold in fractions for the best price reasonably to be directions, of the Company in general meeting, if any consolidate and obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Director 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.</p>

## INDEMNITY

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Right of directors and others to indemnify</b>	<p>207. Subject to the provisions of Section 201 of the Act, every Director, manager and other officer or servant of the company shall be indemnified by the Company against, and it shall be the duty of Directors out of the funds of the Company to pay, all costs, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into or act or thing done by him as such officer or servant or in any way in the discharges of his duties including expenses, and in particular, and so as not to limit the generality of the foregoing provisions, against all liabilities incurred by him as such Director, Manager, Officer or Servant in defending any proceedings, whether civil or criminal, in which judgment is given in his favour he is acquitted, or in connection with any application under Section 633 of the Act in which relief is granted by the Court, and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company.</p> <p>208. Subject to the provisions of Section 201 of the Act, no Director, Manager or other officer of the Company shall be liable for the acts, receipts, neglects of any other Director or Officer or for joining any receipt of 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 on behalf of the Company or for the insufficiency or deficiency of any security 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 by moneys, securities, or effects shall be deposited or for any loss occasioned by an error of judgment, omission, default or oversight, on his part, or for any other loss damage or misfortunes whatsoever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty.</p>

## SECRECY CLAUSE

<b>Title of Article</b>	<b>Article Number and contents</b>
<b>Secrecy clause</b>	<p>209. No member shall be entitled to visit or inspect any works of the Company without the permission of the Directors or to require discovery of or any information respecting any detail of the Company's trading, or any matter which is or may be in the nature of a trade secret, mystery of trade, secret, process, or any other matter which may relate to the conduct of the business of the Company, and which in the opinion of the Directors would be inexpedient in the interest of the Company to disclose.</p>

## WINDING UP

Title of Article	Article Number and contents
Winding up	<p>204. If the Company shall be wound up, and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed to 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 the winding up, on the shares, held by them respectively, and if in a winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital, at the commencement of the winding up paid-up or which ought to have been paid-up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.</p> <p>205. 1) If the Company shall be wound up, whether voluntarily or otherwise, the liquidator may with the sanction of a special resolution, divide amongst the contributories, in specie of kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories, or any of them as the liquidators, with the like sanction shall think fit.</p> <p>2) If thought expedient any such division may subject to the provisions of the act be otherwise than in accordance with the legal rights of the contributories (except were unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special rights, or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined, on, any contributory who would be prejudiced thereby shall have a right to dissent and ancillary rights as if such determination were a Special Resolution passed pursuant to Section 494 of the Act.</p> <p>3) In case any shares to be divided as aforesaid involve a liability to call or otherwise any reason entitled under such division to any of the said shares may within ten days after the passing of the Special Resolution by notice in writing direct the liquidators to sell his proportion and pay him the net proceeds and liquidators shall if practicable act accordingly.</p> <p>206. A special resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 if the Act may, subject to the provisions of the Act in like manner as aforesaid determine that any shares or other consideration receivable by the liquidators be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent and consequential rights conferred by the said Section.</p>

## **SECTION IX - OTHER INFORMATION**

### **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of filing of this 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 Prospectus have been delivered to the Registrar of Companies, Maharashtra for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company located at 13, Shankeshwar Darshan, A G Pawar Cross Lane, Byculla (East), Mumbai 400 027 from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Prospectus until the Issue Closing Date of this Issue.

#### **Material Contracts for Inspection**

1. Memorandum of Understanding dated November 29, 2006 between our Company and Bigshare Services Private Limited as Registrars to the Issue.
2. Memorandum of Understanding dated June 8, 2007 between our Company and IDBI Capital Market Services Ltd. as Lead Manager to the Issue.
3. Memorandum of Understanding dated June 8, 2007 between our Company and Indbank Merchant Banking Services Ltd. as Co-lead Manager to the Issue.

#### **Material Documents for Inspection**

1. Certified true copy of the Memorandum and Articles of Association of our Company, as amended from time to time.
2. Certificate of Incorporation of our Company dated March 8, 1996.
3. Certified true copy of the Resolution passed u/s 81(1A) of the Companies Act, 1956 at the Extraordinary General Meeting dated December 8, 2006
4. Certified true copies of the Resolutions passed at the meeting of the Board of Directors held on November 16, 2006, June 20, 2007 and October 8, 2007 approving the Initial Public Offer, the draft prospectus and the prospectus respectively.
5. Certified true copy of the Resolution passed at the Tenth Annual General Meeting of the Company of held on July 13, 2006 approving the terms and condition for appointment of Mr. Kiran N. Mehta as Managing Director and Mr. Kailash s. Agrawal as Joint Managing Director.
6. Certified true copy of the Resolution passed at the Extra ordinary General Meeting of the Company held on March, 07, 2006 approving the terms and condition for appointment of Mr. Virendra N. Mehta as Whole time Director.
7. Shareholders Agreement dated November 11, 2000 executed between Shri. Kiran N. Mehta And Shri. Kailash Agrawal
8. Shareholders Agreement dated September 27, 2006 executed between Shri. Kiran N. Mehta And Ms. Ami Patel.
9. Certified true copies of the Annual Reports of our Company for the financial year ended March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006 and March 31, 2007 and period ended of four months ended July 31, 2007.

10. Consents of Auditors, Bankers to the Company, Lead Manager to this Issue, Co-lead Manager to the Issue, Legal Advisors to this Issue, Directors of our Company, Compliance Officer cum Company Secretary of our Company, Registrar to this Issue, Bankers to this Issue as referred to, in their respective capacities.
11. Certificate of the of the Auditors M/s. Chunnilal & Co., Chartered Accountants dated October 1, 20, 2007 prepared as per Indian GAAP and mentioned in this Prospectus.
12. Report of the Auditors M/s Chunnilal & Co., Chartered Accountants dated October 1, 2007 on the taxbenefit avilble to our Cmpany.
13. Tripartite Agreement between the CDSL, our Company and the Registrar to the Issue and Shares Transfer Agents dated December 4, 2006.
14. Tripartite Agreement between the NSDL, our Company and the Registrar to the Issue and Shares Transfer Agents dated May 26, 2003.
15. Due Diligence Certificate dated June 26, 2007 to SEBI from Lead Manager - IDBI Capital Market Services Limited.
16. In-principle listing approvals from BSE and NSE dated July 30, 2007 and September 14, 2007 respectively.
17. Letter No. VIL\AA\21-08-07\06 dtd. September 17, 2007 Issued by the CRSIL Limited describing the IPO Grading with the rationale.
18. SEBI Observation Letter No. CFD/DIL/ISSUES/SM/104397/2007 dated September 20, 2007 and Reply given by the IDBI Capital Market Services Limited dated October 5, 2007.
19. Certificate of the Auditos M/s. Chunnilal & Co., Chartered Accountants dated October 1, 2007 certifying the Material Development during the period from August 1, 2007 to September 30, 2007.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of 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.

## DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures made in this Prospectus are true and correct.

Sd/-

Shri. Kiran N. Mehta  
Chairman and Managing Director

Sd/-

Shri. Kailash S. Agarwal  
Joint Managing Director

Sd/-

Shri. Virendra N. Mehta  
Whole-time Director

Sd/-

Shri. D. K. Mukhopadhyay  
Independent Director

Sd/-

Shri. S. Rajagopal  
Independent Director

Sd/-

Shri. S. K. Srivastav  
Independent Director

**Place:** Mumbai

**Date:** October 09,2007

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