

**RED HERRING PROSPECTUS**

Dated August 23, 2006

*Please read Section 60B of the Companies Act, 1956**100% Book Building Issue***Action Construction Equipment Limited**

(Incorporated on January 13, 1995 under the Companies Act, 1956 as Action Construction Equipments Private Limited and received a fresh Certificate of Incorporation on October 4, 2005 consequent to change of name to Action Construction Equipments Limited. Further the name of the company has been changed to Action Construction Equipment Limited with effect from March 23, 2006.)

**Registered Office:** II Floor, Plot No.7, H-Block, Sarita Vihar, New Delhi - 110 044.

(Previous Registered Office: On incorporation 352, Mandankini Enclave, New Delhi - 110019.

On May 21, 1998 shifted to current registered office.)

Tel.: 91 11 2695 3623, 2695 3626, 2695 3633, Fax: 91 11 2695 3717, website: www.ace-cranes.com

**Corporate Office:** Jajru Road, 25<sup>th</sup> Mile Stone, Delhi Mathura Road, Ballabgarh, Faridabad District, Haryana - 121004.

Tel.: 91 129 2307922, 2307933, 2307924 Fax: 91 129 2307562

Compliance Officer: Mr. P.K.Bansal, E-mail: finance@ace-cranes.com

PUBLIC ISSUE OF 46,00,000 EQUITY SHARES OF RS. 10/- EACH ISSUED FOR CASH AT A PREMIUM OF Rs.[●] PER EQUITY SHARE AND AT A PRICE OF Rs. [●] PER EQUITY SHARE AGGREGATING TO Rs.[●] LAC (HEREINAFTER REFERRED TO AS "THE ISSUE") INCLUDING EMPLOYEES RESERVATION OF 1,00,000 EQUITY SHARES OF FACE VALUE RS.10/- EACH AT A PRICE OF Rs.[●] FOR CASH AGGREGATING Rs.[●] LAC AND NET ISSUE TO THE PUBLIC OF 45,00,000 EQUITY SHARES OF FACE VALUE OF RS.10/- EACH AT A PREMIUM OF Rs.[●] PER EQUITY SHARE AND AT A PRICE OF Rs.[●] PER EQUITY SHARE FOR CASH AGGREGATING Rs.[●] LAC (HEREINAFTER REFERRED TO AS THE "NET ISSUE TO THE PUBLIC"). THE NET ISSUE TO THE PUBLIC WOULD CONSTITUTE 25.03% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY

**Price Band: Rs. 110/- to Rs. 130/- per Equity Share of Rs. 10/- each.**

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of the Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Managers ("BRLMs") and at the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net offer to the public shall be available for allocation to Qualified Institutional Buyers (QIBs) on a proportionate basis (out of which 5% shall be allocated proportionately to mutual funds. Mutual fund applicants shall also be eligible for proportionate allocation under the balance available for Qualified Institutional Buyers). Further, not less than 15% of the Net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net offer to the public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Further, there is reservation for the Employees of the Company to the extent of 1,00,000 Equity Shares which would be allotted on the proportionate basis. The Company has not opted for grading of this issue.

**RISKS IN RELATION TO THE FIRST ISSUE**

This being the first issue of Action Construction Equipment Limited (the Company/ Issuer/ ACE), there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10/- and the issue price is [●] times of the face value. The floor price is 11 times and cap price is 13 times of the face value. The Issue Price/Price band (has been determined by the Book Running Lead Manager, and Action Construction Equipment Limited on the basis of assessment of the market demand for Equity Shares by way of Book Building as stated under the justification of premium paragraph) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

**GENERAL RISK**

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document.



Specific attention of the investors is invited to the statement of Risk Factors on Page No. x of the Red Herring Prospectus.

**ISSUER'S ABSOLUTE RESPONSIBILITY**

Action Construction Equipment Limited, having made all reasonable inquiries, accepts responsibility for, and confirms that the Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue; that the information contained in the Red Herring Prospectus is true and correct in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**LISTING**

The Equity Shares are proposed to be listed on Bombay Stock Exchange Limited (BSE) being the Designated Stock Exchange, and National Stock Exchange of India Ltd. (NSE). The in-principle approvals of the Stock Exchanges for listing Equity Shares have been received pursuant to letter nos. DCS/SK/MT/02052006 dated May 02, 2006 and NSE/LIST/22111-P dated May 12, 2006, which was valid upto August 12, 2006 and further extension obtained vide letter bearing no. NSE/LIST/27331-Y respectively.

BOOK RUNNING LEAD MANAGER		REGISTRAR TO THE ISSUE	
	<b>KARVY INVESTOR SERVICES LIMITED</b> "Karvy House", 46 Avenue 4, Street No. 1 Banjara Hills, Hyderabad - 500 034 Tel: 91 40 23312454/23320251 Fax: 91 40 23374714 Website: www.karvy.com E-mail: mbd@karvy.com		<b>Karvy Computershare Private Limited.</b> "Karvy House" 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034 Tel.No: 91 40 23420818 - 25 Fax No: 91 40 23420814 Website: www.karvy.com E-mail : ace@karvy.com

**ISSUE PROGRAMME**

BID/ISSUE OPENS ON	FRIDAY, SEPTEMBER 01, 2006	BID/ISSUE CLOSES ON	THURSDAY, SEPTEMBER 07, 2006
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## SECTION I - DEFINITIONS AND ABBREVIATIONS

### Conventional/ General Terms

Term	Description
Articles/Articles of Association/ AoA	Articles of Association of Action Construction Equipment Limited
Companies Act / Act	The Companies Act, 1956 as amended from time to time
Depository	A company formed and registered under the Companies Act, 1956 (1 of 1956), and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A person registered as such under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investor (as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000) registered with SEBI
Financial Year/Fiscal/FY	Period of twelve months ended March 31 of that particular year
Government /GoI	The Government of India
Indian GAAP	Generally accepted accounting principles in India
I.T. Act	The Income-Tax Act, 1961, as amended from time to time
Memorandum / MoA	Memorandum of Association of the Company
NRI / Non-Resident Indian	A person resident outside India who is a citizen of India or is person of Indian origin (as defined in Foreign Exchange Management (Deposit) Regulations, 2000
OCB/Overseas Corporate Body	A company, partnership firm, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRIs and includes overseas trust, in which not less than 60% of beneficial interest is held by NRIs directly or indirectly but irrevocably (as defined in Foreign Exchange Management (Deposit) Regulations, 2000
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
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
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997

### Issue related Terms

Term	Description
Allotment	Issue of Equity Shares of the Company pursuant to the Public Issue to the successful Bidders.
Allottee	The successful Bidder to whom the Equity Shares are being issued.

Bankers to the Issue	The Bankers with whom the escrow account for the Issue shall be opened
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto.
Bid Price/ Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Opening Date/ Issue Opening Date	The date on which the Syndicate Members shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper and a Hindi national newspaper
Bid Closing Date / Issue Closing Date	The date after which the Syndicate Members will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and a Hindi national newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for allotment of the Equity Shares in terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and Bid-cum Application Form
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which, this Issue is being made
BRLMs	Book Running Lead Managers to the Issue, in this case being Karvy Investor Services Limited and UTI Securities Limited
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no bids will be accepted
Cut-off price	Cut-off price refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Designated Stock Exchange	Bombay Stock Exchange Limited
Designated Date	The date on which the funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the ROC, following which the Board of Directors shall allot Equity Shares to successful bidders
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated March 25, 2006 filed with SEBI on March 28, 2006
Employees of the Company	For the purpose of the Employee Reservation Portion, Employee means Permanent Employees/ Executive Directors of the Company as on the date of filing the Red Herring Prospectus with SEBI
Equity Shares	Equity Shares of the Company of the face value Rs. 10 each, unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount and refunds (if any) of the amount collected to the Bidders
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s), the Syndicate Members and the BRLMs for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders

Escrow Collection Bank (s)	ICICI Bank Limited, UTI Bank Limited, Standard Chartered Bank, ABN AMRO Bank N.V, Kotak Mahindra Bank Limited and Deutsche Bank AG
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Fresh Issue / Issue / Public Issue / Offer	Fresh Issue of 46,00,000 equity shares including Net Issue to the Public of 45,00,000 new Equity Shares of Rs. 10/- each for cash at the Issue Price of Rs. [●] aggregating to Rs. [●] lac by the Company and 1,00,000 equity shares reserved for permanent employees of the Company in terms of the Red Herring Prospectus
Issue Account	Account opened with the Banker to the Issue to receive monies from the Escrow Accounts on the Designated Date
Issuer	Action Construction Equipment Limited
Issue Size	46,00,000 Equity Shares of the Company including 1,00,000 equity shares reserved for allocation to eligible employees
Issue Price	The final price at which Equity Shares will be issued and allotted by the company in terms of the Red Herring Prospectus, as determined by the Company in consultation with the BRLMs, on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Members of the Syndicate	The BRLMs and the Syndicate Members
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
Non-Institutional Portion	The portion of the Issue being not less than 15% of the Net Issue to the Public i.e. not less than 6,75,000 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders
Pay-in-date	The last date specified in the CAN sent to the Bidders
Pay-in-Period	<p>This term means</p> <ul style="list-style-type: none"> <li>• with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and</li> <li>• with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in-Date</li> </ul>
Price Band	The Price band of a minimum price (Floor Price) of Rs. 110/- and the Cap price (maximum price) of Rs. 130/- and includes revision thereof
Pricing Date	The date on which the Company, in consultation with the BRLMs, finalises the Issue Price
Prospectus	The Prospectus filed with the ROC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account on the Designated Date
QIB Portion	The portion of the Issue being not more than 50% of the Net Issue to the

	Public (including specific allocation of 5% for Mutual Funds) not more than 22,50,000 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs
QIBs/Qualified Institutional Buyers	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 (IRDA), Provident Funds with a minimum corpus of Rs. 25 crore and Pension Funds with a minimum corpus of Rs. 25 crore
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount in excess of Rs. 1,00,000 in any of the bidding options in the Issue.
Red Herring Prospectus	This Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and also on the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with ROC at least three days before the bid/offer opening date. It will become a Prospectus after filing with ROC after the pricing
Retail Portion	The portion of the Issue being not less than 35% of the Net Issue to the Public, a minimum of 15,75,000 Equity Shares of Rs.10 each available for allocation to Retail Individual Bidder(s)
Registrar/ Registrars to the Issue	Karvy Computershare Private Limited
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters and are appointed by the BRLMs
Syndicate	The Syndicate Members and the Eligible underwriters collectively in this case being, Karvy Investor Services Ltd, UTI Securities Ltd. and Karvy Stock Broking Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and Syndicate Members
Underwriting Agreement	The Agreement among the BRLMs, the Syndicate Members and the Company to be entered into on or after the Pricing Date

#### **Company/Industry related Terms**

Articles / AoA	Articles of Association of the Company
Auditors	The statutory auditors of the Company M/s Rajan Chhabra & Co., Chartered Accountants
Board/ Board of Directors	Board of Directors of the Company
Committee	Committee of the Board of Directors of the Company authorised to take decisions on matters related to or incidental to this Issue



The Company / ACE / We / Us / Company/ The Issuer	Action Construction Equipment Limited, incorporated as Action Construction Equipments Private Limited on January 13, 1995 under the Companies Act, 1956 and subsequently received fresh Certificate of Incorporation consequent to change of name to Action Construction Equipments Limited on October 4, 2005. The name of the company was further changed to Action Construction Equipment Limited vide the fresh certificate of incorporation consequent to change of name dated March 23, 2006.
Equity Shares	Equity Shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
Face Value	Value of paid up equity capital per Equity Share, in this case being Rs. 10/- each
Memorandum /MoA	Memorandum of Association of the Company
Registered Office /Registered Office of the Company	II Floor, Plot No.7, H- Block, Sarita vihar, New Delhi - 110 044
ROC	Registrar of Companies, NCT of Delhi & Haryana situated at Paryavaran Bhawan, C.G.O.Complex, New Delhi - 110 003

#### Abbreviations of General Terms

Abbreviation	Full Form
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
A/c	Account
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CDSL	Central Depository Services (India) Limited
CFO	Chief Finance Officer
CUM	Cubic Meters
EBITDA	Earning Before Interest, Tax, Depreciation and Amortisation
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EPS	Earnings Per Share i.e. profit after tax divided by outstanding number of Equity Shares at the year end
FEMA	Foreign Exchange Management Act, 1999
FII(s)	Foreign Institutional Investors registered with SEBI
FIPB	Foreign Investment Promotion Board
FDI	Foreign Direct Investment
HUF	Hindu Undivided Family
IPO	Initial Public Offering
Karvy	Karvy Investor Services Limited

MNC	Multi National Company
N.A.	Not Applicable
NAV	Net Asset Value
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
NSE	The National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
QIB	Qualified Institutional Buyer
RBI	The Reserve Bank of India
ROC	Registrar of Companies
RONW	Return on Net Worth
Rs. / Rupees / INR	Indian Rupees
RTGS	Real Time Gross Settlement
Sec.	Section
TRS	Transaction Registration Slip
UK	United Kingdom
UPSIDC	U.P State Industrial Development Corporation Ltd.
US	United States of America
USD or \$ or US \$	United States Dollar
UTISEC	UTI Securities Limited



## **SECTION II - RISK FACTORS**

### **Forward Looking Statements; Market Data**

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

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with the expectations of the Company with respect to, but not limited to, their ability to successfully implement their strategy, their growth and expansion, technological changes, their exposure to market risks, general economic and political conditions in India which have an impact on the business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

For further discussion of factors that could cause the actual results to differ, see the section entitled “Risk Factors” beginning on page x of the Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Unless stated otherwise, the financial data in the Red Herring Prospectus is derived from the unconsolidated financial statements prepared in accordance with the Indian GAAP included elsewhere in the Red Herring Prospectus. Unless stated otherwise, references to consolidated financial information is to the consolidated financial information under Indian GAAP. At present the financial year commences on April 1 and ends on March 31. In the Red Herring Prospectus, any discrepancy in any table between the total and the sums of the amounts listed are due to rounding off.

### **Certain conventions; Use of Market Data**

In this Red Herring Prospectus unless the context otherwise requires, all references to one gender also refers to another gender and the word “Lakhs” or “Lac” means “One Hundred Thousand” and the word “Ten Lac” means “One Million” and the word “Crore” means “Ten Million”. In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Red Herring Prospectus, all figures are in Lac unless otherwise stated. Market/Industry data used throughout the Red Herring Prospectus was obtained from the Company and various publicly available reports. The information contained in those publications has been obtained from sources believed to be reliable, but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although, the Company believes that the market data used in the Red Herring Prospectus is reliable, it has not been independently verified. Similarly, data provided by the Company, while believed by the Company to be reliable, has not been verified by any independent sources.

### **Currency of Presentation**

In this Red Herring Prospectus, all references to “Rupees” and “Rs.” are to the legal currency of India.



## RISK FACTORS

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

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

Unless specified or quantified in the relevant risk factors described below, the Company is not in a position to quantify the financial or other implication of any of the risks mentioned herein under.

### Materiality

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

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

The risk factors are as envisaged by the management along with the proposals to address the risk if any. Wherever possible, the financial impact of the risk factors has been quantified.

## INTERNAL RISK FACTORS

### 1. Threat from similar imported products to the Mobile cranes and Construction Equipment, which the company manufactures and /or plans to manufacture.

**Management Perception:** The Company does not perceive any major threat from imported equipment, as the existing product line of the company is already being used and accepted by most reputed firms across industry segments. Locally manufactured equipment will carry cost advantage and will also help the company to provide service to its customers, which is usually not available in imported equipment. Mobile cranes currently account for more than 90% of the total turnover of the Company. The Company proposes to foray into manufacturing of loaders, aerial platforms and fixed tower cranes.

### 2. Competition from the un-organized sectors in Material Handling and Construction Equipment industry.

**Management Perception:** Share of un-organised sector in Material handling and Construction Equipment industry is marginal. In-house R&D, established products and country-wide after sales service are the strengths of the company that the un-organised sector is not able to offer and hence cannot compete with the Company.

### 3. Operating results of the Company may vary in different periods.

**Management Perception:** The Company has shown significant growth in past couple of years. Due to good order book in hand and favorable policy and support of Indian government for infrastructure development and economic growth, the Company does not foresee any slowdown in this trend, which may affect its business in near future. However, if there is any change in the government policy due to any reason, it may affect the Company's target market and its operating results may suffer. Due to Company's wide experience in the Industry, it has been able to regulate the fixed costs. Further, the Company endeavors to optimize its fixed cost and other costs, which will also help to improve the operating results.

### 4. Pending statutory / regulatory licenses / clearances and approvals relating to the business of the Company.

**Management Perception:** The Company has applied and is currently under process of obtaining statutory approvals such as licenses under the Shops and Establishment Act, Standing orders and registration under Professional tax. The Company is expecting to receive the same in due course. The Company is also in the process of setting up an assembly unit of cranes in Bazpur, Dist. Uddham Singh Nagar, Uttaranchal, a designated backward area vide notification no "No. 1 (10) / 2001 - NER" of Government of India - Ministry of Commerce and Industry. Out of the required permissions/ approvals and license, the company has currently applied and awaiting receipt of approvals/license under /from the

Factories Act, 1948, Fire Department, and Excise department. Further, certain permissions will be required by the company once the company employ personnel and start the production, the same will be applied for and obtained by the company as and when required.

**5. Reliance on contract labour may affect the performance and operations of the Company.**

**Management Perception:** The Company is using contract labour only for low skilled jobs like material handling, painting, housekeeping, helping in various activities etc. All the technical, supervisory and skilled jobs are handled by the skilled permanent personnel of the Company.

**6. Increase in prices of raw materials will raise the cost of manufacturing of the company and could affect its profitability.**

**Management Perception:** The main raw material used by the company is MS steel, which constitutes around 60% of its overall cost. Prices of steel are subject to volatility for various reasons including international supply shortages. Any abrupt or large-scale escalation in the prices of the raw material can adversely affect the profits, in case the Company is unable to pass them to its customers. Besides the above, continued shortage of domestic/imported raw materials/components may adversely affect the Company's growth prospects.

**7. Business of the Company is dependent on its manufacturing facilities. The shutdown of operations at any of its manufacturing facilities may have a material adverse effect on its business, financial condition and operational results.**

**Management Perception:** Manufacturing facilities of the Company at Jajru Road, Ballabgarh and proposed facilities at Dudhaura are subject to operating risks, such as the breakdown / failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs non-availability of services of the external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of these risks could significantly affect the operating results of the Company.

Although the Company takes precautions to minimize the risk of any significant operational problems at its facilities, its business, financial condition and results of operations may be adversely affected by any disruption of operations at its facilities, including due to any of the factors mentioned above.

**8. The Company has entered into Leave and License agreements with the related parties.**

**Management Perception:** The Company has taken certificate from a reputed Property Dealer duly confirming the prevailing market rent for the said properties and certifying that the rent is paid in line with the prevailing market rent for such premises in that prime location.

**9. Objects of the Issue for which funds are being raised have not been not appraised by any Bank, Financial Institution or an independent organization.**

**Management Perception:** Part of the Proceeds of issue shall be used for the purpose of setting up a new plant to manufacture Loaders, high capacity Tower Cranes and other Construction Equipment. This project has not been appraised by any Bank or Financial Institution and the funds required for this Project are based on estimates drawn by the management. Deployment of funds towards this project will be in line with activity wise break up given in the Objects of the Issue on page no 21. The Company has appointed Deutsche Bank as a Monitoring Agency for monitoring the utilization of funds raised through this public issue. Audit committee of the Board of Directors will be closely involved in monitoring the deployment of the funds for the said Project. Progress in the use of proceeds from the Issue will be reported periodically as per the statutory requirements.

**10. The Company has not identified the companies/ business for proposed acquisition under the proposed project. Further, the Company is proposing to have a Joint Venture with Tigieffe SRL, ITALY to manufacture Aerial Platforms in India for which no agreement or Memorandum of Understanding has been signed.**

**Management Perception:** The Company believes that it should have the wherewithal to grow inorganically as and when it comes across synergistic opportunities. It has planned to equip itself through this Issue to seize opportunities for inorganic growth.

The Company is exploring a possibility of forming a Joint Venture with Tigieffe SRL, ITALY and is actively pursuing the same, for which the company has currently earmarked an estimated amount of Rs. 660 Lac. However, currently there is no MoU or agreement signed between the Company and Tigieffe SRL, ITALY. Until the targets are identified and the JV materializes, the funds shall be kept in a fixed deposit with any scheduled commercial bank.

**11. The Company has not placed orders for certain plant and machinery, equipment etc. as stated on page no.23 of this Red Herring Prospectus.**

**Management Perception:** The Company has already identified and got the quotations for the Plant and Machineries, equipment etc. and is in the process of negotiating the price for these. The Company has already purchased the Land for construction of office building and sheds. Construction of factory sheds has already begun. Since the Plant and Machinery/ Equipment required for this project does not have long lead time (except few imported machineries), the Company has not placed the orders for the same. However, the Company has already received one imported cutting Machine, which was required immediately.

**12. Foreign currency risk**

**Management Perception:** The volatility in global financial markets may have an adverse impact on the business of the company. It has to make payments in foreign exchange for its imports. In the future, the Company expects an increase in its dealings in foreign exchange thus increasing the exposure to foreign exchange markets. Company's inability to hedge this foreign exchange exposure may result in an adverse impact on its financial condition.

**13. The Company has not identified alternate sources of financing the 'Objects of the Issue' and may be severely affected if it fails to mobilize resources as per its plans.**

**Management Perception:** In such case, the company shall approach the Financial Institutions for funding of the entire project or will make alternate funding arrangements through unsecured loans to bridge the shortfall. Since the Company has never defaulted in the re-payment or operations of the account, the company feels that any deficiency in mobilizing resources through the IPO, can be handled easily through borrowing on very competitive/attractive terms.

**14. The Company may not be fully insured for business losses.**

**Management Perception:** The Company has taken Fire and Burglary Insurance normally taken in the business for all its premises for the stock and assets available in those premises. Company has also taken Accident Insurance for any mishap in the Plant. The Company does not manufacture or perform any activity that may cause third party liability/ Insurance.

**15. The Company has debtors outstanding for over six months as on 30th June 2006 amounting to Rs. 348.81 lac which includes sundry debtors for a period of three years or more amounting to Rs. 29.85 lac.**

**Management Perception:** The Company operates in the capital goods Industry. Out of Rs.348.81 lac, Rs.104.41 lac are recoverable from PSUs and Government Departments. Also, certain customers retain part of the payment which is released either after they are satisfied with the performance of the product over a certain period or against issue of performance guarantee by the Company. Further a part of the amount is related to the legal cases, which are going on for dishonourment of the cheques issued to the Company. Since, the Company is confident of recovering this amount, no provision for doubtful debts has been made.

**16. Outstanding Litigations**

There is no present or threatened litigation, claims and defaults (including to financial institutions, banks, non-payment of statutory dues, dues towards instrument holders viz., debenture-holders, deposits, preference shareholders, etc.) against the Company as on 31st July 2006, except for two suits for recovery filed and pending against the Company for an aggregate claim of Rs. 6,68,240/- and a petition under the Copyright Act, 1999. The details of the outstanding litigations are more specifically provided at page 113 under the heading of Outstanding litigations and defaults.

The Company has also filed/initiated various suits/petitions/ complaints (twenty six in numbers) against its customers / third parties, which are pending in different courts, out of which twenty one complaints are under section 138 of the Negotiable Instrument Act, 1881 for dishonor of cheque(s); a complaint under Consumer Protection Act; a suit for mandatory injunction and three suits for recovery.

**17. The Company Law Board vide its order dated June 19, 2006, had ordered the Company to pay Rs. 5000/- and Rs.2000/- by each of the whole-time directors as a compounding fee pursuant to section 383 A of the Companies Act, 1956, for non-appointment of full time Company Secretary of the Company for period starting from September 30, 1998 to June 10, 2002 and September 09, 2005 to September 29, 2005, which the company and its whole-time directors have deposited.**

18. Extracts of the restrictive clauses in the lease deed signed with U.P State Industrial Development Corporation Ltd. (UPSIDC) for the property purchased at Bazpur (District: UddhamSingh Nagar), Uttaranchal
- The company shall not make or attempt to make any alterations, whatsoever in the provisions of its memorandum and articles of association or in its capital structure without the prior written consent of UPSIDC.
  - The company shall not change its name, without prior information to UPSIDC and effect enblock transfer of shares even in phases resulting in change of management unless a prior written permission of the Lessor is obtained.

19. The Company is yet to obtain registration for “ACE” logo

**Management Perception:** The Company has applied on January 18, 2006 with the Trade Mark Registry, New Delhi in India to register its trade mark “ACE”. The products of the Company are branded and marketed under this name and it is important for the Company to obtain registration of this name. The Company is pursuing the matter with the Trade mark registering authorities for registration of the same.

20. Contingent Liability of the Company as on June 30, 2006 along with comparable financial figures on other dates not provided for is given as under.

(figures in Rs.)

Sr. No.	Particulars	June 30, 2006
1	Bank Guarantees	1,23,14,688
2	Letters of Credit	1,73,25,948
3	Claim against the Company, not acknowledged as debts	6,68,240
	<b>Total</b>	<b>3,03,08,876</b>

21. Success of business of the Company is highly dependent upon its ability to implement its growth strategy.

**Management Perception:** The Company is managed by professionals and growth strategy is made after detailed evaluation of market requirement, demand and supply and the economic scenario and after considerable discussions with experts in relevant areas. With the current thrust in the infrastructure and manufacturing sector, the company does not foresee any impediment in implementing the growth strategies.

22. Promoters of the Company do not have experience of managing corporate affairs of listed companies.

**Management Perception:** Mr Vijay Agarwal has been associated with the key decisions of the company and attained key posts in his previous employments with Bhartiya Cutler Hammers Ltd, Escorts Ltd, and Delhi Automobiles Ltd etc. and is professionally qualified with BE (Mech) and MBA.

23. Success of the Company depends largely on the efficiency of the senior management and on its ability to attract and retain the key personnel.

**Management Perception:** The success of the Company significantly depends on the expertise, experience and continued efforts of its senior management. The Company has a dedicated team of professionals in senior management positions. They are experts in their respective areas and have rich experience in renowned companies of the industry. The Company gives performance-based incentives to retain key personnel, and motivate them.

24. Issue of shares in the last 12 months

**Management Perception:** The Company has issued shares in the last 12 months which may be at a price lower than the Issue Price. For details please refer to the notes to the Capital Structure on Page 11. Further, on September 8, 2005, the Company has issued bonus shares in the ratio of 9:2.

25. Interests of Promoters/ Directors

**Management Perception:** Promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arising from their holding directorship in the Company. Promoters are interested in the transaction entered into between the Company and the ventures where the promoters are interested either as a promoter, director, partner, and proprietor or otherwise. For details please refer page 86 of the RHP.



**26. There are certain restrictive covenants in the working capital agreements entered into by the company with the banks, financial institutions for which the Company shall require their prior written consent.**

- Contract, create incur assume or suffer to exist any Indebtedness in any manner
- Undertake or permit any merger, demerger, consolidation, reorganization, scheme of arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction including creation of any subsidiary or permit any company to become its subsidiary.
- Declare or pay any dividend or authorise or make any distribution to its shareholders/members/partners or permit withdrawals of amounts brought in: (a) unless it has paid all the dues in respect of the facilities upto the date on which the dividend is proposed to be declared or paid/ such distribution is to be made, or has made provisions therefor satisfactory to the bank, or (b) if an event of default has occurred and is subsisting or would occur as a result of such declaration or payment of dividend or authorization or making of distribution. However the sanction letter states that the company will be required to give prior intimation for the same.
- Undertake any new projects, diversification, modernization, which are material in nature, or substantial expansion of any projects.

**27. There has been a delay in the schedule of the implementation of the project that the company proposed to undertake.**

**Management perception:** Due to the delay in public offering of shares there has been a delay in schedule of implementation of the project that the company proposes to undertake.

**EXTERNAL RISK FACTORS**

**1. Risk relating to a downturn in infrastructure industry and reversal of trend in government spending in Infrastructure.**

**Management Perception:** The Company does not foresee any downturn in the fund allocation to the infrastructure industry in near future. The Indian Government in its IXth and Xth five year plans has given greater preference to infrastructure spending and Infrastructure has been identified as a priority sector for economic growth of the country.

**2. Increase in employee compensation in India may reduce some of the competitive advantage of the Company.**

**Management Perception:** The Company has shown consistent growth in last couple of years. In a span of last four years, the total sales have grown at a CAGR of 96.86%. Employees' compensation of the Company is 2.96% of the turnover. The Company has retained professional people and is attracting quality personnel with attractive compensation. The likely increase on this account has been properly evaluated and will not hamper the company's competitive advantage. Currently the increase in employee compensation has been duly supported by increased sales and consistent growth.

**3. Any changes in the regulatory framework pertaining to manufacturing of cranes and construction equipment could have an adverse impact on the business of the Company.**

**Management Perception:** The Company is required to take the certificate of roadworthiness for its Mobile Cranes/Loaders from The Automotive Research Association of India and it does not require any permission for the same from any other Regulator. Any changes in the regulatory framework as mentioned above may affect the business of the Company

**4. Regional conflicts, political, economic and social developments in India could adversely affect the business of the company.**

**Management Perception:** The performance of the Company may be affected due to disturbances in political, economic and social developments, which will be beyond its control.

**5. If the Company fails to comply with environmental laws and regulations or faces environmental litigation, its profitability may be adversely affected.**

**Management Perception:** The Company is not involved in any activities that require environmental clearance. However the company has to obtain NOC from the respective Pollution Control Department, which the company has already obtained.

6. **Upon listing of the equity shares, the price of the Equity Shares of the Company will depend upon various factors such as general economic conditions, volatility in stock market, liquidity in the equity shares etc.**

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

- General economic conditions in India
- Financial performance of the Company vis a vis its competitors
- Investors perception regarding the material handling industry
- Changes in government policies pertaining to material handling industries having a positive or negative impact on industry.
- Selling pressure due to bad market conditions

The SENSEX is trading at its historic peak level and most of the stocks are trading at an all-time high price. The current prices may not be reflective of the intrinsic value of the respective company. Therefore, in future, the sustainability of such valuation seems to be difficult.

**Notes:**

1. Investors are advised to refer to the para on “Basis for Issue Price” on Page No. 33 before making any investment in the Issue.
2. Investors may note that in case of oversubscription, allotment to Retail Investors and Non Institutional Investors shall be on proportionate basis and will be finalized in consultation with the Designated Stock Exchange. If the Issue is oversubscribed, the Designated Stock Exchange along with the concerned Post Issue Book Running Lead Manager and Registrar to the Issue shall be responsible to ensure that the Basis of Allotment is finalized in a fair and proper manner.
3. The book value per share of the Company is Rs 32.22 (annualized) as on June 30, 2006 and Rs.29.26 as on March 31, 2006.
4. The net worth of the Company is Rs. 4,309.58 lac as on June 30, 2006 and Rs.3,913.98 as on year ended March 31, 2006, as per the Financial Accounts of the Company.
5. Issue size consists of 46,00,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. [●] per share aggregating Rs. [●] lac including a reservation of 1,00,000 Equity Shares for employees of the Company.
6. The Issue is being made under clause 2.2.1 of SEBI (DIP) Guidelines, 2000 through a 100% Book Building Process wherein not more than 50% of the Net Issue to the Public will be available for allocation on a proportionate basis to Qualified Institutional Buyers (“QIBs”) (of which 5% will be available for allocation for Mutual Funds). Further, not less than 15% of the Net Issue to the Public will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.
7. The average cost of acquisition of Equity Shares of the Promoters is as follows:

Name of the Promoter	Average Cost of Acquisition (in Rs.)
Mr. Vijay Agarwal	5.45
Mrs. Mona Agarwal	5.99
Mr. Sorab Agarwal	5.45

8. Other than as disclosed either in related party transaction or otherwise, the promoters/directors/key management personnel of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits arising out of the shareholding in the company or out of any business relation with any of the ventures in which they are interested. For interests of promoters and directors, please refer Page 86 of the Red Herring Prospectus.





9. The group company ACE Steelfab Pvt. Ltd does fabrication work for the Company and has a business interest to that extent. Further, ACE Cranes which is a proprietary concern of Mr. Sorab Agarwal is a consignment agent for the Company and has business interest to that extent.
10. Related party transactions aggregated Rs. 1393.65 Lac in the 1st quarter of the financial year 2006-2007, Rs.5359.12 Lac for financial year 2005-06, Rs. 2246.68 Lac for financial year 2004-05 and Rs. 344.63 Lac for the financial year 2003-04 with various related parties on a consolidated basis. For further details on related party transactions please refer to Section “Related party transactions” on page 104.
11. The Promoter Group/ directors of the Company have not purchased and or sold / financed any shares of the Company during the past six months other than as disclosed in the notes to the Capital Structure on page 12.
12. The investors may contact the BRLMs or the Compliance Officer for any complaint/clarification/information pertaining to the Issue, who will be obliged to attend to the same.
13. Details of Related Party Transactions are given on Page 104 of the Red Herring Prospectus.
14. On September 8, 2005, the Company has issued 9 bonus shares for every 2 equity shares held.
15. The Company has changed its name from Action Construction Equipments Private Limited to Action Construction Equipments Limited and received fresh Certificate of Incorporation consequent to change of name to Action Construction Equipments Limited on October 4, 2005. The name of the Company was further changed to Action Construction Equipment Limited vide fresh certificate of Incorporation consequent upon change of name dated March 23, 2006.
16. Trading in equity shares of the Company for all the Investors shall be in Dematerialized form only.

## **SECTION III - INTRODUCTION**

### **Summary**

#### **Overview of the Material Handling and Construction Equipment Industry:**

Mobile Cranes, Tower Cranes, Loaders etc. are covered under Material Handling and Construction Equipment. The upswing in the Indian economy has enhanced the demand for these Equipment. Mobile Cranes are deployed for material handling in the general industry as well as in Infrastructure construction whereas the Construction Equipment is specifically used for Infrastructure construction. The demand for Material Handling Equipment and Construction Equipment is correlated with the growth of other segments like Infrastructure Construction, Ports, Pipe Lines, Roads, Steel, Cement, Power Projects, Hydel Projects, Engineering Industry, Mining; Building Construction etc as these equipment find primary use in these sectors.

The size of construction industry in India is over US\$ 25 Billion and it accounts for approx. 6% of the GDP. With the current growth in the construction sector and with opening of FDI in this sector, coupled with the increased focus of the Indian Government on infrastructure development, the construction equipment industry is set for a boom. The growth in Steel, Cement and Construction Equipment sectors depends on the growth of the Construction Industry. As per Construction Industry Development Council Survey (CIDC), equipment cost as a part of construction cost currently ranges from 4.5% to 24%.

In order to cater to the strong demand growth in both domestic and export markets, the Indian manufacturing sector is fast building capacities. Equally, the Infrastructure Development has also been put on accelerated pace to contribute to the economic growth. Going forward, the growth in demand for Material Handling Equipment will be sustained given the quantum of investment under pipeline especially in the manufacturing sector. Emergence of India as a manufacturing hub and the investment scenario in the manufacturing sector continued to be strong with investments worth Rs.88,078 Crore announced in 2004-05 which will further strengthen the demand for Mobile Cranes and Material Handling Equipment.

(Source : Capitaline)

### **BUSINESS OVERVIEW**

#### **1. Background**

The Company was promoted by Mr.Vijay Agarwal and his wife Mrs. Mona Agarwal and was incorporated on January 13, 1995 as a “Private Limited Company” and was converted into a “Public Limited Company” on October 4, 2005. The Registered Office of Company is in New Delhi and production facility is in Ballabgarh while the proposed manufacturing unit shall be at Dudhaura. The company is also in the process of setting up an assembly unit in Bazpur, Dist. Uddhamsingh Nagar, Uttaranchal. The Product Support Division is in Faridabad city. The Company is managed by professionals, having rich experience in manufacturing, marketing and after sales service of Hydraulic Mobile Cranes, Mobile Tower Cranes and other construction equipment domains.

The Company is a decade old enterprise and started with manufacturing of Hydraulic Mobile Cranes of different capacities under the brand name of “ACE” at industrial township of Faridabad. The Company is an established manufacturer of Hydraulic Mobile Cranes, Mobile Tower Cranes and Construction Equipment in the country existing since more than a decade and enjoys a consolidated presence in all major Infrastructure, Construction, Heavy Engineering and Industrial Projects throughout the country. The Company is dedicated to provide its customers with latest technology construction equipment and efficient sales and after sales service aimed at satisfying their real needs.

The workforce comprises of qualified professionals having commitment towards total quality management and its strength lies in standardization of products.

In its endeavor to grow the business and offer quality products, the Company has entered into series of marketing tie-ups with leading foreign companies like Autogru PM-Italy, Zoomlion-China, Maber-Italy, Tigieffe SRL-Italy, which facilitate the availability of latest technology and machines from around the world.

#### **2. Business of the Company**

The Company is an established manufacturer of Mobile Cranes, Mobile Tower Cranes and Construction Equipment manufacturer in the country and designs, manufactures, sells and provides product support for the following equipment:

- a) Hydraulic Mobile Cranes
- b) Mobile Tower Cranes
- c) Tower Cranes in tie-up with Zoomlion-China
- d) Loaders & Backhoe Loaders
- e) Lorry Loader Cranes in tie-up with PM-Italy

- f) Mast Climbing Platform and Construction Elevators in tie-up with Maber-Italy
- g) Aerial Access Platforms in tie-up with Tigieffe SRL-Italy

The Company has been awarded ISO:9001 certification by CVI (Conformity Verification International) and its products have functional parameters such as lifting height, ground clearance, travels speed and lifting capacities and has countrywide sales and service network.

The policy of responding efficiently has led to repeat business, resulting in growth and making it an established player in the Mobile Cranes sector in the country. Another factor driving the company's growth has been the versatility of its equipment to satisfy a vast range of possible applications. The Company's equipment is being successfully used in many sectors like Infrastructure construction, Power Projects, Ports & Shipyards, Dams, Metro Rail, Roads, Coal Mines, Steel Industry, Engineering Industry, Railways, Cement, Petroleum, Defence, Chemicals and Fertilizer Plants, Building Construction etc. to name a few.

The Company has sold its equipment to most of the leading Private and Government Sector Companies in India such as Reliance, ABG, L&T (ECC), BSES, BHEL, Punj Lloyd, Essar, Gammon India, Nagarjuna Construction, Gujarat Ambuja, IISCO, Simplex Concrete, Coal India, BSNL, Gannon Dunkerley, Bhushan Steel, PSL, ISPAT, IVRCL, Indian Railways, Adani Port, NTPC, IOCL, Shapoorji Pallonji, Alstom, NHPC, UB, ACC, Tata, Kalpataru, KEC, Krupp, Airport Authority of India, Ministry of Defence, HPCL, IPCL, Unitech, Welspun, Aditya Birla Group etc.

Products of the Company are also being exported to U.A.E., Qatar, Sultanate of Oman, Kuwait, South Africa, Kenya, Nigeria, Mauritius, Sri Lanka, Nepal, Bhutan, Bangladesh, Singapore and Portugal.

The Company's recent foray into products like Back Hoe Loaders, higher capacity Tower Cranes etc. has helped it in expanding its product portfolio, and has given it an opportunity to cash in on the growing demand for construction equipment. The Company's existing client base has accepted and appreciated its new product offerings.

The Company has a Marketing Head office at New Delhi and a dedicated Product Support Division is located at Faridabad. The Company has an all India network of 37 Sales & Service Dealer outlets and offices, that provide efficient and effective pre-sales and after sales service. These outlets are supported by five Regional Offices based at Delhi, Mumbai, Chennai, Kolkata and Visakhapatnam. The Company has also set up dealerships in Middle East Asia, Bangladesh and South Africa and is in the process of establishing more dealerships in other parts of Asia, Africa and South America.

The Company has shown a consistent growth in operations and profitability in the last five years. From a turnover of Rs.10.79 crore in the financial year 2001-02, the Company has achieved a turnover of Rs.165.68 crore in the financial year 2005-06. The sales turnover of the company has grown at a CAGR of 96.86% in a span of last four years.

**THE ISSUE**

<b>Equity Shares offered:</b>	
Through Fresh Issue of Equity shares	46,00,000 Equity Shares of face value Rs. 10/- each
<b>Of which:</b>	
<ul style="list-style-type: none"> <li>Reservation for Employees</li> </ul>	Not more than 1,00,000 Equity Shares of face value Rs. 10/- each <i>(Allocation on proportionate basis)</i>
<b>Net Issue to the Public</b>	
<ul style="list-style-type: none"> <li>Qualified Institutional Buyers portion</li> </ul>	<p>Not more than 22,50,000 Equity Shares</p> <p>Not more than 50% of the Net Issue to the Public <i>(Allocation on a proportionate basis).</i></p> <p><i>Including the portion specifically available for allocation to Qualified Institutional Buyers, 5% (i.e. 1,12,500 equity shares) shall be allocated to Mutual Funds on a proportionate basis.</i></p>
<ul style="list-style-type: none"> <li>Non-Institutional portion</li> </ul>	<p>Not less than 6,75,000 Equity Shares</p> <p><i>Constituting not less than 15% of the Net Issue to the Public (Allocation on a proportionate basis)</i></p>
<ul style="list-style-type: none"> <li>Retail portion</li> </ul>	<p>Not less than 15,75,000 Equity Shares</p> <p><i>Constituting not less than 35% of the Net Issue to the Public (Allocation on a proportionate basis)</i></p>
Under subscription in any of the category, shall be allowed to be met through oversubscription in any other category.	
Equity Shares outstanding prior to the Issue	1,33,77,000 Equity Shares
Equity Shares outstanding after the Issue	1,79,77,000 Equity Shares
Objects of the Issue	The Company intends to deploy the net proceeds from the issue of shares for funding the Capital Expenditure requirements, Expansion/ Modernisation of existing capacities/facilities, Acquisition, Joint Venture, Setting up an R & D Centre and meet working capital requirements. As a result of this Issue, the Company also expects to provide greater liquidity to its existing shareholders. For details, please see the section entitled “Objects of the Issue” on page 21 of the Red Herring Prospectus for additional information.
<b>Corporate Information</b>  <p>Action Construction Equipment Limited was incorporated as Action Construction Equipments Private Limited on January 13, 1995 under the Companies Act, 1956. The Company converted itself into public limited company on October 4, 2005 and received fresh Certificate of Incorporation consequent to change of name to Action Construction Equipments Limited on October 4, 2005. Further, the name of the company was changed to Action Construction Equipment Limited with effect from March 23, 2006. The registered office of the Company is located at II Floor, Plot No.7, H-Block, Sarita Vihar, New Delhi - 110 044 (Previously, the registered office of the company on incorporation was at 352, Mandankini Enclave, New Delhi - 110 019). Telephone number is +91-11 2695 3623, 2695 3626, 2695 3633, Fax No. +91-11 2695 3717 Website: <a href="http://www.ace-cranes.com">www.ace-cranes.com</a>; Contact Person: Mr. P.K.Bansal ; Compliance Officer &amp; CFO, Email ID : <a href="mailto:finance@ace-cranes.com">finance@ace-cranes.com</a></p>	

**FINANCIAL SUMMARY**

The following table sets forth the company's selected historical financial information derived from audited restated financial statements for the quarter ended 30th June 2006 and for financial years ended March 31, 2006, 2005, 2004, 2003, 2002 and, prepared in accordance with the provisions of Indian GAAP, the Companies Act and SEBI Guidelines, and as described in the Auditors' Report of M/s. Rajan Chhabra & Co., Chartered Accountants, included in the section titled "Financial Information" in page no.88 of this Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

**STATEMENT OF PROFIT & LOSS ACCOUNT, AS RESTATED**

Particulars	For the financial years/period ended						Rs. In Lac
	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	
<b>Income</b>							
Sales of Products manufactured by the Co.	4,624.85	15,927.48	8,508.58	3,424.86	1,602.11	1,020.11	
Of products traded by the Company	289.09	640.09	271.62	13.13	58.33	58.98	
Net Sales	4,913.94	16,567.57	8,780.20	3,438.00	1,660.45	1,079.09	
Excise Duty and Sales Tax	716.90	3,401.48	1,829.09	741.37	451.39	244.50	
Total Sales	5,630.84	19,969.05	10,609.29	4,179.36	2,111.83	1,323.59	
Other Income	19.69	31.36	13.48	5.64	10.85	8.17	
<b>Total Income</b>	<b>5,650.53</b>	<b>20,000.41</b>	<b>10,622.77</b>	<b>4,185.00</b>	<b>2,122.68</b>	<b>1,331.76</b>	
<b>Expenditure</b>							
Raw materials & goods consumed	3,722.56	12,377.54	6,933.62	2,842.36	1,296.30	728.05	
Excise duty and Sales Tax	716.90	3,401.48	1,829.09	741.37	451.39	244.50	
Staff Costs	114.77	489.59	275.17	128.94	77.53	86.26	
Manufacturing expenses	256.65	743.63	366.97	122.20	72.58	61.71	
Administration & other expenses	90.63	303.83	250.83	154.23	115.57	110.59	
Selling & Distribution expenses	117.06	613.37	222.24	101.71	47.27	46.89	
Interest	7.12	14.24	20.00	28.28	32.60	28.51	
Depreciation	25.63	71.50	50.61	26.65	20.18	18.09	
Miscellaneous expenditure written off	-	-	-	-	-	-	
<b>Total expenditure</b>	<b>5,051.32</b>	<b>18,015.18</b>	<b>9,948.53</b>	<b>4,145.74</b>	<b>2,113.42</b>	<b>1,324.60</b>	
<b>Net Profit before tax and extraordinary items</b>	<b>599.21</b>	<b>1,985.23</b>	<b>674.24</b>	<b>39.26</b>	<b>9.26</b>	<b>7.16</b>	
Provision for Taxation	204.62	692.44	236.36	10.58	2.58	2.01	
<b>Net Profit after tax &amp; before extraordinary items</b>	<b>394.59</b>	<b>1,292.79</b>	<b>437.88</b>	<b>28.68</b>	<b>6.68</b>	<b>5.15</b>	
Deferred Tax (Assets)/Liabilities	(1.21)	(8.58)	0.53	3.98	-	-	
Impact of adjustment for restatement in corresponding year	-	-	32.15	0.11	2.20	-	
<b>Net Profit after extraordinary items</b>	<b>395.80</b>	<b>1,301.37</b>	<b>405.20</b>	<b>24.59</b>	<b>4.48</b>	<b>5.15</b>	
<b>Balance of profit brought forward</b>	<b>205.85</b>	<b>60.00</b>	<b>54.80</b>	<b>30.21</b>	<b>25.73</b>	<b>20.58</b>	
Transfer to Share Capital on allotment of Bonus Shares	-	91.01	-	-	-	-	
<b>Total available for Appropriations</b>	<b>601.65</b>	<b>1,270.36</b>	<b>460.00</b>	<b>54.80</b>	<b>30.21</b>	<b>25.73</b>	
Transfer to General Reserve	-	500.00	400.00	-	-	-	
Interim Dividend	-	495.08	-	-	-	-	
Tax on Dividend	-	69.43	-	-	-	-	
<b>Balance carried to Balance sheet</b>	<b>601.65</b>	<b>205.85</b>	<b>60.00</b>	<b>54.80</b>	<b>30.21</b>	<b>25.73</b>	

**STATEMENT OF ASSETS & LIABILITIES, AS RESTATED**

Particulars	For the financial years/period ended					Rs. in lac
	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Fixed Assets</b>						
Gross Block	2,247.65	1,517.19	644.21	552.86	472.20	346.06
Less : Depreciation	290.39	271.51	208.66	158.05	131.40	18.09
Net Block	1,957.26	1,245.68	435.55	394.81	340.80	327.97
Building work in progress	28.30	23.79	-	-	-	-
Less : Revaluation Reserve	144.88	144.88	144.88	144.88	144.88	144.88
<b>Total - A</b>	<b>1,840.68</b>	<b>1,124.59</b>	<b>290.67</b>	<b>249.93</b>	<b>195.92</b>	<b>183.09</b>
<b>Current Assets, Loans &amp; Advances</b>						
i) Current Assets						
Sundry Debtors	2,335.56	2,105.63	891.28	386.32	330.75	121.11
Closing Stock (Inventories)	1,533.38	1,229.18	658.18	398.68	408.71	497.28
Cash & Bank Balance	543.72	666.24	80.45	57.26	37.20	33.29
Other current Assets	-	-	-	-	-	21.92
ii) Loans & Advances	2,133.50	1,772.34	196.07	68.47	67.23	48.16
<b>Total B</b>	<b>6,546.16</b>	<b>5,773.39</b>	<b>1,825.98</b>	<b>910.73</b>	<b>843.89</b>	<b>721.76</b>
<b>Total Assets (A+B) = C</b>	<b>8,386.84</b>	<b>6,897.98</b>	<b>2,116.65</b>	<b>1,160.66</b>	<b>1,039.81</b>	<b>904.85</b>
<b>Less: Liabilities &amp; provisions</b>						
Secured Loans	520.61	150.87	256.94	227.25	222.25	170.73
Unsecured Loans	-	-	-	-	-	30.57
Long Term Liabilities	-	-	-	184.00	148.07	157.10
Deferred Tax (Assets)/Liabilities-Net	(3.08)	(1.88)	6.71	6.18	2.20	-
Current Liabilities	2,394.06	1,873.96	684.35	438.28	446.65	365.90
Provisions	1,165.67	961.05	247.04	10.69	2.58	2.00
<b>Total Liabilities - D</b>	<b>4,077.26</b>	<b>2,984.00</b>	<b>1,195.04</b>	<b>866.40</b>	<b>821.75</b>	<b>726.30</b>
<b>Net worth (C-D)</b>	<b>4,309.58</b>	<b>3,913.98</b>	<b>921.61</b>	<b>294.26</b>	<b>218.06</b>	<b>178.55</b>
<b>Net worth Represented by-</b>						
Share Capital -	1,337.70	1,337.70	167.36	138.26	128.26	93.24
Share Application Money	-	-	-	1.60	-	-
Reserve & Surplus	3,150.25	2,754.45	899.13	299.28	234.69	230.22
Less : Revaluation Reserve	144.88	144.88	144.88	144.88	144.88	144.88
	4,343.07	3,947.27	921.61	294.26	218.07	178.58
Less: Misc. Exp. To the extent not written off	33.49	33.29	-	-	0.01	0.03
<b>Net Worth</b>	<b>4,309.58</b>	<b>3,913.98</b>	<b>921.61</b>	<b>294.26</b>	<b>218.06</b>	<b>178.55</b>



## Action Construction Equipment Limited

**Registered Office:** II Floor, Plot No.7, H-Block, Sarita Vihar, New Delhi - 110 044

Tel.: 91 11 2695 3623, 2695 3626, 2695 3633; Fax: 91 11 2695 3717; E-mail: [finance@ace-cranes.com](mailto:finance@ace-cranes.com),

Website: [www.ace-cranes.com](http://www.ace-cranes.com)

Registered with Registrar of Companies, NCT of Delhi & Haryana, Paryavaran Bhawan, C.G.O. Complex, New Delhi - 110 003; Registration No. 55-64347 of 1994-95

**Corporate Office:** Jajru Road, 25th Mile Stone, Delhi Mathura Road, Ballabgarh, Faridabad District, Haryana - 121004

Tel.: 91-129-2307922, 2307933, 2307924 Fax: 91-129-2307562

### GENERAL INFORMATION

#### Board of Directors:

The Company is currently managed by Board of Directors, comprising of eight Directors. Mr. Vijay Agarwal is the Executive Chairman and Managing Director of the company. He manages day-to-day affairs of the Company and is assisted by other Whole Time Directors. The Board of Directors of the company comprises of the following:

Name	Designation
Mr. Vijay Agarwal	Chairman and Managing Director
Mrs. Mona Agarwal	Whole-time Director
Mr. Sorab Agarwal	Whole-time Director
Mr. Vijay Kumar Singh	Whole-time Director
Mr. Subhash Chander Verma	Independent Director
Major General (Retd) Dr. K. C. Agarwal	Independent Director
Mr. Girish Narain Mehra (IAS Retd)	Independent Director
Dr. Amar Singhal	Independent Director

#### Brief details of Chairman, Managing Director and Whole-time Directors:

**Mr. Vijay Agarwal**, (57), Chairman and Managing Director of the Company, has 34 years of experience in material handling and heavy engineering industry. He has done B.E. (Mechanical) & MBA from FMS, Delhi and is looking after overall management and planning of the Company. Mr. Vijay Agarwal started his career with Bhartiya Cuttler Hammer Ltd., and worked there for ten years. Thereafter, he joined Escorts Ltd, in the Industrial Equipment Division as Senior Divisional Manager and worked there for eight years in different departments and looked after Purchase, Production and after sales service functions. From 1993, he was Business Head in Delhi Automobiles Ltd., for a period of three years. He then started Action Construction Equipments (P) Ltd. in the year 1995. He has vast experience in this field and due to his efforts, the company has achieved success in a short span of 11 years, with a vision to become leading manufacturer of construction equipment in India.

**Mrs. Mona Agarwal**, (50), is the wife of Mr. Vijay Agarwal. She is an intermediate and looks after the Administration & HR functions of the Company since 1995. Under her guidance, the administrative affairs of the company are being handled in a professional manner. She has helped the company to formulate effective and motivating HR Policies.

**Mr. Sorab Agarwal**, (29), is the son of Mr. Vijay Agarwal. He has done B.E. (Mechanical) and looks after the Marketing function of the Company. Mr. Sorab Agarwal has been associated with the company for last eight years and due to his marketing capabilities, the Company has ventured into new territories and increased market share considerably. He takes care of the brand building aspect and has played a major role in setting up all India competent sales & service network, aimed at achieving target oriented results.

**Mr. Vijay Kumar Singh**, (50), has 28 years of experience in the existing industry. He looks after Production and Quality function. He has done his Diploma in Automobile Engineering from the Board of Technical Education, U.P. Under his supervision, the Company has increased its manufacturing capability year on year. He has worked for 17 years in Escorts Construction Equipment Ltd.



**COMPANY SECRETARY****Mr. Jitin Sadana**

Company Secretary  
II Floor, Plot No.7, H-Block, Sarita Vihar,  
New Delhi - 110 044  
Tel.: 91 11 2695 3623/ 2695 3626/ 2695 3633;  
Fax: 91 11 2695 3717

**LEGAL ADVISORS TO THE COMPANY****Vaish Associates**

10, Hailey Road, Apts. 5,6 & 7,  
New Delhi - 110 001  
Contact Person: Mr Hitender Mehta  
Tel No: 91 11 52492525  
Fax No: 91 11 23320484, 52492600  
E-mail: hitender@vaishlaw.com

**BANKERS TO THE COMPANY****ICICI Bank Limited**

ICICI Towers, NBCC Place,  
Bhishma Pitamaha Marg  
Pragati Vihar  
New Delhi - 110 003  
Contact Person: Mr. Amit Chopra  
Tel No: 91 11 2430 0000  
Fax No: 91 11 2436 5231  
E-mail: amit.chopra@icicibank.com

**Citibank N.A**

Birla Tower,  
3rd Floor, West Wing,  
25, Barakhamba Road,  
New Delhi - 110 001  
Contact Person: Mr. Sumit Chhitwal  
Tel No: 91 11 4259 4605  
Fax No: 91 11 2376 6461 / 62  
E-mail: sumeet.chhitwal@citigroup.com

**COMPLIANCE OFFICER****Mr.P.K Bansal**

Compliance Officer and CFO.  
Jajru Road, 25th Mile Stone,  
Delhi Mathura Road,  
Ballabgarh, Faridabad District,  
Haryana - 121004  
Tel: 91 129 2307922  
Fax: 91 129 2307562  
E-mail: finance@ace-cranes.com

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

**ISSUE MANAGEMENT TEAM****BOOK RUNNING LEAD MANAGERS (BRLMs)**

**Karvy Investor Services Limited**  
“Karvy House”, 46, Avenue 4,  
Street No.1, Banjara Hills,  
Hyderabad - 500 034  
Contact Person: Mr. T R Prashanth Kumar  
Tel: 91 40 23312454/23320251  
Fax: 91 40 23374714  
E-mail: mbd@karvy.com  
Website: www.karvy.com



**UTI Securities Ltd.**  
‘Dheeraj Arma’  
Anant Kanekar Marg,  
Bandra (East),  
Mumbai - 400 057.  
Tel: 91 22 55515825  
Fax: 91 22 55023194  
E-mail: rajesh.ranjan@utisel.com  
Contact Person: Mr.Rajesh Ranjan  
Website: www.utisel.com

**SYNDICATE MEMBER****Karvy Stock Broking Limited**

“Karvy House”, 46 Avenue 4, Street No. 1  
Banjara Hills,  
Hyderabad - 500 034.  
Contact Person : Mr. K Shridhar  
Tel: 91 40 23312454/23320251  
Fax: 91 40 23440680  
E-mail: shridhark@karvy.com

**AUDITOR TO THE COMPANY****M/s Rajan Chhabra and Co.**

Chartered Accountants  
32A, Sector-11E, Faridabad, Haryana - 121006.  
Tel: 91 129 2224557, 5008089  
Fax: 91 129 5008089  
E-mail - rajn\_32@yahoo.com

**BANKERS TO THE ISSUE****ICICI BANK LTD.**

Capital Markets Division,  
30, Mumbai Samachar Marg,  
Mumbai - 400 001.  
Contact Person: Mr. Sidhartha S Routray  
Tel : 022 - 22627600  
Fax :022 - 22611138

**Standard Chartered Bank**

270, D.N Road , Fort,  
Mumbai - 400 001.  
Contact Person: Mr. Banhid Bhattacharya  
Tel :022 - 22683965 / 22092213  
Fax : 022 - 22096069

**Kotak Mahindra Bank Ltd.**

36/38A Nariman Bhavan,  
227, Nariman Point, Mumbai - 400 021.  
Contact Person: Mr. Ibrahim Sharief  
Tel : 022 - 55594850  
Fax : 022 - 56482710

**BROKERS TO THE ISSUE**

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

**STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST BRLMs**

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the BRLMs as under:

Sr. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	Karvy	Karvy
2.	Due diligence of the company's operations / management / business plans /legal etc.	Karvy	Karvy
	Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	Karvy	Karvy
4.	Drafting and approval of Issue and statutory publicity material, etc.	Karvy	Karvy

**REGISTRAR TO THE ISSUE****Karvy Computershare Private Limited**

Karvy House, 46, Avenue 4,  
Street No.1, Banjara Hills, Hyderabad - 500 034.  
Contact Person: Mr. M. Murli Krishna  
Tel: 91 40 23420818 - 25  
Fax: 91 40 23420814  
E-mail - ace@karvy.com  
Website: www.karvy.com

**UTI BANK LTD.**

SCO-40, Sector - 7  
Main Market, Faridabad,  
Haryana - 121006.  
Contact Person: Mr. Lalit Sharma / Ms. Kavita Bahl  
Tel : 0129 - 5017603 / 04  
Fax: 0129 - 2211916

**ABN AMRO BANK N.V**

Brady House, 14, Veer Nariman Road,  
Hornimon Circle, Fort,  
Mumbai - 400 001.  
Contact Person: Mr. Neeraj Chabra  
Tel : 022 - 66585858  
Fax : 022 - 22873042

**Deutsche Bank AG**

Kodak House, 222, Dr. D.N Road,  
Fort, Mumbai - 400 001  
Contact Person: Mr. Shyamal Malhotra  
Tel : 022 - 56584045  
Fax : 022 - 22076553

Sr. No.	Activities	Responsibility	Co-ordinator
5.	Drafting and approval of all corporate advertisement, brochure and other publicity material	Karvy	Karvy
6.	Appointment of Registrar, Bankers and Ad agency	Karvy	Karvy
7.	Appointment of Printer	Karvy	Karvy
8.	Marketing of the Issue, which will cover inter alia, Formulating-marketing strategies, preparation of publicity budget Finalize Media & PR strategy Finalizing centers for holding conferences for brokers, etc. Finalize collection centers Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material	Karvy, UTISEC	Karvy
9.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	Karvy, UTISEC	Karvy
10.	Managing the Book, Co-ordination with the Stock Exchanges, Finalizing of Pricing & Allocation	Karvy, UTISEC	Karvy
11.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	UTISEC	UTISEC
12.	The Post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of basis of allotment / weeding out of multiple applications, 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 refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the issuer company.	UTISEC	UTISEC

#### **Trustees**

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

#### **Credit Rating**

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

#### **IPO Grading**

The company has not opted for grading for this issue.

#### **Monitoring Agency**

Deutsche Bank has been appointed as a Monitoring Agency to monitor the utilisation of funds raised through this public issue.

#### **Book Building process**

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

- (1) The Company
- (2) Book Running Lead Managers, in this case being Karvy Investor Services Limited and UTI Securities Limited
- (3) Syndicate Members, who are intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs
- (4) Registrar to the Issue

The SEBI Guidelines has permitted an issue of securities to the public through the 100% Book Building Process, wherein not more than 50% of the Net Issue to the Public shall be allocated on a proportionate basis to QIBs . Out of the portion available for allocation to qualified institutional buyers, 5% (i.e.1,12,500 equity shares) shall be allocated to Mutual Funds on a proportionate basis. Further, not less than 15% of the Net Issue to the Public shall be available for allotment on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allotment on a

proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

The Company shall comply with guidelines issued by SEBI for this Issue. In this regard, the Company has appointed Karvy Investor Services Ltd. and UTI Securities Ltd as the Book Running Lead Managers (collectively being referred to as BRLMs to the Issue) to procure subscription to the Issue.

Investors are advised to make their own judgment about investment through the process of book building prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. See page 127 for the section on “Terms of the Issue” in the Red Herring Prospectus.

#### **Steps to be taken for bidding:**

1. Check eligibility for bidding (please refer to the section “Issue Procedure- Who Can Bid” on page 134 of the Red Herring Prospectus);
2. Ensure that the bidder has a demat account; and
3. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form.

#### **Underwriting Agreement**

After the determination of the Issue Price and prior to filing of the Prospectus with RoC, the Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

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

<b>Name &amp; Address of the Underwriter</b>	<b>Indicated no. of shares to be underwritten</b>	<b>Amount underwritten (Rs. Lac)</b>
<b>Karvy Investor Services Limited</b> “Karvy House”, 46 Avenue 4, Street No. 1 Banjara Hills, Hyderabad - 500 034 Tel: 91 40 23320251 / 233 20751 Fax: 91 40 23374714 E-mail: mbd@karvy.com	[●]	[●]
<b>UTI Securities Limited</b> ‘Dheeraj Arma’, Anant Kanekar Marg, Bandra (East), Mumbai - 400 057. Tel: 91 22 55515825 Fax: 91 22 55023194 E-mail: rajesh.ranjan@utisel.com	[●]	[●]
<b>Karvy Stock Broking Limited</b> “Karvy House”, 46 Avenue 4, Street No. 1 Banjara Hills, Hyderabad - 500 034 Tel: 91 40 23312454/23320251 Fax: 91 40 23440680 E-mail: shridhark@karvy.com	[●]	[●]

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

In the opinion of the Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). The Company’s Board of Directors, at their meeting held on [●], have accepted and entered into the Underwriting Agreement mentioned above on behalf of the Company and have issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

**Capital Structure**

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

**(Rs. In Lac)**

<b>SHARE CAPITAL</b>	<b>Face Value</b>	<b>Total Value Including Premium</b>
<b>A. Authorised Capital</b> 2,00,00,000 Equity Shares of Rs. 10 each	2,000.00	
<b>B. Issued Subscribed And Paid-Up Capital</b> 1,33,77,000 Equity Shares of Rs. 10 each fully paid-up	1,337.70	
<b>C. Present Issue to the public in terms of the Red Herring Prospectus</b> 46,00,000 Equity Shares of Rs. 10 each fully paid up	460.00	[●]
<b>Out of which</b>		
<b>(i) Reserved for permanent employees</b> 1,00,000 Equity Shares of Rs. 10 each fully paid up	10.00	[●]
<b>(ii) Net Issue to the Public</b> 45,00,000 Equity Shares of Rs. 10 each fully paid up	450.00	[●]
<b>D. Equity Capital after the Issue</b> 1,79,77,000 Equity Shares of Rs. 10 each	1,797.70	[●]
<b>E. Share Premium Account</b>		
Before the Issue		1903.73
After the Issue		[●]

**Details of Increase in Authorised Capital**

<b>Date of AGM / EGM</b>	<b>Authorised Capital (Rs.)</b>	<b>Face Value (Rs.)</b>	<b>Cumulative No. of Shares</b>	<b>Particulars</b>
13.01.1995	10,00,000	100/-	10,000	Incorporation
11.09.1995	Increased from Rs.10,00,000 to Rs.50,00,000	100/-	50,000	Increase
27.02.1998	Increased from Rs.50,00,000 to Rs.1,00,00,000	100/-	1,00,000	Increase
15.03.2003	Increased from Rs.1,00,00,000 to 1,50,00,000	100/-	1,50,000	Increase
09.02.2004	Increased from Rs.1,50,00,000 to Rs.3,00,00,000	100/-	3,00,000	Increase
18.08.2005	Increased from Rs.3,00,00,000 to Rs.20,00,00,000	100/-	20,00,000	Increase
18.08.2005	Share split	10/-	2,00,00,000	Share Split

One Equity Share of face value of Rs.100/- each was split into 10 Equity Shares of Rs.10/-.

Permanent employees of the Company as on the date of filing of the Red Herring Prospectus with ROC would be eligible to apply in this Issue under reservation for permanent employees on competitive basis. The unsubscribed portion, if any, out of the equity shares reserved for permanent employees will be added back to Net Issue to Public.

**Notes to Capital Structure**
**a) Capital History**

Date of Allotment	No. of Shares allotted	Cumulative Total Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for / Nature of allotment (bonus, swap etc.)	Cumulative Share Premium (Rs.)
15.01.1995	4	4	100/-	100/-	Cash	Allotment to subscribers to the memorandum	—
30.12.1995	24,704	24,708	100/-	100/-	Cash	Allotment to the Promoters	—
30.03.1996	1,300	26,008	100/-	100/-	Cash	Allotment to the Promoters	—
31.03.1998	11,911	37,919	100/-	100/-	Cash	Allotment to the Promoters	—
30.09.1998	40,375	78,294	100/-	100/-	Cash	Allotment to the Promoters	—
22.03.2000	14,950	93,244	100/-	100/-	Cash	Allotment to the Promoters	—
31.03.2003	35,015	1,28,259	100/-	100/-	Cash	Allotment to the Promoters	—
31.03.2004	10,000	1,38,259	100/-	500/-	Cash	Allotment to the others	40,00,000
18.01.2005	10,000	1,48,259	100/-	500/-	Cash	Allotment to the others	80,00,000
28.01.2005	1,600	1,49,859	100/-	100/-	Cash	Allotment to the promoters	80,00,000
31.03.2005	17,500	1,67,359	100/-	800/-	Cash	Allotment to the Others	2,02,50,000
18.08.2005	-	16,73,590	10/-	One equity Share of Face value of Rs.100/- each was split into 10 equity shares of face value of Rs.10/- each.			
08.09.2005	75,31,155	92,04,745	10/-	-	Bonus	Bonus in the ratio of 9:2 (*)	0
08.09.2005	24,95,255	1,17,00,000	10/-	20/-	Cash	Preferential allotment to the Promoters	2,49,52,550
08.09.2005	4,00,000	1,21,00,000	10/-	100/-	Cash	Preferential allotment to Bennett, Coleman & Co. Limited	6,09,52,550
08.09.2005	1,94,000	1,22,94,000	10/-	50/-	Cash	Preferential Allotment to Directors, Friends, Relatives of the Promoters & Directors	6,87,12,550
26.10.2005	83,000	1,23,77,000	10/-	30/-	Cash	Preferential Allotment to the Employees and Directors	7,03,72,550
14.03.2006	10,00,000	1,33,77,000	10/-	130/-	Cash	Preferential allotment to “The Western India Trustee and Executor Company Limited (India Advantage Fund - I)”	19,03,72,550

(\*) The Company has utilized Share Premium amount to the extent of Rs.2,02,50,000/-, Rs. 4,59,60,000/- out of the general reserves and Rs.91,01,550/- from the credit balance of P & L account towards the issue of Bonus Shares to the existing shareholders.

**b. Details of Promoter Contribution and lock-in**
**Allotment to Promoters and Promoter Group**

Promoter	Date of allotment	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration (Rs.)	% of pre issue capital	% of post issue capital
Mr. Vijay Agarwal	15.01.95	1	100	100	100	0.00	0.00
	30.12.95	5,951	100	100	5,95,100	0.44	0.33
	10.10.96 (Through transfer from K.K. Arora)	5,200	100	100	5,20,000	0.39	0.29
	31.03.98	5,905	100	100	5,90,500	0.44	0.33
	30.09.98	22,117	100	100	22,11,700	1.65	1.23
	22.03.2000	7,797	100	100	7,79,700	0.58	0.43
	31.03.2003	18,800	100	100	18,80,000	1.41	1.05
	Sub-division (10 equity shares of Rs. 10 each)	6,57,710	10			4.91	3.66
	31.08.2005 (Through transfer from various parties)	1,98,750	10	10	19,87,500	1.49	1.11
	08.09.2005	38,54,070	10	NIL	Bonus	28.81	21.44
	08.09.2005	11,74,600	10	20	2,34,92,000	8.78	6.53
	<b>Total</b>	<b>58,85,130</b>	<b>10</b>	<b>5.45</b>	<b>3,20,56,600</b>	<b>43.99</b>	<b>32.74</b>
Mrs. Mona Agarwal	15.01.95	1	100	100	100	0.00	0.00
	30.12.95	7,051	100	100	7,05,100	0.53	0.39
	10.10.96 (through transfer from Mr. Khem Karan Arora)	1,252	100	100	1,25,200	0.09	0.07
	10.10.96 (Transfer from Mrs. Laj Arora)	4,052	100	100	4,05,200	0.30	0.23
	31.03.98	5,256	100	100	5,25,600	0.39	0.29
	30.09.98	17,283	100	100	17,28,300	1.29	0.96
	22.03.2000	6,350	100	100	6,35,000	0.47	0.35
	31.03.2003	16,215	100	100	16,21,500	1.21	0.90
	28.01.2005	600	100	100	60,000	0.04	0.03
	Subdivision (10 equity shares of Rs. 10 each)	5,80,600	10			4.34	3.23



	Transfer as on 31.08.2005	1,76,250	10	10	17,62,500	1.32	0.98
	08.09.2005	34,05,825	10	NIL	Bonus	25.46	18.95
	08.09.2005	12,37,985	10	20	2,47,59,700	9.25	6.89
	<b>Total</b>	<b>54,00,660</b>	<b>10</b>	<b>5.99</b>	<b>3,23,28,200</b>	<b>40.37</b>	<b>30.04</b>
Mr. Sorab Agarwal	10.10.96 (Transfer from K.K Arora)	2,500	100	100	2,50,000	0.19	0.14
	31.03.98	750	100	100	75,000	0.06	0.04
	30.09.98	975	100	100	97,500	0.07	0.05
	22.03.2000	803	100	100	80,300	0.06	0.04
	28.01.2005	1,000	100	100	1,00,000	0.07	0.06
	Subdivision (10 equity shares of Rs. 10 each)	60,280	10			0.45	0.33
	08.09.2005	2,71,260	10	NIL	Bonus	2.03	1.51
	08.09.2005	82,670	10	20	16,53,400	0.62	0.46
	<b>Total</b>	<b>4,14,210</b>	<b>10</b>	<b>5.45</b>	<b>22,56,200</b>	<b>3.10</b>	<b>2.30</b>
<b>Promoter Group</b>							
Mrs. Nilanjana Kishore	08.09.2005	3,000	10	50	1,50,000	0.02	0.02
Mrs. Anuradha Garg	08.09.2005	10,000	10	50	5,00,000	0.08	0.06
	<b>Total</b>	<b>13,000</b>	<b>10</b>	<b>50</b>	<b>6,50,000</b>	<b>0.10</b>	<b>0.08</b>

**Note:**
**1. Lock in of Minimum Promoters Contribution**

Name	Date of allotment	Consideration	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	% of post issue	lock in period
Mr. Vijay Agarwal	08.09.2005	Bonus	17,80,000	10	-	9.90%	3 years
Mrs. Mona Agarwal	08.09.2005	Bonus	16,80,000	10	-	9.35%	3 years
Mr. Sorab Agarwal	08.09.2005	Bonus	1,40,000	10	-	0.78%	3 years
<b>Total</b>			<b>36,00,000</b>	<b>10</b>		<b>20.03%</b>	<b>3 years</b>

The above said promoters have vide their letter dated 14.03.2006 given their consent for lock in as stated above. The minimum promoter's contribution shall be locked in for a period of three years beginning from the date of allotment in the public issue or commencement of commercial production, whichever is later. Shares issued last shall be locked in first.

**2. The balance promoter's contribution shall be locked in as follows:**

Name	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	% of post issue	lock in period
Mr. Vijay Agarwal	41,05,130	10	Various	22.84%	1 year
Mrs. Mona Agarwal	37,20,660	10	Various	20.70%	1 year
Mr. Sorab Agarwal	2,74,210	10	Various	1.53%	1 year
<b>Total</b>	<b>81,00,000</b>			<b>45.06%</b>	<b>1 year</b>

**3. The entire pre-issue capital, other than that locked in as promoter's contribution shall be locked in for a period of one year from the date of allotment in the present issue.**

4. The Promoters / Promoter Group have not purchased any Equity Shares during the last six months other than shares allotted to them as mentioned under the Details of Promoters Contribution and Lock-in.

**c. Pre-issue & post-issue shareholding pattern:**

Category	Pre Issue		Post Issue	
	Shares	%	Shares	%
<b>Promoters</b>				
Mr. Vijay Agarwal	58,85,130	43.99%	58,85,130	32.74%
Mrs. Mona Agarwal	54,00,660	40.37%	54,00,660	30.04%
Mr. Sorab Agarwal	4,14,210	3.10%	4,14,210	2.30%
<b>Sub-total (a)</b>	<b>1,17,00,000</b>	<b>87.46%</b>	<b>1,17,00,000</b>	<b>65.08%</b>
<b>Promoter Group</b>				
Mrs. Nilanjana Kishore	3,000	0.02%	3,000	0.02%
Mrs. Anuradha Garg	10,000	0.08%	10,000	0.06%
<b>Sub-total (b)</b>	<b>13,000</b>	<b>0.10%</b>	<b>13,000</b>	<b>0.08%</b>
<b>Tota (a)+(b)</b>	<b>1,17,13,000</b>	<b>87.56%</b>	<b>1,17,13,000</b>	<b>65.16%</b>
<b>Other investors</b>				
Bennet & Coleman Co. Limited	4,00,000	2.99%	4,00,000	2.23%
The Western India Trustee and Executor Company Limited (India Advantage Fund - I)	10,00,000	7.48%	10,00,000	5.56%
<b>Sub total (c)</b>	<b>14,00,000</b>	<b>10.47%</b>	<b>14,00,000</b>	<b>7.79%</b>
Others (friends, employees)	2,64,000	1.97%	3,64,000	2.02%
Public	-	-	45,00,000	25.03%
<b>Sub total (d)</b>	<b>2,64,000</b>	<b>1.97%</b>	<b>48,64,000</b>	<b>27.05%</b>
<b>Grand Total [(a)+(b)+(c)+(d)]</b>	<b>1,33,77,000</b>	<b>100.00%</b>	<b>1,79,77,000</b>	<b>100.00%</b>

**d. Buyback and Standby arrangement**

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

**e. Bridge Loan**

The Company has not taken any bridge loan from any bank or any other institution.

**f. The Equity Shares offered through this public issue will be fully paid up.**

- g.** In this Issue, in case of over-subscription in all categories, upto 50% of the Net Issue to the Public shall be allocated on a proportionate basis to Qualified Institutional Buyers (of which 5% shall be available for allocation to Mutual funds). Further, atleast 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and atleast 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. At the sole discretion of the Company and the BRLMs undersubscription, if any, in category would be allowed to be met with spill over from any other category.

- h. 1,00,000 equity shares, have been reserved for allocation to the Permanent Employees, subject to valid bids being received at or above the issue price. Only Permanent employees, as on the date of filing the Red Herring Prospectus with RoC would be eligible to apply in this Issue under reservation for employees on a competitive basis. Separate Bid Applications can be made by Permanent Employees under the Net Issue to Public category as well and such Bids will not be treated as multiple bids. Any under subscription in the Equity Shares under the Employee reservation portion would be treated as part of the Net Issue. Under subscription in this category, if any, shall be added back to the net issue to the public.
- i. The unsubscribed portion, if any, after such inter se adjustments amongst the reserved categories shall be added back to the Net Issue to the public. In case of under-subscription in the Net Issue to the public portion will spillover to the extent of under subscription shall be permitted from the reserved category to the Net Issue portion.
- j. An oversubscription to the extent of 10% of the Net Issue to the public can be retained for the purpose of rounding off to the nearest integer, subject to allotment of minimum allotment lot, while finalizing the Basis of allotment.
- k. Top ten shareholders as on date of filing of the RHP with ROC

Sr No	Name	No. of Shares
1.	Mr. Vijay Agarwal	58,85,130
2.	Mrs. Mona Agarwal	54,00,660
3.	The Western India Trustee and Executor Company Limited (India Advantage Fund - I)	10,00,000
4.	Mr. Sorab Agarwal	4,14,210
5.	M/s Bennett, Coleman & Co. Ltd.	4,00,000
6.	Mr. Rajan Kalra	40,000
7.	Dr. Amar Singhal	16,000
8.	Mr. Pushpendra Kumar Bansal	13,000
9.	M/s Asian Contec Ltd	10,500
10.	Mr. Vinay Nagrath	10,500

Top ten shareholders 10 days prior to the date of filing of the RHP with ROC

Sr No	Name	No. of Shares
1.	Mr. Vijay Agarwal	58,85,130
2.	Mrs. Mona Agarwal	54,00,660
3.	The Western India Trustee and Executor Company Limited (India Advantage Fund - I)	10,00,000
4.	Mr. Sorab Agarwal	4,14,210
5.	M/s Bennett, Coleman & Co. Ltd.	4,00,000
6.	Mr. Rajan Kalra	40,000
7.	Dr. Amar Singhal	16,000
8.	Mr. Pushpendra Kumar Bansal	13,000
9.	M/s Asian Contec Ltd	10,500
10.	Mr. Vinay Nagrath	10,500

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

Sr No	Name	No. of Shares of Rs.100/- each
1	Mr. Vijay Agarwal	65,771
2	Mrs. Mona Agarwal	57,460
3	Mr. Sorab Agarwal	5,028

- l. As of the date of the Red Herring Prospectus, there are no outstanding financial instruments or any other right, which would entitle the existing Promoter or shareholders, or any other person any option to receive Equity Shares after the offering. The company does not have any outstanding ESOP.

- m. Shares Issued for consideration other than cash

On September 08, 2005, the Company has issued 75,31,155 bonus shares in the ratio of 9 shares for every 2 shares held in the Company by capitalization of reserves viz. Rs. 202,50,000/- out of Share Premium, Rs. 4,59,60,000/- out of the General Reserves and Rs.91,01,550/- out of the credit balance of Profit & Loss Account of the Company.

- n. Ace Steelfab Private Limited is the company forming part of the promoter group. The details of the holding of persons in control of Ace Steelfab Private Limited is as given below. None of these persons have been restrained from accessing the capital market for any reasons by SEBI or any other authorities.

Name of Shareholder	No of Shares	Percentage
Mr Vijay Agarwal	5,000	50%
Mrs Mona Agarwal	2,500	25%
Mr Sorab Agarwal	2,500	25%
<b>Total</b>	<b>10,000</b>	<b>100%</b>

- o. The shares held by persons other than the Promoters, prior to the Issue, which are locked-in may be transferred to any other person holding shares which are locked in subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
- p. The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares may be transferred amongst Promoter/Promoter group or to a new Promoter or persons in control of the Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
- q. 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.
- r. The Company has not issued any shares out of revaluation reserves.
- s. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Red Herring Prospectus with SEBI until the Equity Shares offered through the Red Herring Prospectus have been listed.
- t. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company goes in for acquisitions and joint ventures the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.
- u. There shall be only one denomination of the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time.
- v. No single applicant can make an application for number of shares, which exceeds the number of shares offered.
- w. The Company has 121 shareholders as on the date of filing this Red Herring Prospectus with ROC.

**x. Shares issued in the last one year**

Name	Date	No of Shares	Face Value	Issue Price (Rs.)	Reason
<b>Promoter*</b>					
Mrs. Mona Agarwal	28.01.2005	600	100	100	Allotment to promoters
Mr. Sorab Agarwal	28.01.2005	1,000	100	100	Allotment to promoters
Mr. Vijay Agarwal	08.09.2005	38,54,070	10	0	Bonus
Mrs. Mona Agarwal	08.09.2005	34,05,825	10	0	Bonus
Mr. Sorab Agarwal	08.09.2005	2,71,260	10	0	Bonus
Mr. Vijay Agarwal	08.09.2005	11,74,600	10	20	Allotment to promoters
Mrs. Mona Agarwal	08.09.2005	12,37,985	10	20	Allotment to promoters
Mr. Sorab Agarwal	08.09.2005	82,670	10	20	Allotment to promoters
<b>Others</b>					
Others (&)	18.01.2005	10,000	100	500	Allotment to other investors
Others (\$)	31.03.2005	17,500	100	800	Allotment to other investors
Bennett, Coleman & Co Ltd.	08.09.2005	4,00,000	10	100	Allotment to other investors
Others (&&)	08.09.2005	1,94,000	10	50	Allotment to Friends and Relatives of Promoters & Directors
Others (\$\$)	26.10.2005	83,000	10	30	Allotment to employees and Directors
The Western India Trustee and Executor Company Limited. (India Advantage Fund - I)	14.03.2006	10,00,000	10	130	Allotment to other investors

\*For details of allotment to Promoters in the last one year please refer to Note (b) above

**(&) List of persons to whom allotment was made on 18.01.2005**

Sr. no.	Share Holder Name & Address	No. of equity shares
1	Bhavya Fincap Private Limited	2,000
2	Blue Chip Fincap Service Private Limited	2,000
3	Akulk Woollens Limited	1,000
4	Mahip Properties & Finance Private Limited	1,000
5	Sachdeva Financial Services Private Limited	1,000
6	Jeevan Flore Limited	2,000
7	Cliff Finvest Private Limited	1,000
	<b>Total</b>	<b>10,000</b>

**(\$)** List of person to whom allotment was made on 31.03.2005

Sr. no.	Share Holder Name & Address	No. of equity shares	Sr. no.	Share Holder Name & Address	No. of equity shares
1	Agrim Corporate Services Limited	1,250	9	Vishakha Infotech Ltd.	625
2	Nirmal Cables Pvt. Ltd.	500	10	Agrim Insurance Consultant Pvt. Ltd.	1,250
3	Adhunik Dairy Products Pvt. Ltd.	1,750	11	Gurdev Securities Limited	625
4	VDM Consultancy & Mkt. P. Ltd.	625	12	Sidh Vandan Enterprises Private Limited	1,250
5	Kintmac (India) Limited	625	13	Design & Dimension Private Limited	1,500
6	G N Credits Pvt. Ltd.	1,250	14	Baweja Exports Private Limited	1,250
7	Paonta Finance & Deposit Pvt. Ltd.	2,125	15	Khec (India) Private Limited	1,250
8	AKS Properties Limited	375	16	Reverie Investments Limited	1,250
				<b>TOTAL</b>	<b>17,500</b>

**(&)** List of allotment made on 08.09.2005

Sr. no.	Share Holder Name & Address	No. of equity shares	Sr. no.	Share Holder Name & Address	No. of equity shares
1.	Mr. Deepak Sharma	1,000	19.	Mr. Parveen Kr. Malik	5,000
2.	Mr. Arun Malhotra	1,000	20.	Mr. Amit Bohra	4,000
3.	Mr. Kundan Singh Attr	2,000	21.	Mr. Shrikant Jain	4,000
4.	Mr. Vaibhav Bansal	2,000	22.	Ms. Anupma Mittal	2,000
5.	Mr. Rajeev Puri	2,000	23.	Ms. Nilanjana Kishore	3,000
6.	Mr. Vijay Soni & Mr. Anooj Handa	2,500	24.	M/S. Asian Contec Limited	10,500
7.	Mr. Jai Bhagwan Singh	1,000	25.	Mr. Rajan Kalra	40,000
8.	M/S. Turno Tools India	5,000	26.	Mr. Vinay Nagrath	10,500
9.	Mr. Sudhir Kumar Kapoor	1,500	27.	Mr. Jayantilal L. Gala	8,000
10.	D K Agrawal	2,000	28.	Mr. Subhash Chander Verma	5,000
11.	Ms. R R Engineers & Fab.	2,000	29.	Mr. Aman Kishore	10,000
12.	Mr. Narinder Kumar Sharma	4,000	30.	Ms Veena Kishore	10,000
13.	Mr. Ajay Kumar Gupta	5,000	31.	Sturdy Engineers	1,000
14.	Mr. P K Singh	1,000	32.	Dr. Divya Singhal	4,000
15.	Ms. Neena Bajaj	4,000	33.	Dr. Amar Singhal	16,000
16.	Mr. Sanjay Agrawal	2,000	34.	Mr W R Chhabra	5,000
17.	Ms. Sushma Bajaj	1,000	35.	Mrs Manju Chhabra	2,000
18.	Ms. Reeta Malik	5,000	36.	Ms Anuradha Garg	10,000
				<b>TOTAL</b>	<b>1,94,000</b>

**(\$\$) List of Allotment made on 26.10.2005**

Sr. no.	Share Holder Name & Address	No. of equity shares	Sr. no.	Share Holder Name & Address	No. of equity shares
1.	Mr. Y P Mahajan	10,000	41	Mr. P Ramesh Babu	400
2.	Mr. V K Singh	5,000	42	Mr. Yashpal Singh Bhayana	1,000
3.	Mr. Divakaran -K	500	43	Mr. Sanjiv Sharma	400
4.	Mr. Vinod Kumar	2,600	44	Mr. Mukesh Singh	300
5.	Mr. Shiv Datt Bhardwaj	3,000	45	Mr. Balram Krishan Bajpai	300
6.	Mr. Vikas Kanwal	1,000	46	Mr. Rahul Atri	300
7.	Mr. Inderpal Singh	1,400	47	Mr. Jiyalal Yadav	300
8.	Mr. Amit Kapoor	1,000	48	Mr. Ashok Mahajan	300
9.	Mr. Nagesh Chand	1,600	49	Mr. Ved Parkash Arora	300
10.	Mr. Ramveer Singh	600	50	Mr. Satish Kumar	300
11.	Mr. Anil Matta	2,800	51	Mr. Daulat Ram Goyal	1,500
12.	Ms. Sujatha Ashok Kumar	300	52	Mr. Rajesh Kumar Mehta	2,550
13.	Mr. Arun Bishnoi	1,600	53	Mr. Manoj Singh	200
14.	Mr. Nater Pal Solanki	800	54	Mr. Shelender Gera	200
15.	Mr. B L Verma	1,200	55	Mr. Amit Kumar	200
16.	Lt. Col. K S Dahiya	1,900	56	Mr. Arshad Hussain	200
17.	Mr. P V Ramdev	1,000	57	Mr. Ravi Kumar Chaudhry	200
18.	Mr. Akhtar Ali	600	58	Mr. Bhupender Sharma	200
19.	Ms. Chanchal Narula	600	59	Mr. Anand Singh	200
20.	Mr. A S Dangwal	1,000	60	Mr. Joseph KT	200
21.	Mr. M J Shariff	1,000	61	Mr. Manoj S Shetty	400
22.	Mr. Sanjib Kumar Datta	200	62	Mr. Sourish Mukherjee	400
23.	Mr. Kamal Jangra	200	63	Mr. Kriti Vasundharaa	400
24.	Mr. Ritu Raj Garg	1,700	64	Mr. Mahamaya Prasad Bisoi	300
25.	Mr. Jitendra Singh Bisht	600	65	Mr. Dadhirao Samba Murthy	150
26.	Mr. Mayank Pundir	500	66	Mr. Manoj Kumar	300
27.	Mr. Vinod Kumar Singh	300	67	Mr. Ketan Shankar Kadam	300
28.	Mr. Hira Singh	600	68	Mr. Yashpal Singh Bangari	400
29.	Mr. Hemant Khanna	400	69	Mr. Virender Kumar	1,000
30.	Mr. Vinod Kumar	400	70	Mr. Ved Pal	300
31.	Mr. Satya Prakash	400	71	Mr. Ved Prakash	200
32.	Mr. Ashok Kumar Guglani	5,000	72	Mr. Madhusudan Chauhan	200
33.	Mr. Navdeep Singh	1,000	73	Mr. Narander Kumar	200
34.	Mr. Pushpendra Kumar Bansal	13,000	74	Mr. Lokesh Tiwari	200
35.	Mr. Rajeev Kumar	400	75	Mr. Harish Kumar Sharma	200
36.	Mr. Harjeet Singh Hanspaul	400	76	Mr. Mam Chand	300
37.	Mr. Dharam Veer Vashisht	200	77	Mr. Kul Bhushan Sharma	300
38.	Mr. Ajit Kumar Swain	400	78	Mr. N S Chauhan	300
39.	L R Chaudhary	1,500	79	Mr. Ram Pukar Prasad	200
40.	Mr. Dharam Dev Singh	400	80	Mr K V Gokul Das Nair	300
			<b>TOTAL</b>		<b>83,000</b>

x. There are certain restrictive covenants in the working capital agreements entered into by the company with the banks, financial institutions for which the Company shall require their prior written consent.

- Contract, create incur assume or suffer to exist any Indebtedness in any manner
- Undertake or permit any merger, demerger, consolidation, reorganization, scheme of arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction including creation of any subsidiary or permit any company to become its subsidiary.
- Declare or pay any dividend or authorise or make any distribution to its shareholders/members/partners or permit withdrawals of amounts brought in: (a) unless it has paid all the dues in respect of the facilities upto the date on which the dividend is proposed to be declared or paid/ such distribution is to be made, or has made provisions therefore satisfactory to the bank, or (b) if an event of default has occurred and is subsisting or would occur as a result of such declaration or payment of dividend or authorization or making of distribution.  
However the sanction letter states that the company will be required to give prior intimation for the same.
- Undertake any new project, diversification, modernization, which are material in nature, or substantial expansion of any projects.



## VI. OBJECTS OF THE ISSUE

The objectives of the Issue are to raise capital in order to:

1. To set up a new manufacturing plant for Loaders, higher capacity Tower Cranes and Construction Equipment
2. Expand/Modernize the existing capacities/facilities
3. Acquisition/ Investments
4. To set up a Joint Venture.
5. To provide additional working Capital
6. Brand Building Exercise
7. To set up Corporate Office and R & D Centre
8. Meet the Issue Expenses and list the shares on BSE & NSE

The net proceeds of the Issue, after deducting all issue related expenses are estimated to be Rs. [•]. The main objects clause and objects incidental or ancillary to the main objects of the MoA of the Company enable it to undertake its existing activities for which the funds are being raised through this issue.

### A. Cost of Project and Means of Finance

Sr no	Particulars	Amount (Rs. in lac)
1	To set up a new manufacturing plant for Loaders, higher capacity Tower Cranes and Construction Equipment	2,340.29
2	Expand/Modernize the existing capacities/facilities	884.05
3	Acquisition / Investments	700.00
4	To set up a Joint Venture with Tigieffe SRL, ITALY	660.00
5	Additional Working capital requirement	1,377.00
6	Brand Building Exercise	250.00
7	To set up Corporate Office and R & D Centre	1,367.28
8	Contingencies	229.00
9	To meet the Issue Expenses	[•]
	<b>Total</b>	<b>[•]</b>

- The entire fund requirement is proposed to be funded through an IPO and private placement of Shares. In case of any shortfall in meeting project cost, the same shall be met through further internal accruals and debt funds. Excess money, if any, will be utilized for general corporate purposes.
- No part of the Issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associate or group Companies.
- Out of the total project cost approximately 60% of the project cost would be used for creation of tangible assets

### Project details

#### 1. To set up a new manufacturing plant for Loaders, higher capacity Tower Cranes and Construction Equipment.

The Company plans to set up an additional unit to manufacture Back Hoe Loaders, Fixed Tower Cranes and other Construction equipment. For this purpose, the Company has purchased Land admeasuring approximately 14 Acres at village Dudhaura, Tehsil Palwal, District Faridabad (Haryana). Currently the construction activity is progressing at a fast pace at this site. The land comes under decontrolled area hence there is no restriction on any activity being carried out by the Company. However, the Company shall require all the approvals such as pollution control, factory licence etc. for the said manufacturing unit.

Sr. No.	Particulars	Amount (Rs. Lac)
1.1	Cost of Land	135.08
1.2	Construction Cost	465.87
1.3	Office Equipment	60.36
1.4	Plant and Machinery	1,678.98
	<b>TOTAL</b>	<b>2,340.29</b>

- 1.1 The cost of land acquired for construction of new manufacturing plant is Rs.135.08 lac. The break-up of the land acquired is as per details mentioned below:

S. No.	Nature of the Agreement	Date of the Agreement	Description of the Property	Cost of land Rs. in lac
1	Sale Deed	03.05.2005	Agricultural land admeasuring 2.39 acres situated at village Dudhaura, Tehsil Palwal, District Faridabad, Haryana	31.72
2	Sale Deed	30.03.2005	Agricultural land admeasuring 3 acres situated at village Dudhaura, Tehsil Palwal, District Faridabad, Haryana	8.64
3	Sale Deed	03.03.2005	Agricultural land admeasuring 2.39375 acres situated at village Dudhaura, Tehsil Palwal, District Faridabad, Haryana	31.59
4	Sale Deed	04.05.2005	Agricultural land admeasuring 0.05625 acres situated at village Dudhaura, Tehsil Palwal, District Faridabad, Haryana	8.48
5	Sale Deed	04.05.2005	Agricultural land admeasuring 1.2 acres situated at village Dudhaura, Tehsil Palwal, District Faridabad, Haryana	14.37
6	Sale Deed	15.09.2005	Agricultural land admeasuring 1.009375 acres at Dudhaura, Tehsil Palwal, District Faridabad	4.24
7	Sale Deed	15.09.2005	Agricultural land admeasuring 2.58125 acres at Dudhaura, Tehsil Palwal, District Faridabad	10.95
8	Sale Deed	08.11.2005	Agricultural land Admeasuring 1.45625 acre at village Dudhaura, Tehsil Palwal, District Faridabad	25.09
			<b>Total = 14.09 acres of land</b>	<b>135.08</b>

The land acquired by the company is free from all encumbrances and has a clear title and is registered in the name of the Company.

## 1.2 Construction of Building

The Company has appointed, vide its letter dated 27.9.2005, M/s. 3D Architect, Faridabad as Architect for construction of Factory Building, Sheds, Office Building of this new plant. The Company has already completed construction of boundary walls and factory sheds are under construction, as per contract given to M/s Satguru Constructions, Faridabad. The Company is yet to appoint contractors for the balance construction work.

Particulars	Area	Cost in Rs. Lac	Quotation Reference
Factory & Office Building	27,000 Sq. mt	465.87	Estimate from 3D Architects, Faridabad vide letter dated 25.09.2005

## 1.3 Office Equipment

Sr.No.	Particulars	Nos	Rate in Rs. Lac	Total Amount Rs. in Lac
1	Desktop PCs	40	0.259	10.36
2	Office Furniture like Table, Cupboards, Racks etc.	Readily available		25.00
3	Office Equipment EAPBX, Fax, Water Cooler/purifier, Fans, exhaust, CTV, Security System, Wireless. Air Conditioning etc.	Readily available		25.00
	<b>Total</b>			<b>60.36</b>

**1.4 Plant & Machinery**

Sr No.	Particulars	Capacity / model	Names of the Suppliers No. and date of Quotation	Nos	Rate in Rs. Lac	Total Amount Rs. Lac
1	Single Girder EOT Cranes	5 Ton	Century Crane Engineers (P) Limited, CCE-1132 dated September 21, 2005	10	4.60	46.00
2	Fork Lift GX 300D	3 Ton	Godrej & Boyce Mfg Co. Limited, VA/MHE/ACPL/Q317 dated September 21, 2005	2	9.64	19.28
3	Fork Lift GX 500 D	5 Ton	Godrej & Boyce Mfg Co. Limited, VA/MHE/ACPL/Q317 dated September 21, 2005	2	16.58	33.16
4	CNC Messer Comcut Plasma Cutting Machine	4100 x 10000	Ewac Alloys Limited avm/ Mar/05 dated March 12, 2005 (#)	1	30.00	30.00
5	DG Sets	600 KVA	Sudhir Gensets Limited SGL/AB/ Offer/SDG/05 dated September 21, 2005	2	39.78	79.56
6	Submerged Arc Welding Machine	DC 600	Machine Tools (India) Limited NL:SKC:899:DO:05/260 dated August 18, 2005 (#)	10	5.13	51.30
7	High Definition Plasma Cutting Machine	HD 3100 16mm thickness	Speedfam (India) Pvt Limited Dated August 26, 2005 (#)	1	79.20	79.20
8	CNC Hydraulic Press Brake	EHP 650.62/51	Hindustan Hydraulics Pvt. Limited dated September 26, 2005	2	133.61	267.22
9	CNC Hydraulic Shearing Machine	VS-6113	Hindustan Hydraulics Pvt. Limited dated September 26, 2005	2	86.18	172.36
10	CNC Hydraulic Punch Press	Aquila 2500	Hindustan Hydraulics Pvt. Limited dated September 26, 2005	2	78.01	156.02
11	Rotary Compression Bender	RCB 1 HP	Metfab Machines (India) P Limited dated January 23, 2006	2	4.11	8.22
12	Multi station Fabrication Machine	HY 100	Metfab Machines (India) P Limited dated January 23, 2006	2	20.44	40.88
13	Hydraulic Press Brake	PB1630	Metfab Machines (India) P Limited dated January 23, 2006	2	17.24	34.48
14	Paint Shop		Monark Engineering Industries. MEI/ACE-FBD/ M-30C dated Sep 28 2005.	2	195	390.00
15	Mig Welding Machines/ Equipment	SDX400 AMPS	Welding AIDS, WA/HS/MIG/ 764/06 dated 25.1.2006	12	0.83	9.96
16	Radial Drilling Machines	MAG-4	Shakti Machine Tools, SMT/ACEL/565/05-06, dated 23.1.2006	2	3.41	6.82
17	Vertical CNC Machining Centre	MCV 600 CX	ACE Manufacturing Systems Ltd, dated 23.1.2004	1	64.15	64.15
18	Horizontal CNC Machining Centre	HB 500	Production Aids & Consultants P Ltd, PAC/TOPPER/ACE/01 dated January 25. 2006 (#)	1	122.31	122.31

Sr No.	Particulars	Capacity / model	Names of the Suppliers No. and date of Quotation	Nos	Rate in Rs. Lac	Total Amount Rs. Lac
19	Mobile Crane	12 Tonne	Own Manufactured	1	10.00	10.00
20	Pneumatic Tools		Readily available	15 sets	-	6.00
21	JibCranes	2 T	Century Crane Engineers (P) Limited, CCE-1338 dated January 24, 2006	2	2.09	4.18
22	Air Compressor	25 HP with 105 CFM	Service Equipment Company SEC/05-06/N-434 dated 17.1.2006	2	3.94	7.88
23	CNC Messer Comcut Machine(Plasma Cutting) (*)	4100 X 16000	Messer Cutting & Welding Machine Ltd, avm/Mar/05 dated 12.3.2005 & Hypertherm (S) PTE Ltd Performa Invoice no 9242124 dated June 26, 2005 (#)	1	30.00	30.00
24	Miscellaneous Tools & Testing Equipment		Readily available		-	10.00
			<b>Total</b>			<b>1678.98</b>

Note (\*): The Company had placed order vide P.O. no 8840 and 8841 Dated 07.06.2005 and the delivery has been taken on 21.12.2005 and 03.01.2006

(#) 1 US dollar = Rs. 45

#### **Implementation Schedule to set up a new manufacturing plant for Loaders, higher capacity Tower Cranes and Construction Equipment**

The project to be set up (new manufacturing plant) at Dudhaura will be completed in two phases. The first phase of the project, which was scheduled to be implemented by July 2006, is currently under process and as per the revised completion date, scheduled to be completed by Januray 2007. The Company will install the capacity to manufacture at least 50 Back Hoe Loaders per month and five fixed tower cranes. The second phase will be put in place by July 2007, as per the revised completion date, wherein the total capacity will be increased to 100 units.

Sr. No.	Activity	Start date	Completion date	Revised Completion Date	Status
1	Acquisition of land at Dudhaura	March 2005	November 2005	-	Completed
2	Fabrication and Assembly of Factory Sheds	October 2005	March 2006	September 2006	Partly completed
3	Civil Work of Sheds and Site Office	December 2005	February 2006	September 2006	Partly completed
4	Order placement for Imported Machineries	March 2006	March 2006	September 2006	-
5	Order placement for Indigenous Machineries and Paint Shop	April 2006	April 2006	October 2006	-
6	Construction of Administrative Building, Stores etc.	March 2006	September 2006	January 2006	Process Started
7	Erection & Fabrication of Overhead C ranes in the Machine Shop.	April 2006	May 2006	October 2006	Process Started

Sr. No.	Activity	Start date	Completion date	Revised Completion Date	Status
8	Erection and Installation of Machineries and other Equipment in the Assembly Line	May 2006	June 2006	November 2006	-
9	Equipment, Gauges, Tools etc for .Standard Room, QCI and Engineering Room from Orders to Installation	June 2006	July 2006	December 2006	-
10	Fabrication and Installation of Paint Shop	July 2006	December 2006	June 2007	-
11	Misc work and Structure	May 2006	June 2006	December 2006	-
12	Commercial Production of I phase	July 2006		January 2007	-
13	Commercial Production of II Phase	March 07		July 2007	-

## 2. Expand/ modernize the existing capacities/facilities

The Company intends to modernize and expand its existing facility to increase the productivity and output, to meet the growing demand for these products. The Company is at present manufacturing Hydraulic Mobile Cranes, Mobile Tower Cranes and Loaders at its Plant at Jajru Road, Delhi Mathura Road, Ballabgarh, Haryana. The Company also proposes to set up new offices in Delhi, Mumbai & Visakhapatnam. The Company has also taken a Land admeasuring 1.875 acre at Dadri Distt Ghaziabad (UP) to establish another Product Support Office, which will cater to the need/demand of Cranes required for up-coming projects in that area.

Sr. No.	Particulars	Amount (Rs. Lac)
2.1	Construction and Additional Equipment, Plant & Machinery	459.72
2.2	Additional Office Premises in Chembur, Mumbai	70.00
2.3	Purchase of additional Office Premises in New Delhi	171.44
2.4	Setting up of Product Support Centre at Dadri	14.49
2.5	Setting up of Product Support Centre at Vishakhapatnam	68.40
2.6	Setting up of Overseas Office in Dubai	100.00
	<b>TOTAL</b>	<b>884.05</b>

### 2.1 Purchase of additional equipment / Plant and Machinery for Ballabgarh Manufacturing Plant

Sr.No	Particulars	Name of the Supplier	Unit Nos.	Rate per unit in Rs. Lac	Amount in Rs. Lac
1	Construction and Centralized Air conditioning of Ist Floor & in existing Administrative Building	Estimate from 3D Architects, Faridabad vide letter dated 25.09.2005	5000 Sqft		114.75
2	New SAP System of 50 users with Implementation Cost	Integrated Computer Resources, dt 16.10.2005	1	104.00	104.00
3	Up gradation of Computers	Computer Aid, CA/10/2006A dt 12.10.2005	50 nos	0.109	5.45

Sr.No	Particulars	Name of the Supplier	Unit Nos.	Rate per unit in Rs. Lac	Amount in Rs. Lac
4	New Computer Hardware	Computer Aid, CA/10/2006 dated 12.10.2005	25	0.20	5.00
5	Wireless WAN (*)	Maksat Technologies (P) Limited, Invoice dated 14.11.2005	4	1.20	4.80
6	Submerged Arc Welding Machine DC 600	Machine Tools (India) Limited NL:SKC:899: DO:05/260 dated August 18, 2005 (#)	10	5.13	51.30
7	DG Set 600 KVA	Sudhir Gensets Limited SGL/AB/Offer/SDG/05 dated September 21, 2005	1	39.78	39.78
8	Fork Lift 3 Ton	Godrej & Boyce Mfg Co. Limited, A/MHE/ACPL/Q317 dated September 21, 2005	1	9.64	9.64
9	Paint Shop	Monark Engineering Industries. MEI/ACE- FBD/ M-30C dated Sep 28 2005.	1	125	125.00
	<b>Total</b>				<b>459.72</b>

Note (\*): The Company had placed order vide P.O. no N5488 Dated 24.10.2005 and the delivery has been taken on 14.11.2005  
(#) 1 US dollar = Rs. 45

## 2.2 Purchase of additional Office Premises in Chembur, Mumbai

The Company currently owns an office premise in Chembur, Mumbai measuring approx 300 sq. feet. Due to the scale of operations it feels that a larger office space is required. The company plans to have the new premises for the marketing team and the old premises for the product support team. The Company has paid an amount of Rs. 50.30 Lac towards purchase of new office premise in Chembur, Mumbai.

Sr.No	Particulars	Amount in Rs. Lac
1	New Mumbai Office 1000 Sq feet	60.00
2	Other Costs	10.00
	<b>Total</b>	<b>70.00</b>

## 2.3 Purchase of additional Office Premises in New Delhi

The Company currently owns an office premise in New Delhi at Sarita Vihar measuring approx 1125 sq. feet. Due to the planned larger scale of operations the Company needs a larger office space and has already paid advance of Rs. 105 lac to purchase new office premises at TDI Centre, Jasola in New Delhi, measuring approx 2600 Sq. feet. The Company plans to have the new office premises for the marketing team and the old office premises for the product support team.

Sr.No	Particulars	Amount in Rs. Lac
1	New Office at Delhi - 2587.28 Sq feet @ Rs.5660 per sq. ft	146.44
2	Other Costs	25.00
	<b>Total</b>	<b>171.44</b>

## 2.4 Setting up of Product Support Centre at Dadri

The Company has bought 1.875 acre of land at Dadri, U.P. for setting up a product support centre as well as a workshop to cater to the needs of the upcoming large size power project in Dadri.

Sr.No	Particulars	Amount in Rs. Lac
1	Land at Dadri	8.49
2	Construction	6.00
	<b>Total</b>	<b>14.49</b>

### Break-up of Land acquired for Product support center-Dadri

S. No.	Nature of the Agreement	Date of the Agreement	Description of the Property	Cost of land Rs. In lac
1	Sale Deed	11.08.2005	Land at Dadri at 0.625 acre at Gram Bhovapur, Pargana Dasna, Thesil Hapur, Dist. Ghaziabad	2.86
2	Sale Deed	11.08.2005	Land at Dadri 1.250 acres Gram Bhovapur, Pargana Dasna, Thesil Hapur, Dist. Ghaziabad	5.63
		<b>Total</b>		<b>8.49</b>

## 2.5 Setting up of Product Support Centre at Vishakhapatnam

The Company has already purchased land admeasuring 900 sq yard at Vishakhapatnam, Andhra Pradesh for setting up a fullfledged office and product support Centre cum work shop at Vishakhapatnam in order to facilitate effective service in that area .

Sr.No	Particulars	Amount in Rs. Lac
1	Land at Vishakhapatnam @ Rs. 2600 per sq yard	23.40
2	Construction	40.00
3	Other Costs	5.00
	<b>Total</b>	<b>68.40</b>

## 2.6 Setting up of Overseas Office in Dubai

The company has already sold Cranes and Tower Cranes in the Middle East, including UAE, Kuwait, Oman & Qatar. The company also exports its products to African countries. The Company feels that Dubai is strategically located to cater to Middle East and African markets. The Company has not yet identified the premises, however in due course it will be finalized. The Company has earmarked Rs 100 Lac for setting up the office in Dubai.

### Implementation schedule for expansion and modernization of the existing capacities/facilities

Sr. No.	Activity	Start date	Completion date	Revised Completion date
1	Purchase of new office premises in Mumbai	December 2005	April 2006	September 2006
2	Purchase of new office premises in New Delhi	September 2005	December 2006	-
3	Purchase of land in Dadri	August 2005	September 2005	Completed
4	Purchase of land at Vishakhapatnam	December 2005	March 2006	Completed
5	Construction of Building at Faridabad, Dadri and Vishakhapatnam	June 2006	December, 2006	June 2007
6	Placing orders for plant and machinery	June 2006	July 2006	December 2006
7	Erection and Installation of Machinery and other Equipment in the existing plant	September 2006	December 2006	June 2007
8.	Setting up of overseas office	July 2006	December 2006	March 2007
9.	Fabrication and Installation of Paint Shop in the existing plant	September 2006	December 2006	April 2007



**3. Acquisition/ Investments****Rationale:**

The Company feels the need to add further complimentary range of products to enhance its product portfolio and make it comprehensive.

**Benefits:**

Benefits for the company from these acquisitions would be:

- Wider range of products to offer to the customers
- Acquiring customers of the target company
- Synergies with the existing business

**Acquisition Strategy:**

The Company intends to acquire a business which has synergy with its existing business. This will be complementary to its current product range. The company has the following acquisition strategy in case of the target company:

- target company will be operating in the same domain
- attractive customer base and good market image

The Company has earmarked Rs. **700 lac** for such acquisition. However, the form of investment whether equity, debt or any other instrument is not yet decided.

**4. To set up a Joint Venture with Tigieffe SRL, ITALY**

The Company is exploring a possibility of forming a Joint Venture with Tigieffe SRL, ITALY to manufacture Aerial Platforms in India and is actively pursuing the same, for which the company has currently earmarked an estimated amount of Rs. 660 Lac. However, currently there is no MoU or agreement signed between the Company and Tigieffe SRL, ITALY. The Company estimates that the joint venture shall be in the ratio of 60:40. The total estimated amount of investment in the joint venture is 2 Million Euro i.e. Rs. 1100 Lac. The Company shall be investing about 1.2 Million Euro i.e. Rs. 660 lac. The Company's contribution of Rs. 660 Lac includes cost of land purchased for Rs.142.54 Lac. However the form of investment whether equity, debt or any other instrument is not yet decided.

**Details of land acquired for Joint Venture:**

<b>Parties to the Agreement</b>	<b>Nature of the Agreement</b>	<b>Date of the Agreement</b>	<b>Description of the Property</b>	<b>Amount Rs. in lac</b>
Smt. Poonam Bhalla & Smt. Chhaya Sinha	Sale Deed	31.10.2005	Agricultural land Admeasuring 6.1125 acre at village Dudhaura, Tehsil Palwal, District Faridabad	Rs.142.54

1 Euro = Rs.55

**Rationale of the Joint Venture:**

International ventures will help the Company to incorporate advanced technologies in its existing product range. The Company feels that the increase in infrastructure development has created a need for Aerial Platforms. Aerial Platforms will help establish a larger product portfolio and cross sell amongst the company's existing customers. Currently, there are no established players for self propelled Aerial Platforms in India and the company wants to cash in on the first movers advantage.

The activity of forming the Joint Venture is likely to be completed by March 2007.

## 5. Additional Working Capital Requirement

The Company will meet its working capital requirement for the new plant to be set up at village Dudhaura from the proceeds of the Issue amounting to Rs.1,377 Lac. Detailed estimates of the working capital requirement is as given below-

Rs in Lac			
Particulars	31.03.2005 Audited	31.03.2006 Audited	31.03.2007 Estimates
Total Current Assets	1,826.00	4,625.11	7,643.00
Other Current Liabilities (Other than bank borrowing)	931.00	2,835.00	5,141.00
Working Capital Gap	895.00	1,790.11	2,502.00
Min. Stipulated net working capital i.e. 25 % of Working Capital Gap	223.75	447.53	625.50
Net Working Capital Gap or Max permissible Bank Finance	671.25	1,342.58	1,876.50
Less Bank Finance	217.00	103.13	500.00
Requirement	<b>454.25</b>	<b>1,239.45</b>	<b>1,376.50</b>
<b>Approx</b>			<b>1,377.00</b>

**Source: Company's Estimate**

The Company has been sanctioned a working capital limit of Rs. 500 Lac from Citibank N.A, New Delhi to meet the working capital requirement of the aforesaid plant.

### Extracts of terms and conditions of sanction of working capital facilities.

Interest rate for Cash Credit - 8.6% p.a.

Security :

- Demand Promissory Note and Letter of Continuity for Rs. 1200 lac, which also include non fund based facility given by them.
- First Pari Passu charge on all present and future stocks and receivables of the company.
- First Pari Passu charge on land and building at Jajru Road, 25<sup>th</sup> Mile Stone, Mathura Road, Ballabgarh, Haryana.
- Personal guarantees of Mr. Vijay Agarwal, Mr. Sorab Agarwal and Mrs. Mona Agarwal

## 6. Brand Building Exercise

The company's products are known in the market. The Company is also entering into the market of other construction equipment, which shall be manufactured at the new plant to be set up at village Dudhaura Tehsil Palwal Distt Faridabad Haryana. The Company intends to create a brand image for the construction equipment which are manufactured presently and for those which are proposed to be manufactured. The Company has decided to build its brand 'ACE' by way of large scale advertisement in media. The Company has earmarked an amount of Rs. 250 lac for this brand building exercise. The Company has made an application on January 18, 2006 to the relevant authorities under the Trade Mark and Merchandise Act, 1999 for registration of its trademark "ACE". The Company is yet to receive registration of its Trade Mark.

## 7. To set up Corporate Office and R & D Centre

The Company also proposes to set up a Corporate Office and R & D Centre in Faridabad, for which the Company has already applied to acquire a commercial land of 1 Acre on the main Delhi-Mathura Road, Faridabad, with Haryana Urban Development Authority (HUDA). The Company has paid to HUDA a sum of Rs.22.50 Lac. In this R & D Unit, the Company will develop prototype higher capacity Hydraulic Mobile Cranes with capacity more than 20 tons, Fixed Tower Cranes & other construction equipment with sophisticated softwares.

The Company also plans to build corporate office in these premises. The Company has received an estimate from 3D Architects for the construction to be done on the said premises.

S No	Particulars	Quotation	Total Amt in Rs lac
1	Land	1 Acre from HUDA	225.00
2	Building	Estimate from 3D Architects, Faridabad vide letter dated 25.09.2005	922.65
3	Drawing Equipment, Gauges, Tools Softwares &, Computers	Readily available in the market	50.00
4	Fixed Tower Crane (reference Model) 50 Mtr Height	Hunan Zoomlion International Trade Co. Limited ZL-TC-EX050801 dated August 22, 2005 (##)	50.00
5	Aerial Platform (reference model)	TIGIEFFE SRL, Italy , August 25, 2005 (##)	119.63
	<b>Total</b>		<b>1367.28</b>

Note : (##) - one Euro = Rs. 55

#### Implementation Schedule

Sr. No.	Activity	Start date	Completion date	Revised Completion Date
1	Purchase of land	November 2004	June 2006	December 2006
2	Construction of Building	June 2006	December, 2006	June 2007
3	Placing orders for machinery	July 2006	December, 2006	June 2007
4.	Drawing Equipment, Gauges, Tools etc for Standard Room, QCI and Engineering Room from Orders to Installation	July 2006	December, 2006	June 2007

#### 8. Contingencies

The Company has made a provision for 5% variation in the cost of construction, equipment, machinery, software etc. and estimated this amount at approximately Rs.229 lac.

#### 9. To meet the Public Issue Expenses

The expenses of this issue which includes Fee of BRLMs, underwriting commission, selling commission, distribution expenses, statutory fee, fee to Advisors, Printing & Stationary costs, Registrar cost, advertisement expenses and listing fees payable to the Stock exchanges, among others. The total expenses for this Public Issue are estimated at Rs. [•] Lac, which will be paid by the Company.

Sr. No.	Particulars	Amount Rs. Lac
1	Fees to Book Running Lead Managers	[•]
2	Fees to Registrar to the Issue	[•]
3	Fees to Legal Advisors to the Issue	3.50
4	Fees to Auditors	0.50
5	Underwriting Commission and Selling Commision	[•]
7	Escrow Bankers' charges	[•]
8	Printing & Stationery	[•]
9	Advertising Expenses	[•]
10	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	[•]
11	Contingencies	[•]
	<b>Total</b>	<b>[•]</b>

**Means of Finance**

Sr No	Particulars	Amount (Rs. in lac)
1	Public Issue	[•]
2	Preferential allotment of Equity Shares to promoters, friends relatives, employees and other investors (*)	2,320.95
3	Internal Accruals	[•]
	<b>Total</b>	<b>[•]</b>

(\*) Details of the shares allotted by the Company on preferential basis is as follows:

Date of allotment	No of shares allotted	Price at which shares issued	Total consideration (Rs. in lac)	Remarks
08.09.2005	24,95,255	20/-	499.05	Preferential to the Promoters
08.09.2005	4,00,000	100/-	400.00	Preferential to Bennett, Coleman & Co. Limited
08.09.2005	1,94,000	50/-	97.00	Preferential Allotment to Directors, Friends and Relatives of the Promoters & Directors
26.10.2005	83,000	30/-	24.90	Preferential Allotment to the Employees and Directors
14.03.2006	10,00,000	130	1,300.00	Preferential Allotment to The Western India Trustee and Executor Company Limited. (India Advantage Fund - I)
	<b>Total</b>		<b>2,320.95</b>	

**VII. APPRAISAL**

The project has not been appraised by any agency.

**VIII. PROPOSED DEPLOYMENT OF FUNDS**
**Rs. in lac**

Sr no	Description	Actual till 31st July 2006	Half year ended				Total
			December 06	June 07	December 07	June 08	
1	New manufacturing plant	384.10	978.095	978.095	-	-	2340.29
2	Modernise and expand	203.95	86.10	594.00	-	-	884.05
3	Acquisition	-		700.00	-	-	700.00
4	JV	142.54		517.46	-	-	660.00
5	Working Capital	369.77	250.00	250.00	250.00	257.23	1377.00
6	Brand Building	250.00	-	-	-	-	250.00
7	Corporate Office and R&D	22.50	202.50	1,142.28	-	-	1367.28
8	Contingency Plan for Duhola, Expansion and Corporate Office (5%)	-	-	-	-	229.00	229.00
9	Issue Expenses	33.49	[•]	-	-	-	[•]
	<b>Total</b>	<b>1,406.35</b>	<b>[•]</b>	<b>4,181.84</b>	<b>250.00</b>	<b>486.23</b>	<b>[•]</b>

**FUNDS DEPLOYED**

The Company has spent Rs.1406.35 lac as per the following details till July 31, 2006, towards the 'Objects' of its proposed IPO, as certified by the Auditor M/s Rajan Chhabra & Co, Chartered Accountants, pursuant to their certificate dated August 10, 2006.

Sn	Description	Amount in Rs. Lac	Amount in Rs. Lac
1	Land purchased for new manufacturing plant at Dhudhola	135.08	
2	Land purchased for Joint Venture at Dhudhola	142.54	
3	Land Purchased at Dadri	8.49	
4	Advance for Institutional Plot at Faridabad for Corporate Office	22.50	
5	Land Office/workshop at Vishakhapatnam	25.62	
	<b>Total amount paid towards Land</b>		<b>334.23</b>
6	Sheds/Building constructed at Dhudhola	138.67	
7	Building at Dadri	9.20	
8	Advance for Building Materials for Dhudhola	53.00	
9	Advance for new office at Delhi	105.00	
10	Advance for new office at Mumbai	50.30	
	<b>Total amount paid towards Building/Offices</b>		<b>356.17</b>
11	<b>Plant &amp; Machinery for new plant at Dhudhola</b>		<b>57.35</b>
12	Advance to Bennet, Coleman & Co Ltd for brand building of Company's Products		<b>250.00</b>
13	Issue Expenses		<b>33.49</b>
14	Working Capital		<b>369.77</b>
15	Computerisation		<b>5.34</b>
	<b>Total</b>		<b>1,406.35</b>

**Sources of Funds Deployed:**

Sn.	Description	Amount in Rs. lac
1	Preferential allotment of Equity Shares to promoters, friends relatives, employees and other investors	2,320.95
	<b>Total</b>	<b>2,320.95</b>

**IX INTERIM USE OF FUNDS**

Pending utilization of funds as stated above, the company intends to invest the proceeds of this Issue in fixed deposit with a Scheduled Bank.

**X BASIC TERMS OF ISSUE**

The Equity Shares being offered are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of the Company, the terms of the Red Herring Prospectus, Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, ROC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

## XI BASIS FOR ISSUE PRICE

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

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

### QUALITATIVE FACTORS

1. The products, the name of the company and the brand is well established in the market
2. The products of the company are well accepted by the consumers
3. The Promoters are qualified, well versed, have wide experience in this area of business and have a long term vision and passion for the business
4. The Company is further expanding into international markets to improve the marketing prospects of its products and services

### QUANTITATIVE FACTORS

#### 1. Earning Per Share (EPS)

Year / Period Ended	EPS (Rs.)	Weight
31.03.04	0.35	1
31.03.05	5.24	2
31.03.06	11.80	3
30.06.06 (Annualised)	11.84	3
<b>Weighted Average</b>	<b>9.08</b>	

Note: Earning per share (EPS) is calculated after adjusting for 75,31,155 Bonus Shares issued, vide resolution passed at the Board meeting held on September 8, 2005, with retrospective effect as provided in Accounting Standard (AS -20) - Earnings Per Share

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

Price / Earnings Ratio based on results of June 30, 2006 adjusted EPS of Rs. 11.84(annualised) on Equity Share of face value of Rs.10 each - [●]

#### 3. Return on Net Worth (RONW)

Year / Period Ended	RONW %	Weight
31.03.04	8.36%	1
31.03.05	43.97%	2
31.03.06	33.25%	3
30.06.06 (Annualised)	36.74%	3
<b>Weighted Average</b>	<b>34.03%</b>	

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

#### 4. Minimum Return on Increased Net Worth to maintain pre-issue EPS - [●]

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

- NAV as on June 30, 2006 Rs. 32.22 (Annualised)
- NAV as on March 31, 2006 Rs. 29.26
- Issue Price [●]
- NAV after the Issue [●]

**Note:**

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

**6. Comparison with Peer Group**

Action Construction Equipment Ltd. is in the business of manufacturing Hydraulic Mobile Cranes, Mobile Tower Cranes and Construction Equipment.

Name of the Peer Group	For the period ended March 31, 2006			
	Book Value (Rs)	RONW (%)	P/E	EPS (Rs)
Action Construction Equipment Limited	29.26	33.25	[●]	11.80
<b>Peer Group*</b>				
Tractors India Limited	66.8	15.20	20.2	9.1
Bharat Earth Movers Limited	238.4	20.93	18.6	49.9
Elecon Engineering Co. Limited	219.2	9.17	22.5	49.4
TRF	77.7	17.51	23.6	12.7

\* Source: Capital Line

**7. The face value of Equity Shares of Action Construction Equipment Ltd is Rs. 10 and the issue price is [●] times of the face value.**

The Issue Price of Rs. [●] has been determined by the Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.



**XII STATEMENT OF TAX BENEFITS**

To,  
The Board of Directors  
Action Construction Equipment Limited  
Plot No. 7, H-Block  
Sarita Vihar  
**New Delhi - 44**

Dear Sirs,

We hereby report that the enclosed annexure states the possible tax benefits available to **M/s Action Construction Equipment Limited** (the "Company") and to the shareholders of the Company under the current tax laws presently in force in India as **amended by the Finance Act, 2006**. 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 is based on business imperatives, the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

The 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 Rajan Chhabra & Co**  
Chartered Accountants

Sd/-  
**Proprietor**  
**Membership No 088276**

**Place: Faridabad**  
**Date : 7th Aug-2006**

**ANNEXURE TO THE CERTIFICATE DATED 7TH AUGUST 2006 OF TAX BENEFITS-****(A) BENEFITS TO THE COMPANY UNDER INCOME TAX ACT, 1961:**

1. Subject to compliance of certain conditions laid down in Section 32 of the Income Tax Act, 1961 (hereinafter referred to as “the Act”) the Company will be entitled to a deduction for depreciation: -
  - a) In respect of tangible assets;
  - b) In respect of intangible assets being in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired after 31st day of March, 1998 at the rates prescribed under Income Tax Rules, 1962;
  - c) In respect of machinery or plant which has been acquired and installed after 31st March, 2005 for the purpose of new industrial undertaking or in respect of the existing manufacturing facilities which results in increasing the installed capacity by not less than ten percent, a further sum of 20% of the actual cost of such machinery or plant will be allowed a deduction;
2. Subject to compliance of certain conditions laid down in Section 35(1) (iv) of the Act, the company is entitled to claim as deduction the whole of capital expenditure, other than the expenditure incurred on the acquisition of any land, incurred on scientific research related to the business of the Company.
3. The company is eligible for amortization of preliminary expenses being the expenditure on public issue of shares under Section 35D of the Income Tax Act, subject to the conditions and limits specified in the Section.
4. Under Section 36(1) (xiii) of the Act, the company is entitled to claim deduction of Banking Cash Transaction Tax paid on Taxable Banking Transactions entered into by it.
5. The company can carry forward the excess of tax paid under MAT (Section 115 JB) over and above the normal tax payable on its Total Income. The same can be carried forward and set-off against normal tax payable in subsequent five years, subject to the stipulated limits.
6. The Company will be eligible for Income-tax benefit u/s 80-IC for the proposed Unit at Tehsil Bazpur, Dist. Uddham Singh Nagar, Uttaranchal State for 100% of Profit & Gains of that unit for the first 5 years commencing with the initial assessment year and 30% for the next 5 assessment years.

**(B) TO THE SHAREHOLDERS OF THE COMPANY - UNDER THE INCOME TAX ACT, 1961****Resident Shareholders-**

7. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from the tax.
8. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the transaction is chargeable to such securities transaction tax.
9. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
10. In terms of section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.
11. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the transaction is chargeable to such securities transaction tax.
12. Under section 48 of the Act, if the company’s shares are sold after being held for not less than twelve months, the gains [in case not covered under section 10(38) of the Act], if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

13. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in case not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by
  - a) National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
  - b) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
  - d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;
14. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -
  - a) The issue is made by a public company formed and registered in India;
  - b) The shares forming part of the issue are offered for subscription to the public;
15. Under section 54F of the Act, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

Non-Resident Indians/ Non Residents Shareholders [Other than FIIs and Foreign venture capital investors-
16. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received by a non-resident Indian shareholder (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') on the shares of the company is exempted from the tax.
17. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the transaction is chargeable to such securities transaction tax.
18. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
19. Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by
  - a) National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
  - b) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;

- d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
  - e) Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;
20. Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] on the transfer of shares of the company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -
- a) The issue is made by a public company formed and registered in India;
  - b) The shares forming part of the issue are offered for subscription to the public;
21. Under Section 54F of the Act, long term capital gains [in cases not covered under section 10(38) of the Act] arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
22. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. “Special Provisions Relating to certain incomes of Non-Residents” which are as follows: -
- a) Under section 115E of the Act, where shares in the company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non - resident on transfer of shares held for a period exceeding 12 months on a recognized stock exchange, shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge) (without indexation benefit but with protection against foreign exchange fluctuation).
  - b) Under provisions of section 115F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
  - c) Under provisions of section 115G of the Act, it shall not be necessary for a Non-Resident Indian to furnish his return of income if his income chargeable under the Act, consists of only investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
23. Under the first provision to section 48 of the Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the Act), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares.

#### **Foreign Institutional Investors (FIIs)**

24. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1st April 2003) received on the shares of the company is exempted from the tax.
25. In terms of section 10(38) of the Act, any long term capital gains arising to an investor from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the investor if the transaction is chargeable to such securities transaction tax.

26. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
27. The income by way of short term capital gains or long term capital gains [in cases not covered under section 10(38) of the Act] realized by FIIs on sale of shares in the company would be taxed @ 10% as per section 115AD of the Act. However in case of such long term capital gains, the tax is levied on the capital gains computed without considering the cost indexation and protection against foreign exchange fluctuation.
28. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gain [in cases not covered under section 10(38) of the Act] arising on the transfer of share of the company will be exempt from capital gain tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of last 3 years in bond issued by: -
  - a) National Bank for agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
  - b) National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988
  - c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
  - d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989.
29. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains [in cases not covered under section 10(38) of the Act] on the transfer of shares of the company, as and when it is listed, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely -
  - a) The issue is made by a public company formed and registered in India;
  - b) The shares forming part of the issue are offered for subscription to the public;

#### **Venture Capital Companies/Funds-**

In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the company.

#### **(C) Benefits available to Approved Infrastructure Capital Funds / Companies / Co- Operative Banks**

##### **Dividends exempt under section 10(34)**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of section 10 (34) of the Act.

##### **Exemption of capital gain from Income tax**

According to section 10(38) of the Act, long-term capital gains on sale of shares where the transaction of sales is chargeable to STT shall be exempt from tax.

#### **(D) Benefits available to Mutual Funds**

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

**E) Tax Treaty benefits**

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

**(F) Benefits to Members of the Company under the Wealth Tax Act, 1957**

Shares of the company held by a shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act 1957, hence no shares are liable to Wealth Tax Act, 1957.

**(G) Benefits to Members of the Company under the Gift Tax Act, 1958.**

Gift made after 1st October 1998 is not liable for any gift tax and hence gift of shares of the company would not be liable for any gift tax, but following Section 56 of the Income Tax Act, 1961 requires considerations:-

It states that where any sum of money exceeding twenty five thousand rupees as received without consideration by an individual or a HUF from any person on or after 1st day of Sept. 2004, the whole of such sum is taxable under the head Income from other sources.

The above clause shall not apply to any sum of money received: -

- a) from any relative or;
- b) on the occasion of the marriage of the individual or;
- c) under a will or by inheritance or;
- d) in contemplation of death of the payee.

**Explanation:-** For the purpose of this clause, relative means i) spouse, ii) brother or sister of the individual, iii) brother or sister of the spouse of the individual, iv) brother or sister of either of the parents of individual v) any lineal ascendant or descendant of the individual or spouse of individual, vi) spouse of the persons referred in clause ii to v.

**Notes:**

1. All the above benefits are as per the current tax law as amended by the Finance (No. 2) Act, 2006.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.



## SECTION IV ABOUT THE ISSUER

### I. INDUSTRY OVERVIEW

Mobile Cranes, Tower Cranes, Loaders etc. are Material Handling and Construction Equipment. The upswing in the Indian economy has enhanced the demand for these Material Handling and Construction Equipment. Mobile Cranes are deployed for material handling in the general industry as well as in Infrastructure construction whereas the Construction Equipment is specifically used for Infrastructure Construction.

The demand for Material Handling Equipment and Construction Equipment is correlated with the growth of other segments like Infrastructure Construction, Ports, Pipelines, Roads, Steel, Cement, Power Projects, Hydel Projects, Engineering Industry, Mining; Building Construction etc as such equipment find primary use in these sectors.

Infrastructure is the buzzword for growth of Indian Economy and the increase in foreign investment and technology has led to a tremendous growth in requirement of mobile cranes and construction equipment. With the GDP growth likely to be in the range of 6-8%, the demand for mobile cranes and construction equipment will continue to grow with the core sectors like construction, cement, steel, chemicals, petroleum, mining etc.

The size of construction industry in India is over US\$ 25 Billion and it accounts for approx. 6% of the GDP. With the current growth in the construction sector and with opening of FDI in this sector, coupled with the increased focus of the Indian Government on infrastructure development, the construction equipment industry is set for a boom. The well-being of Steel, Cement and Construction Equipment Sectors depends on the growth of the Construction Industry.

There is a clear increase in fund allocations for the infrastructure sector in the 10th plan (2004-2007) by the Planning Commission, most of which are to be spent in the construction sector. The Indian construction industry has the potential to emerge as a front -runner in the global construction industry. The Government of India has therefore made a significant commitment to infrastructure development and has been mandated by the World Bank to invest the bulk of proposed aid of US\$ 3 billion in the infrastructure sector. Consequently, apart from augmenting public sector investment into infrastructure, the Government of India has introduced a series of reforms to attract private sector participation and foreign direct investment.

*Source: Capital Line.*

Most of the infrastructure projects would give a boost to the construction equipment sector. While it is difficult to ascertain the size of the construction equipment industry, the table below shows the industry wise average share of the construction equipment segment in overall construction costs. This ensures that the future potential for the construction equipment segment is immense.

Particulars	Construction Equipment Cost as a % of Construction Cost
Building	4.5
Roads	21-23
Bridges	16-18
Dams	21-23
Power	21-24
Railway	6-8
Mineral Plant	20-22
Medium Industry	7-9
Transmission	5-7

Source: Construction Industry Development Council Survey

Keeping in track with the above percentage equipment cost as a part of construction cost and with the current demand in the construction industry and with growth of manufacturing sector, the requirement of mobile cranes, tower cranes and construction equipment will see a huge volume growth.

In order to cater to the strong demand growth in both domestic and export markets, the Indian manufacturing sector is fast building capacities. Equally, the Infrastructure Development has also been put on accelerated pace to contribute to



the economic growth. Reflective of strong investment climate, the index of industrial production for capital goods was up by 12.9% for four-month period (April-July'05) as compared to 13.6% in the corresponding previous period. Similarly, the index for manufacturing sector improved by 8.2% in April-July'05. Going forward, the growth in demand for Material Handling Equipment will be sustained given the quantum of investment under pipeline especially in the manufacturing sector. Factors like greater thrust on Inland Logistics infrastructure development and Port Infrastructure Development to improve operational efficiency are likely to provide strong fillip to the Industry in the coming periods. Emergence of India as a manufacturing hub and the investment scenario in the manufacturing sector continued to be strong with investments worth Rs.88078 Crore being announced in 2004-05 which will further strengthen the demand for Mobile Cranes and Material Handling Equipment. Benefiting from the cascading effect of strong investment in core industries, the demand for Mobile Cranes and Material Handling Equipment has been north bound.

The ease of availability of finance for mobile cranes and construction equipment which is now being provided by more or less all major NBFCs/ Financial Institutions and Banks etc. has further helped the cause of increasing mechanization, as even small contractors and companies are now able to buy their own machines.

Source: Capital Line

## **II. BUSINESS OF THE COMPANY**

### **Background**

The company was promoted by Mr. Vijay Agarwal and his wife Mrs. Mona Agarwal and it was incorporated on January 13, 1995 as a "Private Limited Company" and was converted into a "Public Limited Company" on October 4, 2005. The Registered Office is in New Delhi and Production Facilities are in Ballabgarh and Dudhaulla (Proposed Plant) & Product Support Division is in Faridabad city. The Company is also in the process of setting up an assembly unit in at Plot no C-5, C-6, C-7, and C-8, Industrial Area Bazpur, Distt Uddhamsingh Nagar, Uttaranchal. The Company is managed by professionals, having rich experience in Hydraulic Mobile Cranes, Mobile Tower Cranes and other construction equipment domains.

The Company is a decade old enterprise with full-fledged production facility based at the Industrial Township of Faridabad and started with manufacturing of Hydraulic Mobile Cranes of different capacities under the brand name of "ACE". Today, the Company is an established player in Hydraulic Mobile Cranes, Mobile Tower Cranes and Construction Equipment in the country and enjoys a consolidated presence in all major Infrastructure, Construction, Heavy Engineering and Industrial Projects throughout the country. The Company is dedicated to provide its customers with latest technology construction equipment and efficient sales & service aimed at satisfying their real needs.

The workforce comprises of qualified professionals having commitment towards total quality management and its strength lies in standardization of class products.

In its endeavour to grow the business and product offerings, the Company has entered into series of marketing tie-ups with leading foreign companies like Autogru PM-Italy, Maber-Italy, Zoomlion-China and Tigieffe SRL- Italy, which facilitates the availability of latest technology and machines from around the world.

### **Business of the Company**

The Company is an established mobile cranes, tower cranes and construction equipment manufacturer in the country. It designs, manufactures, sells and provides product support of the equipment as mentioned under:

- a) Hydraulic Mobile Cranes
- b) Mobile Tower Cranes
- c) Tower Cranes in tie-up with Zoomlion-China
- d) Loaders & Backhoe Loaders
- e) Lorry Loader Cranes in tie-up with PM-Italy
- f) Mast Climbing Platform and Construction Elevators in tie-up with Maber-Italy
- g) Aerial Access Platforms in tie-up with Tigieffe SRL-Italy

The Company has been awarded ISO:9001 certification by CVI (Conformity Verification International). The functional parameters of the Company's products lead to fast cycle times and improved efficiency and productivity.

The company's policy of responding efficiently has led to repeat business, resulting in constant growth and making it one of the leading companies in the Mobile Cranes sector in the country. Another factor driving its growth has been the versatility of its equipment to satisfy a vast range of possible applications. The Company's equipment is being successfully used in many sectors like Infrastructure construction, Power Projects, Ports & Shipyards, Dams, Metro Rail, Road, Coal Mines, Steel Industry, Engineering Industry, Railways, Cement, Petroleum, Defence, Chemicals and Fertilizer Plants, Building Construction etc. to name a few.

The Company sells its equipment to most of the the leading Private and Government Sector Companies in India such as Reliance, ABG, L&T (ECC), BSES, BHEL, Punj Lloyd, Essar, Gammon India, Nagarjuna Construction, Gujarat Ambuja, IISCO, Simplex Concrete, Coal India, BSNL, Gannon Dunkerley, Bhushan Steel, PSL, ISPAT, IVRCL, Indian Railways, Adani Port, NTPC, IOCL, Shapoorji Pallonji, Alstom, NHPC, UB, ACC, Tata, Kalpataru, KEC, Krupp, Airport Authority of India, Ministry of Defence, HPCL, IPCL, Unitech, Welspun, Aditya Birla Group etc.

The products of the Company are exported to U.A.E., Qatar, Sultanate of Oman, Kuwait, South Africa, Kenya, Nigeria, Mauritius, Sri Lanka, Nepal, Bhutan, Bangladesh, Singapore and Portugal.

Its recent foray into products like Back Hoe loaders, higher capacity tower cranes etc. has helped the company in expanding its product portfolio, and has given it an opportunity to cash in on the growing demand for construction equipment. The Company's existing client base has accepted and appreciated the new product offerings.

The Company has a Marketing Head Quarter based at New Delhi and a dedicated Product Support Division is located at Faridabad city. The Company has all India network of 37 Sales & Service Dealer Outlets and Offices, which provide for efficient and effective pre-sales and after sale service. These outlets are supported by 5 Regional Offices based at Delhi, Mumbai, Chennai, Kolkata and Vizag. The Company has also set up dealerships in Middle East Asia, Bangladesh and South Africa and is in the process of establishing more dealerships in Asia, Africa and South America.

The Company has shown a consistent growth in operations and profitability in the last five years. From a turnover of Rs.10.79 crore in the financial year 2001-02, the Company has achieved a turnover of Rs.165.68 crore in the financial year 2005-06. The sales turnover of the company has grown at a CAGR of 96.86% in a span of last four years.



### Company's Vision and Mission:

#### **Vision:**

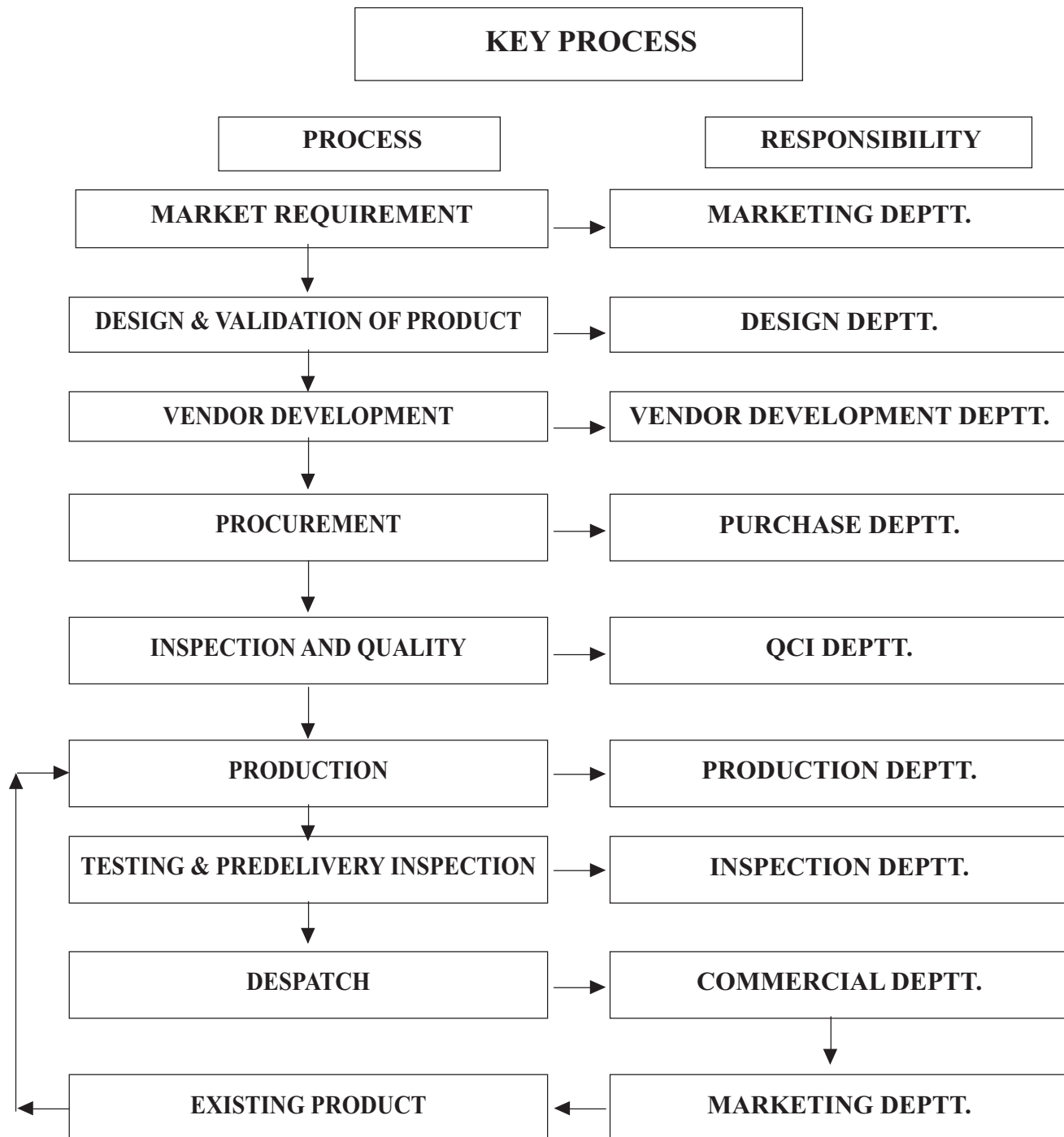
To become the leading manufacturer and exporter of construction equipment in India.

#### **Mission:**

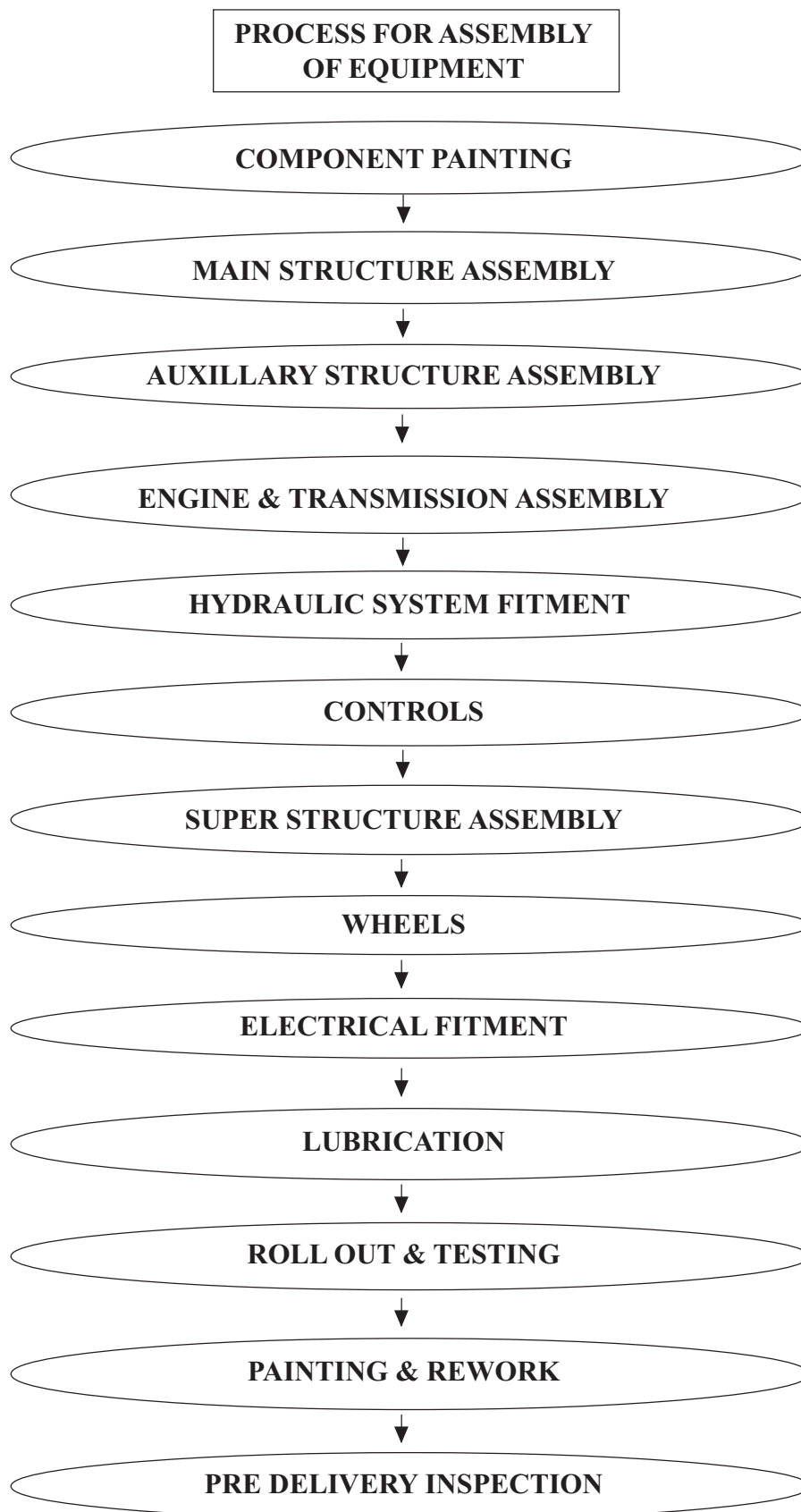
To consolidate the existing business further in terms of customer relations & manufacturing and to continuously add new products to its Product Portfolio, with the mission of producing and distributing good quality machines which are cost effective, have value added features and to provide the best in the line product support and spares availability.

#### **Key Processes and Technologies:**

The key process of the Company linking various departments and depicting the flow of activities is shown below:



Components/ Sub Assemblies/ Fabricated Structures are either made at the existing plant or sourced from OE suppliers and auxiliary units. Then the respective components/ sub assemblies are assembled as per the process depicted below -



## Research and Development:

The company has an in-house R&D department, which has been working consistently for improving and upgrading the existing range of products and continuously working towards developing new products. Value engineering also forms a very important aspect in the R&D activity. The Company's team of R&D engineers use the design software's including 3D modeling etc. The R&D department is headed by the Divisional Manager of Engineering and R&D.

## Product Offerings:

### A. Hydraulic Mobile Cranes

Hydraulic Mobile cranes are the basic material handling equipment being used extensively throughout the engineering, construction and infrastructure industry. These machines are rough terrain, pick and carry type which means that they can pick the load and then carry it up to the desired distances. These machines are used for loading, unloading, moving, shifting and erecting material. The Company currently manufactures hydraulic mobile cranes from 3 tons to 16 tons capacity. The Company is currently designing and developing a 20 ton capacity Crane.

Models	Capacity
3X	3 tons
Rhino 60	6 tons
Rhino 90 C	9 tons
Rhino 110 C	11 tons
12 XW	12 tons
14 XW	14 tons
15 XW	16 tons



**MOBILE CRANE**

#### Application Areas (Mobile Cranes)

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Infrastructure Projects</li> <li>• Dams</li> <li>• Metro Rail</li> <li>• Road Projects</li> <li>• Heaving Engineering &amp; Fabrication Industry</li> <li>• Ports</li> <li>• Coal Mines</li> <li>• Pipe Lines</li> <li>• Lumbering/Timber Handling/Sawmills</li> <li>• Irrigation Departments</li> <li>• Defence</li> <li>• Chemical and Fertilizer Plants</li> <li>• PWD</li> <li>• Electricity Boards</li> </ul> | <ul style="list-style-type: none"> <li>• Steel Industry</li> <li>• Power Stations (Thermal / Nuclear)</li> <li>• Railways</li> <li>• Refineries</li> <li>• Cement Industry</li> <li>• Rolling Mills/Steel Stock Yards</li> <li>• Engineering Contractors</li> <li>• Crane Hirers</li> <li>• Granite/Stone Mining</li> <li>• Transporters</li> <li>• Transport Departments</li> <li>• Transmission Tower Cos.</li> <li>• Container Handling</li> <li>• Paper/Pulp Industry</li> </ul> |
|---|--|

## B. Mobile / Fixed Tower Cranes

Mobile Tower cranes are used specifically for civil construction. These machines are self erecting/self-folding, and the operations can be easily effected within a few minutes. These machines also have a possibility of having a built-in generator to provide for the electricity requirement of the machine. The Company is currently manufacturing Mobile Tower Cranes which can work from 6 storeyed buildings up to 12 storeyed buildings.

Fixed Tower cranes are also used in civil construction, but of a larger scale. The fixed tower cranes currently being offered are imported from Zoomlion, China and have maximum lifting heights of up to 240 meters and working radius of up to 70 meters.

Models	Height	Jib
MTC 2418	24 mtrs.	18 mtrs.
MTC 3625	36 mtrs	25 mtrs.
TC 5013 B	upto 141 mtrs.	50 mtrs.

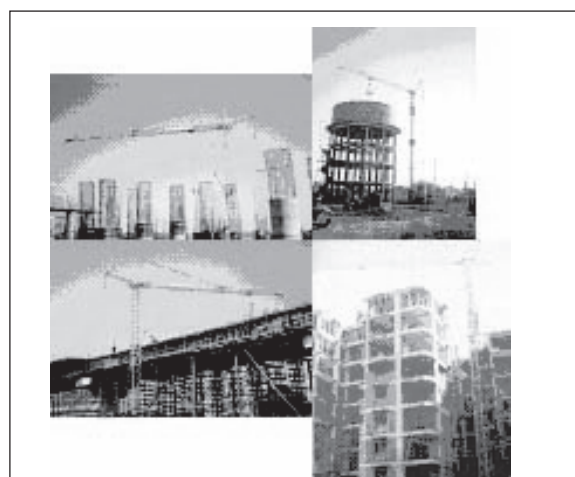
\* currently being imported from Zoomlion, China



**MOBILE TOWER CRANES**

### Application Areas (Tower Cranes)

Building Construction  
 Bridge/Flyover Construction  
 Plant Erection  
 Over Head Tank Construction  
 Shipyards  
 Dam Construction  
 Specialised Structures  
 Plant Maintenance



## C. Loader/Backhoe Loader

Front End Loader only has a front loading bucket, whereas a Back Hoe Loader also has an excavating bucket at the rear. These machines are used in the construction and infrastructure sector for digging, moving, grading and loading earth and other loose aggregates.

Model	Bucket Capacity
FEL 75	0.6 CUM
AX 130	1 CUM



**BACKHOE LOADER**

**Application Areas (Loader)**

- |   |                          |
|---|--------------------------|
| • Civil Contractors & Road Construction | • Sugar Industry         |
| • Construction                          | • Tile/Ceramic Industry  |
| • Irrigation                            | • Stone Crushers         |
| • Defence                               | • Railway Workshops      |
| • Chemical & Fertilizer Plants          | • Municipalities         |
| • PWD & Public Health                   | • Mining                 |
| • Land Development & Reclamation        | • Plantations/Agro Units |
| • Paper/Pulp Industry                   | • Tyre Companies         |
| • Thermal Plants                        | • Compost Plants         |
| • Cement Industry                       | • Salt/Tea Industry      |

**D. Lorry Loader Cranes**

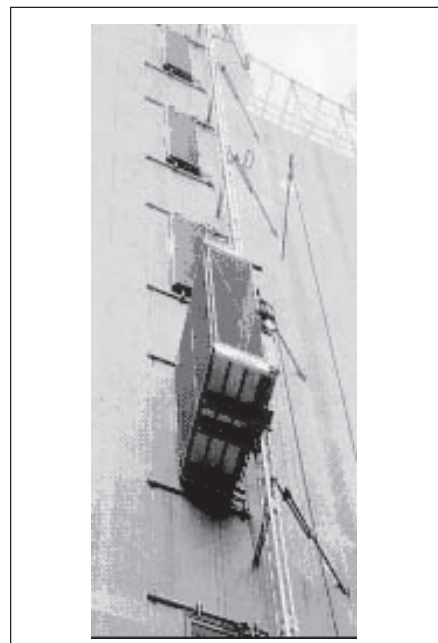
Currently, the Company is importing these machines from AUTOGRU PM. Italy and mounting them on a suitable Indian Truck Chassis and supplying in the market. This machine is widely used in Europe, America and other developed countries for material handling applications. This machine has the capability of lifting desired loads and loading them for further transportation on its own chassis, and finally unloading them at the desired destination. These machines are available in various capacities ranging from 2 ton meter up to 80 ton meter.



**LORRY LOADER CRANE**

**E. Mast Climbing Platforms / Construction Elevators**

Mast climbing platforms and construction lifts are used in the construction and infrastructure industry. Mast climbing platform is a safe substitute for scaffolding and it provides for exterior finishing of any structure/building etc. Currently, the Company is importing mast climbing platforms and construction elevator lifts from Maber, Italy. The construction lifts are both passenger and material type and are used to carry people as well as material on high rise construction sites. Currently the machines being offered can go up to 150 meters.



**CONSTRUCTION ELEVATOR**



**F. Aerial Access Platforms**

Aerial Access Platforms are used for aerial assistance and installations. They are self-propelled and can reach heights of up to 23 meters and carry loads of up to 500 kgs. These platforms are used to conduct repairing, painting, cleaning, glass replacement, maintenance work etc. These platforms provide a safe alternative to traditional methods of conducting aerial works. These machines are manufactured by TIGIEFFE SRL-Italy under the brand name of AIRO. The Company is proposing to have Joint Venture with them to manufacture these Aerial Platforms in India.


**ARTICULATED BOOM PLATFORM**
**Clientele:**

Following are some of the reputed Private and Public sector companies which the Company is catering to:

Private Sector Companies	Public Sector Companies
<ul style="list-style-type: none"> <li>Reliance Industries Ltd.</li> <li>Punj Lloyd Limited</li> <li>ACC Limited</li> <li>Shapoorji Pallonji Co. Ltd.</li> <li>Gannon Dunkerley &amp; Co. Ltd.</li> <li>KEC International Ltd.</li> <li>Gammon India Ltd.</li> <li>PSL Holdings</li> <li>Nagarjuna Construction</li> <li>Simplex Concrete Piles</li> <li>IVR Construction Ltd.</li> <li>Gujrat Ambuja Cement</li> <li>Patel Engineering</li> <li>Alstom Power</li> <li>Tata Chemicals Limited</li> <li>Welspun Gujarat</li> <li>Havell's</li> <li>Petron Engg. Construction Ltd.</li> <li>Essar Construction Ltd</li> <li>ABG Shipyard</li> <li>Hindalco</li> <li>Unitech Limited</li> <li>Aarti Strips</li> <li>BSES</li> <li>Kalpataru Power Transmission Ltd.</li> <li>Krupp Industries</li> <li>L &amp; T (ECC)</li> </ul>	<ul style="list-style-type: none"> <li>Airport Authority of India</li> <li>BHEL</li> <li>Bridge &amp; Roof</li> <li>Coal India Ltd</li> <li>Neyveli Lignite Corporation</li> <li>Chennai Port Trust</li> <li>COFMOW</li> <li>Indian Railway</li> <li>DRDO</li> <li>Gujrat Electricity Board</li> <li>HVPNL</li> <li>HPCL</li> <li>IOCL</li> <li>MRPL</li> <li>MPEB</li> <li>Ministry of Defence</li> <li>NALCO</li> <li>NHPC</li> <li>Nuclear Power Corporation</li> <li>Paradip Port Trust</li> <li>NTPC</li> <li>IISCO</li> <li>Bongaigon Refinery</li> <li>IFFCO</li> <li>BSNL</li> <li>Numaligarh Refinery</li> <li>IPCL</li> </ul>



#### **Growth in the Customer base**

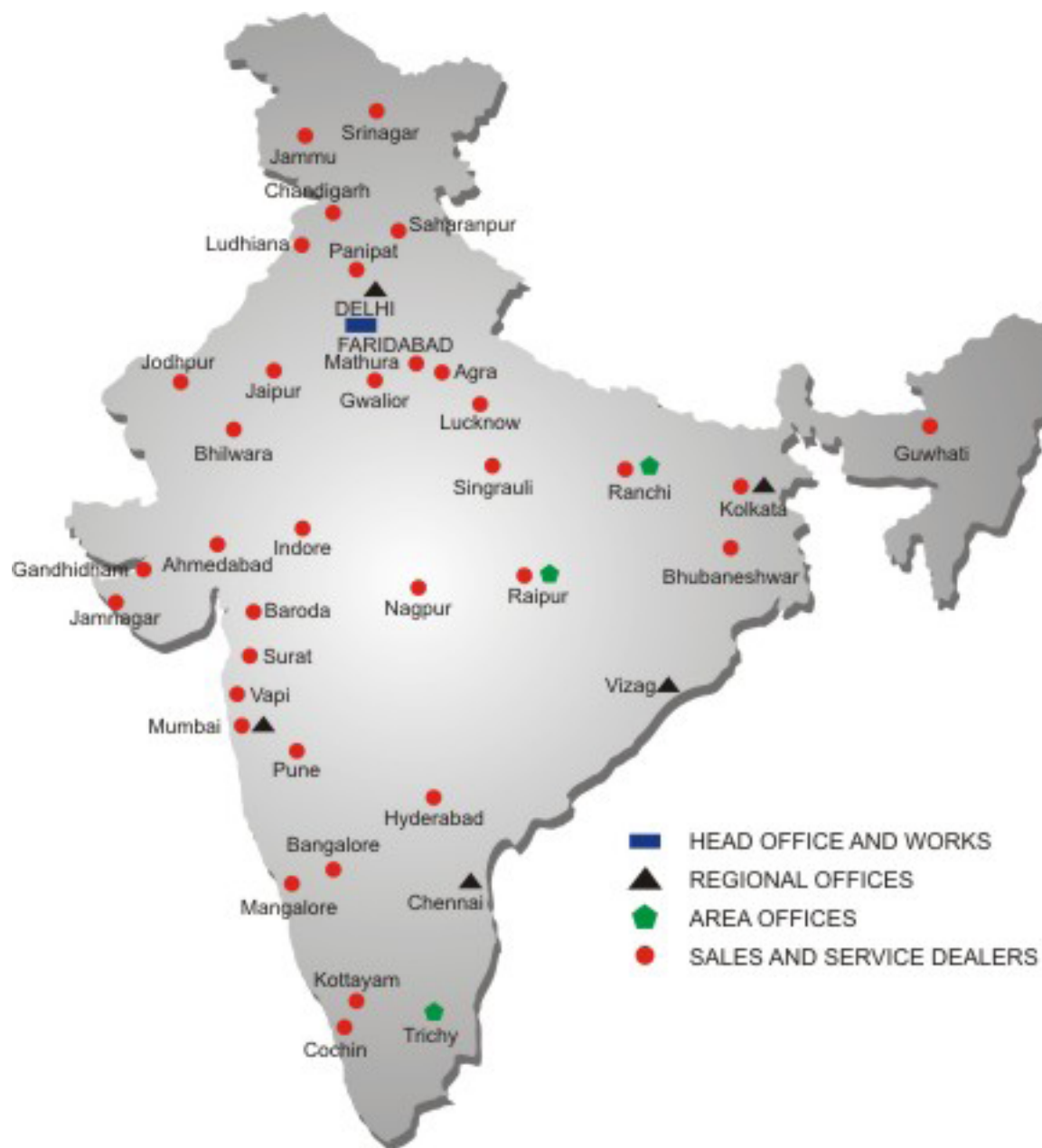
The no. of customers of the Company has increased from 5 customers in 1995 to 3368 customer's upto March 2006. The growth in customer base shows the wide acceptance of the company's products by the customers.

#### **Geographical Spread**

The products of the Company are used throughout the country. To cater to the spread of equipment and to provide effective pre-sales and after sales service and product support, the Company has developed a network of 37 sales & service dealer outlets and offices supported by Regional Offices in Delhi, Mumbai, Chennai, Kolkata and Vishakhapatnam. These Regional offices are in turn supported by Delhi Marketing Headquarter and a dedicated Product Support Division based at Faridabad city.

The equipment of Company is also used in the Middle East Asian, South East Asian and African countries. The Company has set up Dealerships in Qatar, Bangladesh and South Africa. The Company intends to further increase its presence in the Asian & African countries.

# ALL INDIA SALES & SERVICE NETWORK





### Location of Regional Offices

Location	Address
New Delhi	II Floor, Plot No.7, Pocket-H Market, Sarita Vihar, New Delhi - 110 044 Phone: 011-26953623/ 626/ 633 Fax: 011-26953717 Email: marketing@ace-cranes.com
Mumbai	401, Shrikant Chambers, Near R.K Studio, Chembur, Mumbai - 400 064 Phone: 022-25206846 Fax: 022-25207071 Email: acemumbai@ace-cranes.com
Kolkatta	84-A, Second Floor, AJC Bose Road, Opp. GEM Cinema, Kolkatta - 700 014 Phone: 033-39578307 Fax: 033-22274428 Email: acekolkatta@ace-cranes.com
Chennai	E-1, I Floor, “Alsa Regency”, 165, Eldams Road, Alwarpet, Chennai - 600 018 Phone: 044-24314252 Fax: 044-24314253 Email: acechennai@ace-cranes.com
Visakhapatnam	D.No. 39-33-19/2, PHASE-1, Madhavadara Vuda Layout, Near RTA Office, Visakhapatnam - 530 018 Phone: 0891-2791020 Fax: 0891-2571369 Email: acevizag@ace-cranes.com

### Marketing and Business Development

The Company has an extensive marketing and business development set up with 5 Regional Offices and 37 Sales and Service Centers, which provides for its existing business. The Company further intends to increase the number of Regional Offices and Dealer Network to cover remote areas of the Country. It intends to further strengthen its penetration in the Indian market to achieve a market share of about 75% in its core product offerings.

The Company has recently established a Product Support Division in Faridabad City, which is headed by its Country Head-Service & Product Support, to ensure immediate redressal of any customer complaint/requirement. This Division also provides technical assistance and ensures smooth Spare Parts supply to its countrywide sales and service network.

The Company presently sells its products to the customers, directly as well as indirectly. The indirect sales come through its Dealer Network whose sales effort is supported by the Regional Offices and the direct sales comes through the Regional Offices. The allocation of a particular area to a particular Dealer is exclusive and any business generated in the designated area is routed through the respective Dealer.

All the Government/PSU business is done through tender notifications published in various media and then after technical evaluation & qualification by the respective department, price bids are opened and generally the lowest bidder gets the order.

The Company's experienced marketing team is constantly working to identify new market areas, applications and un-tapped customers to further develop and increase the business of the Company.

To further compliment and grow its business and to provide easy finance facilities to its customers enabling them to buy its machines, the Company has specially tied up with the leading Finance companies such Citicorp Finance (I) Limited, ICICI Bank Ltd, and others. Due to easy finance availability, even small contractors & companies are now able to buy their own machines.

**The Business Strategy**

The Market Growth Strategy of the Company is as follows:

**1. Market Penetration - (Existing Products - Existing Market)**

- Increase in market share - The Company plans to aggressively pursue marketing of its core offering of Mobile Cranes, Tower Cranes and construction equipment and intends to achieve a market share of about 75%. It already supplies to all the leading companies in both public and private sector.
- The Company is one of the leaders in Mobile cranes and Tower Crane segment and intends to continue to market its products through various unique offerings and value addition to the products like customization and excellent product support.
- The Company plans to pursue aggressive promotional campaigns, supported by a competitive pricing strategy.
- Increased usage by existing customers - The Company maintains cordial relations with all its existing customers and has received continued patronage from them in the form of repeat business. The Company is also continuously working for development of new applications to increase the usage of its equipment.

**2. Market development - (Existing Products - New Market)**

The Company has started exporting its equipment to various overseas markets like Middle East Asia, South East Asia and African countries and further plans to penetrate into existing export markets to increase the share of export in its total turnover. It plans to set up new distribution channels in such countries, which can source business and help in expanding the customer base.

**3. Product development - (New Products - Existing Market)**

Customer base of the Company is common for most of its product offerings. Around 70-80% of the existing customers are most likely to use other products offered. The Company is already supplying mobile cranes and tower cranes to the engineering, construction and Infrastructure industry. The same industry also requires products like Mast Climbing Platform, Passenger / Material construction lift, Back-Hoe Loader etc. By increasing its product range, the company intends to cater to its existing customers and hence enhance its business and turnover. The Company also offers customized products to suit its customer's needs.

**GROWTH DRIVERS**

The Company is an established player in the domestic Hydraulic Mobile Cranes, Tower Cranes and Construction Equipment Sector existing since more than a decade. The current thrust on Infrastructure and increased manufacturing output has resulted in a surge for demand of various material handling and construction equipment including Mobile Cranes, Tower Cranes, loaders and construction platforms etc. Timing and Quality being the key factors for the current projects and with mechanization setting in on a large scale the demand for equipment is northbound. Huge spending in Infrastructure Projects and Construction Industry would further fuel the demand for Equipment.

The Company is currently setting up an assembly unit in Bazpur, Dist. Uddhamsingh Nagar Uttaranchal. This assembly unit will be eligible for income tax benefit under Sec 80-IC for 100% of Profit and Gains of this unit for the first five (5) years of commencing with the initial assessment year and 30% for the next 5 assesment years. The company is also eligible for capital investment subsidy @ 15% of their investment in plant and machinery, subject to a ceiling of Rs. 30 Lac, vide notification no "No. 1 (10) / 2001 - NER" of Government of India - Ministry of Commerce and Industry.

The Company caters to an exhaustive client base and their growing demands. The Company has already started offering Backhoe loaders which form an integral part of the Equipment required for any Construction site and the company intends to capitalize on the growing demand of this product within its existing customer base.

The company is contemplating foray into forklift truck product segment as it compliments its existing range of mobile cranes. The company is currently in talks with suitable foreign partners.

**The Company also undertakes to make ACE Steel Fab Private Limited 100% subsidiary of Action Construction Equipment Limited and close ACE Cranes in due course of time.**

**QUALITY CERTIFICATIONS**

The Company has been awarded **ISO 9001** by CVI (Conformity Verification International). The certification ensures that its standards of design, development, procurement, manufacturing, testing, installation and product support meet the most stringent norms.

The Company's various models of Mobile Cranes/Loaders are ARAI (The Automotive Research Association of India) certified for their roadworthiness.

## COMPETITIVE STRENGTHS

- **Promoters and Management**

The promoters of the Company are professionally qualified and have rich industry experience. Company's Management team has vast experience of working with other organisations in the industry in which company operates.

- **Range of Product Offerings**

The Company offers Hydraulic Mobile Cranes, Mobile Tower Cranes, Loaders, Lorry Loader Cranes, Aerial Access Platforms and Mast Climbing Platforms/Construction Elevators. The range of Products that Company manufactures and offers makes the Company a complete solution provider for any equipment requirement of Infrastructure Companies.

- **Total Quality Commitment**

The Company's manufacturing process adheres to high quality standards and all the equipment go through numerous quality checks and testing, to provide for optimum performance of the equipment. Repeat business from existing customers is a testimony to this fact.

- **Functional Parameters**

Functional parameters of the Company's products such as lifting heights, ground clearance, travel speed and lifting capacities, lead to fast cycle times and improved efficiency and productivity.

*Source: Company*

- **Product Support**

The Company provides product support through a wide network of dealers and offices equipped with genuine parts and company trained engineers.

- **Customized Solutions**

The Company also offers customized solutions for specific requirements.

## Competition

The table below gives various product segments of the company and a list of their major competitors in that segment:

Name of product	Major Competitors
Hydraulic Mobile Cranes	Escorts Construction Equipment Ltd and TIL
Mobile Tower Cranes	Shirke and Bhai
Back Hoe Loaders	JCB, L&T, Terex, CAT and BEML
Lorry Loader Cranes	TIL , Escorts Construction Equipment Ltd and Imports
Mast Climbing Platforms/Lifts	Imports
Tower Cranes	Shirke, Bhai and Imports
Aerial Access Platforms	Imports

*Source: Company*

## Marketing Tie-ups

The Company has a number of sales and marketing tie-ups with the leading foreign companies for promotion, distribution and installation of their equipment in India.

Sr no	Name of Partner	Products	Type of Tie-up with the Company
1	Autogru PM, Italy	Lorry Loader Cranes	Authorised dealers for sale of their products in India
2	MABER, Italy	Mast Climbing Platforms and Construction Lifts	Authorised dealers for sale of their Products in India
3	ZOOMLION, China	Tower Cranes	Authorised dealers for sale of their products in India
4	TIGIEFEE SRL, Italy	Aerial Access Platforms	Authorised dealers for sale of their products in India

## HUMAN RESOURCES

The Company is a technology-driven Company and has its own HR policy, which focuses on qualitative & transparent recruitment, training and development, performance management, labour welfare etc. The Company believes that the development of employees is the prime responsibility of an organization and its employees are key contributors to its business success. The company believes that it requires to provide good working culture and competitive compensation packages, to attract and retain talented people. The Company maintains good relationship with the employees. Its HR policy provides for a training program for all employees, so that all the employees keep themselves abreast with the latest technological changes.

In its endeavor to provide the employees with a good work environment aimed at developing their individual potentials, the Company provides yoga classes in the office premises.

The Company seeks to establish and maintain an environment that supports its business processes and ensures that employee performance is evaluated against the achievement of objectives which are in line with its long term goals. All employees are provided with an opportunity to discuss their performance, plan their development and submit self-appraisals.

To achieve a high level of ownership feeling and involvement of employees in decision-making, the Company has built its HR Policy in such a way that it achieves overall growth of the company as well of Employees. Further, to motivate the employees and also to reward them for their performance, the company has a system of performance allowance based on output and target achievements, which is reviewed and modified from time to time.

The initiatives, policies and procedures of the Company are evolved through a consultative process with the employees, which help create a non-hierarchical, flexible and informal work environment.

## PRESENT MANPOWER

Manpower spread over existing Plant, offices and Branches as on 31<sup>st</sup> July 2006 is as follows-

Srno	Location	Sr Managers / Managers	Officers/Staff	Workers/Helpers on Contract	Total
1	Plant at Jajru Road, Ballabgarh & Corporate Office at Ballabgarh & Regd Office at New Delhi	16	52	116	184
2	Product Support Centre	2	26	-	28
3	Branches	16	64	-	80
4	New Plant at Dudhaura	11	32	27	70
	<b>Total</b>	<b>45</b>	<b>174</b>	<b>143</b>	<b>362</b>

### Further Manpower Requirement for the proposed Plant

We shall be requiring following manpower for the proposed plant in its initial phase which are yet to be appointed-

Srno	Department	Skilled	UnSkilled	Workers	Total
1.	Production, Quality, Stores, Maintenance etc.	8	11	75	94
2.	Engg & R & D		1	-	1
3.	Finance & Accounts	2	2	-	4
4.	Procurement & Materials	2	1	-	3
5.	HR, Personal, Administration Security etc	2	1	5	8
6.	House Keeping	-	2	3	5
	<b>Total</b>	<b>14</b>	<b>18</b>	<b>83</b>	<b>115</b>

Source : Company



**DETAILS OF INSURANCE**

Details of various Insurance Policies taken by the Company as on 31st July 2006 : (aggregate of all locations)

Sr. No.	Particulars/ Description	Location	Name of the Insurance Co.	Effective from	Risk Covered	Policy no	Sum Insured (Rs.)
1	Stock and Building, Plant & Machinery - Building - Plant & Machinery & Accessories. - Furniture & Fixture - Stock all type of Spares Parts, Raw Material etc.	Main Plant at Jajru Road, 25th Mile stone, Ballabgarh	IFFCO-TOKIO General Insurance Ltd	07.05.2006	Standard fire and Special Perils policy	47037023	1,50,00,000/- 75,00,000/-  1,00,00,000/- 7,00,00,000/- Total Amt 10,25,00,000/
2	Stock in trade - Plant & Machinery Furniture & Fixtures & Fittings.	Main Plant at Jajru Road, 25th Mile stone, Ballabgarh	IFFCO-TOKIO General Insurance Co. Ltd.	07.05.2006	Burglary policy	47037023	7,00,00,000/- 75,00,000/- 1,00,00,000/- Total Amt 8,75,00,000/-
3	Group Personal Accident	Jajru Road, 25th Mile Stone, Ballabgarh	IFFCO-TOKIO General Insurance Co. Ltd.	12.04.2006	Accident policy	DZF/51/IGP/06- 07/0007/5102 7930	1,34,00,000/-
4	Money Insurance Policy	Jajru Road, 25th Mile stone, Ballabgarh	IFFCO-TOKIO General Insurance Co. Ltd.	14.06.2006	All risk covered	45009040	10,00,000/- (limit of any one loss with a annual turn over 300 Lac) Cash in safe at Jajru Road, Ballabgarh Rs. 5 Lac. Cash in safe at Delhi office Sarita Vihar New Delhi Rs. 1 Lac. Cash in safe at Dudhola, Faridabad Rs. 1 Lac.
5	Stock and Furniture & Fixtures -Furniture & Fixture and Plant & Machinery. - Stock (all type of spares)	SPD & Service Dept. Plot no .17, Sector 11A Faridabad	IFFCO-TOKO General Insurance Co. Ltd.	07.05.2006	Standard fire and Special Perils policy	47037032	5,00,000/- 80,00,000/- Total Amt 85,00,000/-
6	Stock in trade - - All type of Spares - Fixture & Plant & Machinery.	SPD & Service Dept. Plot no .17, Sector 11A Faridabad	IFFCO-TOKO General Insurance Co. Ltd.	07.05.2006	Burglary policy	47037032	80,00,000/- 5,00,000/- Total Amt 85,00,000/-

Sr. No.	Particulars/ Description	Location	Name of the Insurance Co.	Effective from	Risk Covered	Policy no	Sum Insured (Rs.)
7	Building	SPD & Service Dept. Plot no .17, Sector 11A Faridabad	IFFCO-TOKIO General Insurance Co. Ltd.	22.09.2005	Fire & Earth quake	Manual -16/IFR/ 05-06/002564 System-11079591	1,00,00,000/-
8	Building - Including Furniture & Fixture, Electric installation, Computers, Fax Machine etc.	II Floor Plot No. 7, Sarita Vihar, Pocket H, New Delhi	IFFCO-TOKIO General Insurance Co. Ltd.	22.09.2005	Fire and Peril Policy	Manual -16/IFR/ 05-06/002565 System-11079599	50,00,000/- 10,00,000/- Total Amt 60,00,000/-
9	Furniture & Fixture, Electric installation Computers, Fax Machine etc.	II Floor Plot No. 7, Sarita Vihar , Pocket H, New Delhi	IFFCO-TOKIO General Insurance Co. Ltd.	22.09.2005	Burglary Policy	Manual -16/BU/ 05-06/001043 System-44021735	10,00,000/-
10	Office Building	Shop No. 96, 1st Floor, East Street Galleria Complex (Porwal Plaza) CTS No. 2421, General Thimmayya Rd, (East Street) Pune	IFFCO-TOKIO General Insurance Co. Ltd.	13.02.2006	Standard fire and Special Peril policy	Manual-16/IFR/ 05-06/003819 System- 11100109	15,00,000/-
11	Furniture & Fixture, Computers, Electrical fittings etc,	Fomra Towers, 2nd Floor, Room No. 208, 84A A. J.C Bose Road, Opp. Gem Cinema, Kolkata- 700014	IFFCO-TOKIO General Insurance Co. Ltd.	27.10.2005	Standard Fire & Spl. Peril Policy	Manual-16/IFR/ 05-06/002851 System- 11083861	5,00,000/-
12	Building.	Fomra Towers 2nd Floor, Room No. 208, 84A A. J.C Bose Road, Opp. Gem Cinema, Kolkata -700014	IFFCO-TOKIO General Insurance Co. Ltd.	27.10.2005	Standard Fire & Spl. Peril Policy	Manual-16/IFR/ 05-06/002850 System- 11083857	15,00,000/-
13	Furniture & Fixture, Computers, Electrical fittings etc.	Fomra Towers, 2nd Floor, Room No. 208, 84A A. J.C Bose Road, Opp. Gem Cinema, Kolkata - 700014	IFFCO-TOKIO General Insurance Co. Ltd.	27.10.2005	Burglary Policy	Manual-16/BU/ 05-06/001139 System- 44022856	5,00,000/-
14	Building Furniture & Fixture, Computers, Electrical fittings etc.	401, Shrikant Chambers, Near R K Studio, Chembur Mumbai - 400 071	IFFCO-TOKIO General Insurance Co. Ltd.	27.10.2005	Standard Fire & Spl. Peril Policy	Manual-16/IFR/ 05-06/002848 System- 11083852	15,00,000/- 5,00,000/- Total Amt 60,00,000/-

Sr. No.	Particulars/ Description	Location	Name of the Insurance Co.	Effective from	Risk Covered	Policy no	Sum Insured (Rs.)
15	Furniture & Fixture, Computers, Electrical fittings etc.	401, Shrikant Chambers, Near R K Studio, Chembur Mumbai - 400 071	IFFCO-TOKIO General Insurance Co. Ltd.	27.10.2005	Burglary Policy	Manual-16/BU/ 05-06/001138 System- 44022854	5,00,000/-
16	Building - Furniture & Fixture, Computers, Electrical fittings etc.	1-E, 1st Floor “ Alsa Regency”, 165, Eldams Road, Alwarpet, Chennai - 600 018	IFFCO-TOKIO General Insurance Co. Ltd	27.10.2005	Standard Fire & Spl. Peril Policy	Manual-16/IFR/ 05-06/002849 System- 11083848	25,00,000/- 5,00,000/-
17	Furniture & Fixture, Computers, Electrical fittings etc.	1-E, 1st Floor “ Alsa Regency”, 165, Eldams Road, Alwarpet, Chennai - 600 018	IFFCO-TOKIO General Insurance Co. Ltd	27.10.2005	Burglary Policy	Manual-16/BU/ 05-06/001137 System- 44022847	5,00,000/-
18	Stock and Building Raw Material, Finished Goods, Drilling Equit. (all type of spares)	Village Prithala. Tehsil Palwal Distt Faridabad	IFFCO-TOKIO General Insurance Co Ltd	10.05.2006	Standard Fire and Special Perils policy	47037392	1,00,00,000/- 5,00,000/- Total Amount 1,05,00,000/-
19	Stock in trade- All type of spares, Tools, Accessories, Finished Goods.	Village Prithala Tehsil Palwal Distt Faridabad	IFFCO-TOKIO General Insurance co Ltd	10.05.2006	Burglary Policy	47037392	1,00,00,000/-
20	Stock, Building Plant & Machinery -Stock -Building -Plant & Machinery & Accessories. - Furniture & Fixture Stock all type of Spares Parts, Raw Material etc	Village Dudhola Tehsil Palwal Distt Faridabad	National Insurance co Ltd	25.01.2006	Standard Fire and Special Perils Policy	361101/11/05/ 3400000811	4,00,00,000/- 1,00,00,000/- 25,00,000/- 25,00,000/- Total Amount 5,50,00,000/-
21	Stock in trade Plant & Machinery, Furniture & Fixture & Fittings	Village Dudhola Tehsil Palwal Distt. Faridabad	National Insurance Co Ltd	25.01.2006	Burglary	361101/46/ 05/7500000370	4,00,00,000/- 25,00,000/- 25,00,000/- Total Amount

# **PROPERTY DETAILS OF CURRENT LEASE/OWNED PREMISES**

The details of the sale deeds pertaining to the immovable properties owned by the Company are as follows:-

## **Owned Properties/Premises**

Sr. No.	Seller	Nature of the Agreement	Date of the Agreement	Description of the Property
1	Sh. Gangaram & Sh. Ghordan	Sale Deed	03.05.2005	Agricultural land admeasuring 2.39 acres situated at village Dudhaulla, Tehsil Palwal, District Faridabad, Haryana
2	C. Lal Aliyaz Pvt. Ltd.	Sale Deed	30.03.2005	Agricultural land admeasuring 3 acres situated at village Dudhaulla , Tehsil Palwal, District Faridabad, Haryana
3	Sh. Roopchand	Sale Deed	03.03.2005	Agricultural land admeasuring 2.39375 acres situated at village Dudhaulla, Tehsil Palwal, District Faridabad, Haryana
4	Sh. Giriraj	Sale Deed	04.05.2005	Agricultural land admeasuring 0.05625 acres situated at village Dudhaulla,, Tehsil Palwal, District Faridabad, Haryana
5	Sh. Amarchand & Sh. Amarchand through GPA of Smt. Satbiri	Sale Deed	04.05.2005	Agricultural land admeasuring 1.2 acres situated at village Dudhaulla, Tehsil Palwal, District Faridabad, Haryana
6	Sh. Ashok Kumar Bhatia, Sh. Raj Bhatia, Smt. Kavita Bhatia & Smt. Sushma Bhatia	Sale Deed	23.01.2004	Agricultural land admeasuring 1.54375 acres situated at village Prithala, Tehsil Palwal, District Faridabad, Haryana
7	Sh. Satish Kumar , Sh. Satish Chand & Sh. Virender Kumar	Sale Deed	21.08.1997	Agricultural land admeasuring 1.71875 acres situated at village Prithala, Tehsil Palwal, District Faridabad, Haryana
8	M/s. Shafali Ceramic (P) Ltd.	Sale Deed	03.02.1995	Agricultural land admeasuring 1.61875 acres situated at village Jharsentli, Tehsil Ballabgarh, District Faridabad, Haryana
9	Mr. K. Chandra Mouli	Sale Deed	28.02.2005	Office at Chennai-Built up Area 1225 sq.ft. (undivided share of land about 510.63sq. ft.) at Flat no. 1E, situated on the First Floor, Building known as “Alsa Regency”, in Old Door no. 165, New Door no. 165, Eldams Road, Alwarpet, Chennai - 600018
10	Mr. Sandeep Kr. Garg & Mr. Manish Kr Jain	Sale Deed	11.08.2005	Land at Dadri at 0.625 acre at Gram Bhovapur, Pargana Dasna, Tehsil Hapur, Dist. Ghaziabad
11	Mr. Manoj Kr. Garg Mr. Sachin Kr. Jain.	Sale Deed	11.08.2005	Land at Dadri 1.250 acres Gram Bhovapur, Pargana Dasna, Tehsil Hapur, Dist. Ghaziabad
12	Digambar Singh	Sale Deed	15.09.2005	Agricultural land admeasuring 1.009375 acres at Dudhaulla, Tehsil Palwal, District Faridabad
13	Digambar Singh	Sale Deed	15.09.2005	Agricultural land admeasuring 2.58125 acres at Dudhaulla, Tehsil Palwal, District Faridabad
14	Sh. Ram Kishan	Sale Deed	08.11.2005	Agricultural land Admeasuring 1.45625 acre at village Dudhaulla, Tehsil Palwal, District Faridabad

Sr. No.	Seller	Nature of the Agreement	Date of the Agreement	Description of the Property
15	Smt. Poonam Bhatta & Smt. Chhaya Sinha	Sale Deed	31.10.2005	Agricultural land Admeasuring 6.1125 acre at village Dudhaulla, Tehsil Palwal, District Faridabad
16	Sh Ashok Kumar Bhatia	Sale Deed	19.12.2005	Admeasuring 1 acre at village Dudhaulla, Tehsil Palwal, Distt. Faridabad
17	Sh Ashok Kumar Bhatia & GPA	Sale Deed	19.12.2005	Admeasuring 0.46875 acre at village Dudhaulla, Tehsil Palwal, Distt. Faridabad
18	Sh Ashok Kumar Bhatia & Digambar Singh	Sale Deed	19.12.2005	Admeasuring 1.10625 acre at village Dudhaulla, Tehsil Palwal, Distt. Faridabad
19	Smt. Sarlabai Yuvraj Sanghavi Through her attorney holder Sh. Suresh Chandanmal Sanghavi	Assignment Deed	07.04.1998	Office admeasuring 295 sq.ft. at no. 96, situated on First Floor, CTS. No. 2421, General Thimmayya Road, Pune Cantonment, Pune.
20	KK Enterprises	Agreement to Purchase	23.3.1998	Office admeasuring 1125 sq.ft. at second floor, Manish Complex, , II Floor, Plot No 7, Pocket H , Sarita Vihar, New Delhi
21	Sh. Shrikant Studios Pvt. Ltd.	Agreement to Sell	31.12.2003	Office admeasuring 30 sq. Mtr. Office No. 401, Shrikant Chambers, Sion Trombay Road, Chembur, Mumbai
22	Omega Associates- 514 Dalmal Towers Nariman Point Mumbai 400021	Agreement for sale	08.11.2005	1995 sq. fts. Built up Area, Flat No. 1102, 11th Floor, Ambrosia Building in Hiranandani Gardens, Mumbai
23	Sh.Raghubir, Sh.Satpal & Others	Sale Deed	09.05.2006	Agricultural land admeasuring 10 acre 1 Kanal 3 Marla situated at village Dhudhola, Tehsil Palwal, Distt. Faridabad
24	Sh.Hari Singh	Sale Deed	11.05.2006	Agricultural land admeasuring 1 Acre 5 Kanal 1 Marla situated at village Dhudhola, Tehsil Palwal, Distt. Faridabad
25	Sh.Jeet Ram	Sale Deed	08.05.2006	Agricultural land admeasuring 2 Acre 7 Kanal 4 Marla situated at village Dhudhola, Tehsil Palwal, Distt. Faridabad
26	Sh.Amar Chand	Sale Deed	22.05.2006	Agricultural land admeasuring 3 Acre situated at village Dhudhola, Tehsil Palwal, Distt. Faridabad
27	Sh.Tota Ram	Sale Deed	11.05.2006	Agricultural land admeasuring 6 Kanal 13 Marla situated at village Dhudhola, Tehsil Palwal, Distt. Faridabad
28	Sh.Lekhan Singh & others	Sale Deed	11.05.2006	Agricultural land admeasuring 3 Kanal 6.5 Marla situated at village Dhudhola, Tehsil Palwal, Distt. Faridabad
29	Sh.Dev Rattan, Satbir & others	Sale Deed	08.05.2006	Agricultural land admeasuring 4 Acre 6 Kanal 11.5 Marla situated at village Dhudhola, Tehsil Palwal, Distt. Faridabad

Sr. No.	Seller	Nature of the Agreement	Date of the Agreement	Description of the Property
30	Sh.Rohtas & Others	Sale Deed	26.05.2006	Agricultural land admeasuring 1 Acre - Kanal 15.Marla situated at village Dhudhola, Tehsil Palwal, Distt.Faridabad
31	Smt.Murti & Others	Sale Deed	23.06.2006	Agricultural land admeasuring 3 Kanal 7 Marla situated at village Dhudhola, Tehsil Palwal, Distt.Faridabad
32	Smt.Gade Vijayalakshmi	Sale Deed	08.03.2006	Office admeasuring 900 sq.yds or 752.517 sq mts.at survey No.122/1 of Thungalam Village, Gajuwaka Municipal Limits, Gujuwaka Mandal, Visakhapatnam Distt.
33	M/s Petunia Impex Private Ltd	Sale Deed	22.02.2006	Situated at Survey No.2042 on Groud Floor, “ALSA REGENCY” Eldams Road, Alwarpet, Chennai
34	U.P State Industrial Development Corporation Ltd.	Lease Deed	22.06.2006	Plot No. C-5, C-6, C7 & C-8 situated at Industrial Area Bazpur (District. UddhamSingh Nagar), Uttaranchal, admeasuring 15,154.32 square meters.

Extracts of the restrictive clauses in the lease deed signed with U.P State Industrial Development Corporation Ltd. for the property purchased at Bazpur District: UddhamSingh Nagar), Uttaranchal :

- The company shall not make or attempt to make any alterations, whatsoever in the provisions of its memorandum and articles of association or in its capital structure without the prior written consent of UPSIDC.
- The company shall not change its name, without prior information to UPSIDC and effect enblock transfer of shares even in phases resulting in change of management unless a prior written permission of the Lessor is obtained.

#### Leased Properties/Premises

Sr. No.	Land Lord	Nature of the Agreement	Period of the Agreement	Description of the Property
1	Sh. Vijay Agarwal & Smt Mona Agarwal	Licence Agreement	01.08.2005 - 31.07.2008	Office at Plot No. 17A, Sector 11, DLF Model Town, Faridabad
2	Sh. Vijay Agarwal	Licence Agreement	01.04.2005 - 31.03.2008	Office at 84A, Acharya Jagadish Chandra Bose Road, P S Taltala, Kolkata-14
3	Sh. R. Veeraju	Lease Agreement	22.06.2005	Office at Portion in D.No. 39, Aladhavadhara Vuda Layout, Near R.T.A Office, Visakhapatnam 530018

#### Manufacturing Facilities

##### Existing Facility: Ballabgarh Plant

The Company's current manufacturing facility is located in Faridabad district of Haryana. This facility has an installed capacity to manufacture 200 equipment per month and currently this plant is under full capacity utilization. The Company manufactures Hydraulic Mobile Cranes, Mobile Tower Cranes etc in this fully equipped plant.

##### Upcoming Facility: Bazpur Plant

The Company is also in the process of setting up an assembly unit of cranes in Bazpur, Dist. Uddham Singh Nagar, Uttaranchal, a designated backward area vide notification no “No. 1 (10) / 2001 - **NER**” of Government of India - Ministry of Commerce and Industry. As per the notification, this assembly unit will be eligible for income tax benefit under Sec 80-IC for 100% of Profit and Gains of this unit for the first five (5) years of commencing with the initial assessment year and 30% for the next 5 assesment years. The company is also eligible for capital investment subsidy @ 15% of their investment in plant and machinery, subject to a ceiling of Rs. 30 Lac.

**Proposed Facility: Dudhaura Plant**

The proposed facility at Dudhaura is being set up to cater to the increased demand of construction equipment & will be dedicated towards manufacturing of Back Hoe Loaders, Fixed Tower Cranes and other construction equipment which will compliment the company's existing range of products. At present the company targets to achieve manufacturing capacity of 50 Back Hoe Loaders & 5 fixed tower cranes per month and subsequently increase it further to 100 equipment per month.

**Machinery**
**Present Facility - Ballabgarh Plant**

Following is the list of existing plant and machinery-

Sr No	DESCRIPTION	MAKE	QTY.
1	Arc Welding Set	Standard/Vijay	19
2	Gas Cutting Set	Assembled	5
3	Over Head Crane 500kg	Century Crane	1
4	Over Head Crane 2t	Century Crane	2
5	Over Head Crane 3t	Century Crane	3
6	Over Head Crane 5t	Homech	1
7	Air Compressor 10hp	K.G.K.	1
8	Air Compressor 10hp	Ingersollrand	1
9	Air Compressor 30hp	K.G.-2	1
10	Water Blasting Motor 3hp	Everest	1
11	Filtration Unit	Assembled	1
12	Battery Charger 90v	Vesta	1
13	Battery Charger 72v	Surjeet	1
14	Battery Charger 24v	-Do-	1
15	Gen.Set 62.5 Kva	Saktiman	2
16	Gen.Set 200 Kva	Mwm Greaves	1
17	Weighing M/C 2t	Aman	1
18	Weighing M/C 2t		1
19	Weighing M/C 10kg	Aman	1
20	Drill M/C 10mm	Kpt	1
21	Drill M/C 13mm	-Do-	5
22	Drill M/C 6mm	Kpt	1
23	Drill M/C Pedestal 3/4"	Royal	1
24	Drill M/C 23mm	Kpt	2
25	Sander Grinder	Kpt	7
26	Angle Grinde	Kpt	2
27	Fixed Grinder	Royal	1
28	Hyd. Pallet Truck 2t	Mahindra Stiller	1
29	Pallet Truck		2
30	Painting Equipment	Pilot	6
31	Bench Vice No-6	Orcan	1
32	Bench Vice No-3	Gic	1
33	Pipe Cutter		2
34	Harness Tester	Krystal Elmec	1
35	Pipe Bender	Inder	1
36	1/2"Pneumatics Wriench	Chicago 734h	6
37	Hyd. Press	Isma Ind.	1
38	Hyd. Press	Bemco	1
39	Air Compressor 100 Cfm	Elgi	1



**Proposed Facility: Dudhaura Plant**

Following is the list of Plant & Machinery to be procured-

Sr No	Particulars	Capacity / model	Nos
1	Single Girder EOT Cranes	5 Ton	10
2	Fork Lift GX 300D	3 Ton	2
3	Fork Lift GX 500 D	5 Ton	2
4	CNC Messer Comcut Plasma Cutting Machine	4100 x 10000	1
5	DG Sets	600 KVA	2
6	Submerged Arc Welding Machine	DC 600	10
7	High Definition Plasma Cutting Machine	HD 3100 16mm thickness	1
8	CNC Hydraulic Press Brake	EHP 650.62/51	2
9	CNC Hydraulic Shearing Machine	VS-6113	2
10	CNC Hydraulic Punch Press	Aquila 2500	2
11	Rotary Compression Bender	RCB 1 HP	2
12	Multi station Fabrication Machine	HY 100	2
13	Hydraulic Press Brake	PB1630	2
14	Paint Shop		2
15	Mig Welding Machines/Equipment	SDX400 AMPS	12
16	Radial Drilling Machine	MAG-4	2
17	Vertical CNC Machining Centre	MCV 600 CX	1
18	Horizontal CNC Machining Centre	HB 500	1
19	Mobile Crane	12 Tonne	1
20	Pneumatic Tools		15 sets
21	JibCranes	2 T	2
23	Air Compressor	25 HP with 105 CFM	2
24	CNC Messer Comcut Machine(Plasma Cutting) already received.	4100 X 16000	1

**UTILITIES**
**1. Power**
**Ballabgarh Plant**

The Company has made the necessary arrangements for the purpose of power supply. Present connected load is 210 KVA from Dakshin Haryana Bijli Vitran Nigam Ltd vide its sanction letter dated 2 Jan-2004. Two DG sets of capacity 125 KVA and 200 KVA are installed to take care of the power cuts / failures.

**Upcoming Facility: Bazpur Plant**

The power requirement for the Bazpur plant is 200KW. The Company is in process of making application for the same to the respective authorities. The Company shall install DG sets as an alternate arrangement for power.

**Proposed Facility: Dudhaura Plant**

The Company vide its letter dated June 20, 2005, Ref No: ACE:ADM:05:232 has applied to the Palwal Industries Association for a three phase 50 KW electricity connections. The Company has received sanctions from Dakshin Haryana Bijli Vitran Nigam Limited for 200 KW and 100 KW vide their letters dated June 30, 2006. Power requirement after the implementation of the project is expected to be 1000 KW. However, the Company shall make applications in future for sanction of additional power as per the increase in requirement after implementation of the project.

**Alternate arrangement:**

The Company will install DG Sets at new manufacturing unit and fuel requirement will be met through various outlets located near the plant.

**2. Water****Ballabgarh Plant**

Water is not required for the manufacturing process of cranes and other equipment manufactured by the Company. Water requirement for miscellaneous purpose is met through bore-wells and water tankers.

**Upcoming Facility: Bazpur Plant**

Water requirement is only for miscellaneous purpose which will be met through bore-wells and water tankers.

**Proposed Facility: Dudhaura Plant**

Water is not required for the manufacturing process of Loaders and other equipment to be manufactured by the Company. Water requirement for miscellaneous purpose will be met through bore-wells and water tankers.

**3. Effluent Disposal****Ballabgarh Plant**

The Haryana State Pollution Control Board vide its letter-dated 24.12.96, has given consent that there is no requirement of an effluent treatment in the manufacturing process of Mobile Cranes.

**Upcoming Facility: Bazpur Plant**

This is going to be an assembly unit, hence no effluent would be formed. However to comply with the requirement company has received a provisional no objection certificate from District Industry Centre, Udham Singh Nagar, Uttaranchal.

**Proposed Facility: Dudhaura Plant**

No effluent will be formed in the manufacturing process at this unit. However to comply with the requirement, the company will apply for an NOC from The Haryana State Pollution Control Board, once the plant is established.

**4. Manpower****Ballabgarh Plant**

Currently, there are 184 employees engaged in the activity of manufacturing Mobile Cranes and Mobile Tower Cranes. In future, the company will require additional manpower for the Dudhaura plant. There is easy availability of labour and the Company does not foresee any problem in hiring more manpower.

**Upcoming Facility: Bazpur Plant**

Only one officer has been appointed for the said plant. The strength of the employees will be increased in future as per the requirement and as per the completion of the construction of the assembly unit.

**Proposed Facility: Dudhaura Plant**

Presently, the Company has recruited 70 personnel for this plant. In future the company has to obtain license under the Factories Act, 1948.

**Designing Team**

The Designing Department comprises of eleven qualified engineers. Designing is done on CAD/CAM and Solid Edge Design software using 3D modeling. The main function of this department is to design and develop new products, value engineering, upgradation of existing products and analysis of field problems and their remedial actions.

At present major assignment in hand is development of 20 ton rough terrain crane and consolidating design and validation of Back Hoe Loader.

**5. Raw Materials - Source of Raw Materials are as under**
**Ballabgarh Plant**

Details of raw materials	Sources of raw materials	Methods of procurement of raw materials presently/ Payment Terms
Engines	Simpson & Co.	Immediate or LC with 30 days credit period
Cylinders	Dantal Hydraulic P Ltd. Oscar Equipment P Ltd. Veljan Hydrair P Ltd.	Immediate or LC with 60 days credit period
Tyres	MRF Ltd Good Year India Ltd Dixon Tyres & Galaxy Motors JK Tyres	Immediate or LC
Winch	Century Cranes P Ltd SAI India Ltd	60 days clean credit
Hydraulic Components	Vickers Systems International Ltd. Denision Hydraulic India Ltd. Bosch Rexroth India Ltd. Quardomatic Engg. Ltd.	Against delivery
Wheel RIM	AM Industries Carrier Wheel	Against delivery
Paints	Bajrang Paints Plaza Paints	60 days clean credit
Clutch Plates	Clutch Auto Ltd	30 days clean credit
Gear Box Parts	GNA Axle Ltd. Globe Precision Ind Ltd. Sanision India Ltd. Shiv Shakti Enterprises	30 days clean credit
Brake Assembly Parts	Sundram Clayton Ltd. Brakes India Ltd.	Against delivery
Glasses	Gudex Glass Industries Ltd. Gurind India P Ltd.	Immediate
Hook Forging	Sarvodaya Forging Jrew Steel	30 days clean credit
Fabricated Items	Ace Steel Fab P Ltd. Metal & Forming Perfect Iron RR Engineering	Immediate
Wire Rope	Alpha Engineering Asahi Steel Ind P Ltd.	Against delivery
Hub & Drum	Auto Gem India Hind Engineering Spica Engineering	Against delivery
Gear Box with Motor	Bonfigiloili Transmission P Ltd. Sew Eurodrive India P Ltd. Sohki Heli Wom India P Ltd	Against delivery
MS Pipes	Shib Das & Sons Garg Traders	30 days clean credit
Batteries	Exide Industries Tafe Industries Ltd	Immediate

Details of raw materials	Sources of raw materials	Methods of procurement of raw materials presently/ Payment Terms
Hook Block Assembly	Kaushav Industries Indian Metal Bharat Auto Sankalp	60 days clean credit
Radiators	Nissim India	30 days clean credit
Castings	Shyam Alloys Ashoka Mechanical Nelcast	Immediate
Bearings	Turbo Bearings Orbit Bearing	30 days clean credit
Control Panel	Vintage Mec Engines	30 days clean credit
Rubber Bidding	Bharat Rubber Victor Rubber	30 days clean credit
Axle & Transmission Assembly	Carraro SPA, Italy	LC with 90 days credit period
OC Valve	Carraro SPA, Italy	LC with 90 days credit period
Lorry Loader Crane (Truck Mounted)	Autogru PM, Italy	LC with 90 days credit period

**Major Suppliers:**

Simpson & Co. Dantal Hydraulic P Ltd. Oscar Equipment P Ltd. Veljan Hydrair P Ltd. MRF Ltd Good Year India Ltd. Dixon Tyres & Galaxy Motors JK Tyres Century Cranes P Ltd SAI India Ltd Vicker Systems International Ltd. Denision Hydraulic India Ltd. Bosch Rexroth India Ltd. Quardomatic Engg. Ltd. AM Industries Carrer Wheel Shyam Alloys Turbo Bearings Vintage Carraro SPA, Italy	Bajrang Paints Plaza Paints Clutch Auto Ltd. GNA Axle Ltd. Globe Precision Ind Ltd. Sanision India Ltd Shiv Shakti Enterprises Sundram Clayton Ltd. Brakes India Ltd Gudex Glass Industries Ltd. Gurind India P Ltd. Sarvodaya Forging Jrew Steel Ace Steel Fab P Ltd. Metal & Formimg Perfect Iron Ashoka Mechanical Orbit Bearing Bharat Rubber Autogru PM, Italy	RR Engineering Auto Gem India Hind Engineering Spica Engineering Bonfigiloili Transmission P Ltd. Sohki Heli Wom India P Ltd Sew Eurodrive India P Ltd. Shib Das & Sons Garg Traders Exide Industries Tafe Industries Ltd Kaushav Industries Indian Metal Bharat Auto Sankalp Nissim India Nelcast Mec Engines Victor Rubber
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All suppliers supply the material as per Purchase Orders and subsequent supply schedules issued by the Company. There is no tie up/ agreement apart from the Purchase Orders issued by the Company. Most of them are company's regular suppliers and have been supplying regularly for the past five or more years on the basis of its requirement and as per its drawings, specifications

and Purchase Orders. The Company is regularly developing various suppliers for procuring quality raw material and at reasonable price/cost. The Company has various suppliers for each item; hence it does not foresee any non-availability of Raw Material in time.

### III. KEY INDUSTRY- REGULATIONS AND POLICIES

At present, the Company is required to take the roadworthiness certificate for its Mobile Cranes/Loaders from the Automotive Research Association of India (ARAI) in terms of the requirement under the **Central Motor Vehicles Rules, 1989**. The Company has obtained /received such certifications for its Mobile Cranes/Loaders, the details of which is as follows:

S No.	Certificate No & Date	Model	Type	Technical Specification No.
1	ARAI/CMVR-CEV/720B/2006-116 Dated : 27.02.2006	FEL - 75	Front End Loader Diesel Engine Power : 43.99kW @ 2300 rpm, Cubic Capacity: 3330cc ULW kg. 5700	ACE/FEL-75/ T-14
2	ARAI/CMVR-CEV/663B/2006-145 Dated : 14.03.2006	15XW	Articulated Hydraulic Mobile Crane Diesel Engine Power : 77.55kW @ 2500 rpm, Cubic Capacity: 5800cc ULW kg. 10500	ACE/P615XW/ T-14
3	ARAI/CMVR-CEV/721B/2006-117 Dated : 27.02.2006	12XW	Articulated Hydraulic Mobile Crane Diesel Engine Power : 43.99kW @ 2300 rpm, Cubic Capacity: 3330cc ULW kg. 9800	ACE/12XW/ T-14
4	ARAI/CMVR-CEV/664B/2006-113 Dated : 27.02.2006	RHINO 110	Articulated Hydraulic Mobile Crane Diesel Engine Power : 43.99kW @ 2300 rpm, Cubic Capacity: 3330cc ULW kg. 8670 Variants : RHINO 110C, RHINO 110T, RHINO 110 FC, RHINO 110 CITY	ACE/Rhino110CITY/T-14 / 01
5	ARAI/CMVR-CEV/718B/2006-114 Dated : 27.02.2006	RHINO 90	Articulated Hydraulic Mobile Crane Diesel Engine Power : 43.99kW @ 2300 rpm, Cubic Capacity: 3330cc ULW kg. 8350 Variants : RHINO 90C, RHINO 90T	ACE/Rhino90/ T-14
6	ARAI/CMVR-CEV/719B/2006-120 Dated : 28.02.2006	RHINO 60	Articulated Hydraulic Mobile Crane Diesel Engine Power : 43.99kW @ 2300 rpm, Cubic Capacity: 3330cc ULW kg. 7200	ACE/Rhino60/ T-14
7	ARAI/CMVR-CEV/662B/2006-092 Dated : 20.2.2006	AX - 130	Back Hoe Loader Diesel Engine Power : 60 kW @ 2200 rpm, Cubic Capacity: 4000 ULW kg. 7160	ACE/AX-130/T-14 / 03
8	ARAI/CMVR-CEV/663B/2006-146 Dated : 14.03.2006	15XW- S	Articulated Hydraulic Mobile Crane Diesel Engine Power : 60 kW @ 2200 rpm, Cubic Capacity: 4000cc ULW kg. 11450	ACE/15XW-S/ T-14
9	ARAI/CMVR-CEV/1202B/2006-368 Dated : 25.07.2006	14XW	Articulated Hydraulic Mobile Crane Diesel Engine Power : 43.99 kW @ 2300 rpm, Cubic Capacity: 3330cc ULW kg. 12000	ACE/14XW/ T-15

#### **IV. HISTORY AND CORPORATE STRUCTURE**

Action Construction Equipment Limited was incorporated under the provisions of Companies Act, 1956, and is registered with the Registrar of Companies, NCT of Delhi & Haryana (“ROC”). The Company was incorporated on January 13, 1995, as a private limited company in the name and style of “Action Construction Equipments Private Limited” under registration number 55-64347. Subsequently, the Company was converted into a public limited company and a fresh certificate of incorporation to this effect was issued by the ROC on October 4, 2005. The name of the company was further changed from Action Construction Equipments Limited to Action Construction Equipment Limited vide the new certificate of incorporation consequent upon change of name dated March 23, 2006.

At the time of incorporation the registered office of the company was located at 352, Mandankini Enclave, New Delhi - 110019. On May 21, 1998, it was shifted to II Floor, Plot No.7, H-Block, Sarita Vihar, New Delhi 110 044, the current registered office.

##### **Evolution**

Action Construction Equipment Limited was initially promoted by Mr. Vijay Agarwal, Mrs. Mona Agarwal, Mr. Khem Karan Arora and Mrs. Laj Arora as subscribers to the Memorandum. Subsequently, Mr. Khem Karan Arora and Mrs. Laj Arora ceased to be the members of the Company and the shares were transferred to the current promoters of the Company. The Company commenced its activities in the year 1995 and started manufacturing Hydraulic Mobile Cranes in 1995 under the brand name “ACE”. Today, the Company is a major supplier of this product to a number of reputed companies in the private as well as government sector. To name a few Reliance, ABG, L&T (ECC), BSES, BHEL, Punj Lloyd, Essar, Gammon India, Nagarjuna Construction, Gujarat Ambuja, IISCO, Simplex Concrete, Coal India, BSNL, Gannon Dunkerley, Bhushan Steel, PSL, Oswal, ISPAT, IVRCL, Indian Railways, Adani Port, NTPC, IOCL, Shapoorji Pallonji, Alstom, NHPC, UB, ACC, Tata, Kalpataru, KEC, Krupp, Airport Authority of India, Ministry of Defence, HPCL, IPCL, Unitech, Welspun, Aditya Birla Group etc. Apart from the above the company started manufacturing of mobile tower cranes and loaders subsequently.

During the year 1995-96, the Company manufactured 110 mobile cranes while in the year 2005-06, the company manufactured 1902 equipment.

The Company’s manufacturing facility is based in Industrial town of Faridabad and now the Company is in the process of setting up of its second manufacturing plant at Dudhaura (Faridabad) for manufacturing Back Hoe Loaders and Fixed Tower cranes up to capacity of six tons. Beside the Company is also in the process of setting up an assembly unit at Bazpur, Distt. Uddham Singh Nagar Uttaranchal for assembling cranes

The Company is also providing effective pre-sales and after sales service for its entire product range and has developed a network of 37 sales and service outlets and 5 Regional offices. These outlets and offices are further supported by a dedicated product support division.

In its endeavor to increase its product portfolio, the company over a period of time, has entered into marketing tie-ups with leading foreign companies like Autogru PM Italy, Maber-Italy, Zoomlion- China and Tigieffee SRL-Italy. The Company is selling their products in India and also providing after sales support for these products.

The Company was awarded ISO-9001 certification in the year 1997 which ensures that designing, development, procurement, production, testing, installation and product support meet the most stringent norms.

The Company has an in-house R&D department, which has been working consistently for improving and upgrading the existing range of products and continuously working towards developing new products. Value engineering also forms a very important aspect in the R&D activity. The Company’s team of R&D engineers use the latest design software’s including 3D modeling etc

The Company exported its first machine in the year 1999 and subsequently it has exported machines to countries like UAE, Qatar, Sultanate of Oman, Kuwait, South Africa, Kenya, Nigeria, Mauritius, Sri Lanka, Nepal, Bhutan, Bangladesh, Singapore and Portugal. The company has already set up some dealerships abroad and is in the pursuit of setting up more dealerships in South East Asia, Middle East Asia and Africa.

Recently the Company has been awarded with CNBC TV18 Emerging India Award in the “Infrastructure” Category for the year 2006 sponsored by ICICI Bank and powered by CRISIL.

### Major Events in the history of the Company:

Year	Milestones
1995	<ul style="list-style-type: none"> <li>Action Construction Equipments Private Limited was incorporated on January 13, 1995</li> <li>Rolled out its first Hydraulic Mobile Crane.</li> </ul>
1997	<ul style="list-style-type: none"> <li>Received ISO 9001 certification</li> <li>Secured its biggest order since inception from Reliance Industries Ltd.</li> <li>Established its first Regional Office in Mumbai</li> </ul>
1998	<ul style="list-style-type: none"> <li>Rolled out its first Mobile Tower Crane</li> <li>Established its marketing headquarter in New Delhi</li> <li>Developed the Rhino Series Mobile Cranes</li> </ul>
1999	<ul style="list-style-type: none"> <li>Rolled out its First Loader</li> <li>Exported its first machine</li> </ul>
2001	<ul style="list-style-type: none"> <li>Tie-up with Autogru PM, Italy for distribution of their products</li> </ul>
2004	<ul style="list-style-type: none"> <li>Sold first Zoomlion-China Tower Crane and entered into the field of Fixed Tower Cranes</li> </ul>
2005	<ul style="list-style-type: none"> <li>Established a dedicated Product Support Division</li> <li>During the financial year 2004-05, the Company crossed the production figure of 1000 Equipment</li> <li>Produced more than 200 Equipment in a month for the first time ever during September 2005</li> <li>The Company converted from Private Ltd to Public Limited and changed its name to Action Construction Equipments Limited on October 4, 2005</li> <li>The Company issued 4,00,000 equity shares to BCCL on preferential basis on September 08, 2005</li> </ul>
2006	<ul style="list-style-type: none"> <li>The Company has been awarded with CNBC TV18 Emerging India Award in the “Infrastructure” category, sponsored by ICICI Bank and powered by CRISIL.</li> <li>The Company issued 10,00,000 equity shares to WITEC, a financial investor on preferential basis on March 13, 2006</li> <li>Received its single largest order of 60 cranes from Reliance for its upcoming Jamnagar Refinery.</li> <li>The name of the company changed from Action Construction Equipments Ltd. to Action Construction Equipment Ltd. on 23<sup>rd</sup> March 2006.</li> </ul>

### Main Objects of the Company:

The Company is primarily engaged in the business of designing, manufacturing, marketing and servicing of construction machinery.

The main objects for which the Company was incorporated are as under:

- To carry on the business of designing, developing, fabricating, processing, repairing, assembling, manufacturing, buying, selling, reselling, importing, exporting, imported machinery and equipment, distributing, hiring, letting on hire dealing in all kinds of construction machinery, plant, equipment, instruments and appliances, operated by the use of electricity, steam, motive power or mechanical force or otherwise for all chemical, mechanical, electrical, electronic, metallurgical, agriculture, constructional and other engineering industries.
- To manufacture, assemble, produce, work, repair, distribute, buy and sell or otherwise deal in all kinds of lathes, shapers, drillers, grinders, boring, machines, slotters, milling machines, scientific and precision instruments and surgical instruments.
- To carry on and conduct workshops, engineering works of every description and kind and foundries of iron and steel, brass and other metals, wood and any other substances.



4. To carry on business of designing, developing, processing, manufacturing, buying, selling, reselling, importing, exporting, imported goods, materials, etc., distributing and dealing in all kinds of machinery.
5. To carry on the trades or business of builders, contractors, sub-contractors, decorators, plumbers, technicians, mechanics, masons, electricians, scaffolding and tower setters, engineers, including civil, sanitary, structural, electrical, mechanical, mining and chemical engineers, architects, planners, designers, technical advisors, analysts, investigators, consultants, fabricators and founders in their various fields and branches and whether in India or abroad.

**Changes in the Memorandum and Articles of Association of the Company since incorporation**

Sr no.	Particulars	Date of Alteration
1	Increase in Authorised Capital of the Company from Rupees Ten Lac to Rupees Fifty Lac.	11.09.1995
2	Inserted a new clause no 34 in Articles for the authorization to Board to appoint Additional Director from time to time, pursuant to section 260 of the Companies Act, 1956.	01.11.1997
3	Increase in Authorised Capital of the Company from Rupees Fifty Lac to Rupees One Crore.	27.02.1998
4	Change in Registered Office of the company within the city from 352, Mandankni Enclave, New Delhi to II Floor, Plot No 7, H-Block Sarita Vihar, New Delhi	21.05 1998
5	Increase in Authorised Capital of the Company from Rupees One Crore to Rupees One Crore and Fifty lac.	15.03.2003
6	Increase in Authorised Capital of the Company from Rupees One Crore and Fifty Lac to Rupees Three Crore.	09.02.2004
7	Increase in Authorised Capital of the Company from Rupees Three Crore to Rupees Twenty Crore.	18.08.2005
8	Sub-Division of Shares from Rs. 100/-per share to Rs. 10/- per share	18.08.2005
9	Change of name of the Company due to conversion from private limited to public limited company.	23.08.2005
10	Inserted a new clause 20A in Articles for capitalisation of Reserves for issue of bonus shares.	23.08.2005
11	Amended Articles as per the guidelines prescribed by SEBI and Stock Exchanges and adopted a new set of Articles of Association	25.10.2005
12	Amended Articles as per observation/instruction received from the Bombay Stock Exchange Ltd.	14.03.2006
13	Change of name of the Company from Action Construction Equipments Ltd. to Action Construction Equipment Ltd,	23.03.2006

**Changes in the Authorised Share Capital**

Date of Shareholders' Approval	Changes
11.09.1995	The Authorised Capital of the Company was increased from Rs.10,00,000 comprising of 10,000 Equity Shares of Rs. 100/- each to Rs.50,00,000 comprising of 50,000 Equity Shares of Rs. 100/- each
27.02.1998	The Authorised Capital of the Company was increased from Rs.50,00,000 comprising of 50,000 Equity Shares of Rs. 100/- each to Rs.1,00,00,000 comprising of 1,00,000 Equity Shares of Rs. 100/- each
15.03.2003	The Authorised Capital of the Company was increased from Rs.1,00,00,000 comprising of 1,00,000 Equity Shares of Rs. 100/- each to Rs.1,50,00,000 comprising of 1,50,000 Equity Shares of Rs. 100/- each
09.02.2004	The Authorised Capital of the Company was increased from Rs. 1,50,00,000 comprising of 1,50,000 Equity Shares of Rs. 100/- each to Rs.3,00,00,000 comprising of 3,00,000 Equity Shares of Rs. 100/- each
18.08.2005	The Authorised Capital of the Company was increased from Rs. 3,00,00,000 comprising of 3,00,000 Equity Shares of Rs. 100/- each to Rs.20,00,00,000 comprising of 20,00,000 Equity Shares of Rs. 100/- each and sub-division of shares from Rs. 100 to Rs. 10 each .

The details of the capital raised by the Company are given in the section entitled "Capital Structure" on page 11 of the Red Herring Prospectus.

**Subsidiaries of the Company**

The Company has no subsidiary.

**Shareholders Agreement**

Bennett, Coleman and Co. Limited (“BCCL”), publisher of most popular newspapers in India, including The Times of India and The Economic Times, entered into a Share Subscription Agreement dated August 30, 2005 with the Company and thereby acquired by way of subscription 4,00,000 Equity Shares (“BCCL Shares”) at a premium of Rs.90 for a total consideration of Rs. 4,00,00,000 (Rupees Four Crore only). Notwithstanding the subscription to the Equity Shares by BCCL, the existing Promoters continue to exercise overall management and control over the Company. BCCL has no veto powers or any right to appoint directors on the Board of the Company. The BCCL Shares are subject to a lock in for a period of one year from the date of allotment in the IPO.

**Subscription and Shareholders Agreement**

The Western India Trustee and Executor Company Limited (“WITEC”) in the capacity as Trustee of India Advantage Fund - I, acting through its investment manager ICICI Venture Funds Management Company Limited, entered into a Subscription and Shareholders Agreement dated March 13, 2006 with the Company and thereby subscribed to 10,00,000 equity shares of the face value of Rs.10/- each of the Company at a price of Rs. 130/- per share aggregating to Rs. 13,00,00,000/- (Rupees Thirteen Crore only). WITEC is only a financial investor and Non-Management shareholder and has no veto powers or any right to appoint directors on the Board of the Company. Shares held by India Advantage Fund - I shall be subject to lock-in for period of one year from the date of allotment in the IPO. The agreement shall terminate upon listing of the Company’s equity shares on the stock exchanges pursuant to an IPO.

**Strategic Partners:**

The Company does not have any strategic partners.

**Financial Partners:**

The Company does not have any financial partners.

**Other Agreements****Advertising Agreement**

The Company has entered into an advertising agreement with Bennett, Coleman and Co. Limited for advertising of company’s products / services in BCCL publications. The Company has agreed to release advertisements of total value of Rs. 4 crore in BCCL publications in three years. The agreement also provides for “Client Incentive Scheme”, whereby the company shall be given incentive at the end of the year by way of space bank which has to be utilized in 3 months of the end of sub term. The incentive will be 10% on minimum net yearly revenue of Rs. 1 crore to Rs. 3 crore to BCCL. The terms of the agreement have commenced from September 01, 2005 and continue until August 30, 2008.

**V. MANAGEMENT**

As per the Articles of Association, the Company must have a minimum of three (3) and a maximum of twelve (12) Directors. As of March 2006, the Company has eight (08) Directors of which the Company has four (04) whole time Directors.

The four Whole-time Directors have been allocated the following designations and responsibilities:

**Mr Vijay Agarwal, Chairman & Managing Director** is responsible to the Board for optimizing shareholder value and overall management.

**Mrs Mona Agarwal, Whole-time Director** is responsible for Human Resources and General Administration.

**Mr Sorab Agarwal, Whole-time Director** is responsible for business development, marketing and positioning of the “ACE” brand.

**Mr Vijay Kumar Singh, Whole-time Director** is responsible for Product designing, Production and Quality Assurance.



## BOARD OF DIRECTORS

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

<b>Name, Designation, Age, Experience, Address and Occupation</b>	<b>Date of Appointment and expiration of current term of office</b>	<b>Qualification</b>	<b>Other Directorships</b>
Mr. Vijay Agarwal Chairman & Managing Director Age: 57 years Experience: 34 years 854, Sector 15A, Faridabad 121 007 Haryana Business	Date of Appointment-Since Inception and expiration of current term as Managing Director on 30.9.2010	BE (Mech. Engg), MBA	ACE Steelfab Pvt. Ltd
Mrs. Mona Agarwal Whole-time Director Age: 50 years Experience: 11 years 854, Sector 15A, Faridabad 121 007 Haryana Business	Date of Appointment-Since Inception and expiration of current term as Whole-time Director on 30.9.2010	Intermediate	ACE Steelfab Pvt. Ltd
Mr. Sorab Agarwal Whole-time Director Age: 29 years Experience: 8 years 854, Sector 15A, Faridabad 121 007 Haryana Business	Date of Appointment- 20.03.1998 will retire by rotation in AGM 2007	BE (Mech. Engg)	ACE Steelfab Pvt. Ltd
Mr. Vijay Kumar Singh Whole-time Director Age: 50 years Experience: 28 years 435, Sector 8 Faridabad 121 006, Business Executive	Date of Appointment- 14.11.1997 will retire by rotation in AGM 2009	Diploma - Automobile Engg	Nil
Mr. Subhash Chander Verma Director Age: 60 years Experience: 40 years N-34, Greater Kailash Part I New Delhi 110 048 Business	Date of Appointment - 06.10.2005 Liable to retire by rotation in AGM 2007	C.A.I.I.B (Associate of Indian Institute of Bankers)	Nil
Major General (Retd) Dr. K.C Agarwal - Director Age: 64 years Experience: 43 years 350, Sector 29 NOIDA, 201 303 UP Business Executive	Date of Appointment - 06.10.2005 Liable to retire by rotation in AGM 2008	Phd. (Mech Engg), IIT Delhi	Nil

Name, Designation, Age, Experience, Address and Occupation	Date of Appointment and expiration of current term of office	Qualification	Other Directorships
Mr. Girish Narayan Mehra (IAS retired) Director Age: 73 years Experience: 37 years in Govt. Services & 20 in the field industrial development & management 217, Sector 15A, NOIDA 201 301, UP Business Executive	Date of Appointment - 06.10.2005 Liable to retire by rotation in AGM 2008	M.A.L.L.B, I.A.S (Retired)	Amrit Banaspati Co. Ltd, Subros Ltd., U P Hotels Ltd., Usha Breco Ltd., Bharat Seats Ltd.,
Dr. Amar Singhal Director Age : 52 years Experience : 24 years B-33, Pushpanjali Enclave Pitampura Delhi 110 034 Doctor and Business	Date of Appointment - 22.3.2006 Liable to retire by rotation in AGM 2009	MBBS, MD	Nil

**Brief Profile of the Directors (Promoters):**

Mr. Vijay Agarwal, Mrs Mona Agarwal & Mr Sorab Agarwal being the Promoter Directors of the Company, their profiles are mentioned under the head ‘Promoters’. Please refer to page 85 of the Red Herring Prospectus for further details.

**Brief Profile of the other Directors:**

**Mr. Vijay Kumar Singh**, aged 50 has 28 years of experience in the existing industry. He looks after Production and Quality function. He has done his Diploma in Automobile Engineering from the Board of Technical Education, U.P. Under his supervision, the Company has increased its manufacturing capability year on year. He has worked for 17 years in Escort Construction Equipment Ltd.

**Mr Subhash Chander Verma**, aged 60 years is Graduate and qualified CAIIB (Associate of Indian Institute of Bankers). He is a retired Dy. General Manager from Punjab National Bank. He has 40 years of experience in Banking Industry, out of which 43 years were served in Senior Management cadre like Zonal Manager, Regional Manager etc. He has experience of dealing with Industrial and infrastructural projects for their financial viability and their Project Finance & appraisal.

**Major General (Retd.)Dr. K.C Agarwal**, aged 64 years, holder of Ph. D in Mechanical Engineering from IIT Delhi. He is a retired Major General from Indian Army. During his tenure with Indian Army, he was Director in a DRDO Laboratory and has experience of 28 years. He was a Vice Chancellor of Rai University. He is presently Director in Ideal Institute of Engineering College. He has introduced the concept of application oriented teaching in which practical concept is used to provide knowledge to the students based on practical implementation of project. His major projects include “e-learning” in which on line courses are provided and “Content Development” which includes practical approach to industry oriented study and as per the demand and the industry requirements.

**Mr. Girish Narain Mehra (IAS Retd.)**, aged 73 years and is retired from Indian Administrative Services (IAS). He had a distinguished career as a member of Indian Administrative Service. He held top positions in the Government of India as Secretary, Ministry of Industry (Department of Heavy Industry and Company affairs) and Secretary, Ministry of Information and Broadcasting. He was Chief Secretary of Uttar Pradesh and also served as India’s Director General of Tourism. He had long and valuable experience in the field of industrial development administration having served as Industry Commissioner in Uttar Pradesh. He had also been associated as Director on the Board of Hindustan Zinc Ltd, Instrumentation Ltd, Kota, Maruti Udyog Ltd, Air India, Indian Airlines, Airports Authority of India etc. He has also been chairman of Indian Tourism Development Corporation Ltd and PICUP. Out of his brilliant career with Government of India spanning over 37 years, he has spent 20 years in the field of Industrial Development and management. He retired from Govt of India, in 1992, as India’s High Commissioner to CANADA. Presently he is Director on the Board of various Companies.

**Dr. Amar Singhal** aged 52 years is MBBS & MD in General Medicines, and has a total experience of 24 years. He started his carrier with GB Pant and Irwin Hospital as Senior Resident Cardiologist. He has worked as Specialist Cardiologist, in the Ministry of Health, Saudi Arabia during 1986 to 1989. He also held limited licence of New York State Medical Board, while working as Interventional Cardiology fellow in New York-USA. He has also worked as Consultant Cardiologist in various Heart Institutes in India. At present, he is working with Escorts Heart Institute and Research Centre, New Delhi and Maharaja Agrasen Heart Institute and Research Centre, New Delhi as Interventional Cardiologist.

#### **Details of borrowing powers:**

The borrowing powers of the Directors of the Company are regulated by Articles 74 of the Articles of Association of the Company. For further details, kindly refer section titled “Main Provisions of Articles of Association” beginning on page 158 of this Red Herring Prospectus.

Further, pursuant to a special resolution passed at the Extraordinary General Meeting held on October 25, 2005 of the Company, the Directors were authorised to borrow money(s) on behalf of the Company in excess of the aggregate amount of paid up share capital and free reserves of the Company from time to time subject to an amount not exceeding Rupees One Hundred crore pursuant to section 293(1)(d) of the Companies Act.

#### **TERMS OF APPOINTMENT & COMPENSATION OF MANAGING DIRECTORS/ WHOLE TIME DIRECTORS**

Subject to the necessary approvals, the Shareholders at the Extra Ordinary General Meeting held on 25 Oct-2005, approved appointment of Mr. Vijay Agarwal as Managing Director of the Company, Mrs. Mona Agarwal as Whole-time Director of the Company, Mr. Sorab Agarwal as Whole-time Director of the Company and Mr. Vijay Kumar Singh as Whole-time Director of the Company, for a period of five years, effective from October 1, 2005 till the period ending on September 30, 2010. Further the terms of remuneration of Mr. Vijay Agarwal and Mrs Mona Agarwal have been revised w.e.f. January 1, 2006 vide Board Resolution dated February 14, 2006. The details of the terms of appointment and compensation of whole-time directors are as follows: -

#### **Mr Vijay Agarwal , Managing Director**

S No	REMUNERATION	DETAILS
I.	Basic Salary	Rs. 3,50,000/- Per Month
II.	Commission	Equal to 1% of net profit calculated as per Section 349 of the Companies Act, 1956.
III.	Perquisites	The perquisites are allowed in addition to salary and commission as per details given below, however, such perks are restricted to an amount equal to one month salary during each year:-
a)	Housing	Free residential accommodation or House Rent Allowance equal to 40 per cent of the basic salary. Free furnishing is provided by the Company along with other amenities.
b)	Medical Reimbursement	Reimbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his family, subject to a ceiling of one month's salary in a year or five months' salary over a period of five years.
c)	Leave Travel Concession	The expenses incurred on leave travel by the appointee on self and his family is reimbursed once in a two year in accordance with the rules specified by the Company.
d)	Club Fees	Fees of clubs subject to a maximum of two clubs. This does not include admission and life membership fees,
e)	Personal Accident Insurance	Premium not to exceeds Rs. 10,000/- per annum.
f)	Car	Free use of Company's car for official work along with driver at Company's cost and, if no car is provided reimbursement of the conveyance shall be made on actual basis as may be claims made by him.
g)	Provident Fund & Other Funds	Contribution to Provident Fund & Family Pension Fund, superannuation fund or annuity fund subject to the rules framed by the Company in this respect.
h)	Gratuity	Gratuity payable not exceeding half a month's salary for each completed year of service subject to the ceiling prescribed by the Central Government from time to time.
i)	Telephone	Free use of telephone at his residence provided that personal long distance calls on the telephone shall be billed by the Company to him.
j)	Earned Privilege Leave	Earned Privilege Leave encashment subject to the condition that the leave accumulated but not availed be allowed to encash for 15 days salary for every year completed services at the end of the tenure.

**Mrs Mona Agarwal, Whole-time Director**

S No	REMUNERATION	DETAILS
I.	Basic Salary	Rs. 1,40,000/- Per Month
II.	Perquisites	The perquisites are allowed in addition to salary as per details given below, however, such perks are restricted to an amount equal to one month salary during each year.
a)	Housing	Free residential accommodation or House Rent Allowance equal to 40 per cent of the basic salary. Free furnishing is provided by the Company along with other amenities.
b)	Medical Reimbursement	Reimbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and her family, subject to a ceiling of one month's salary in a year or five months' salary over a period of five years.
c)	Leave Travel Concession	The expenses incurred on leave travel by the appointee on self and her family is reimbursed once in a two year in accordance with the rules specified by the Company.
d)	Club Fees	Fees of clubs subject to a maximum of two clubs. This does not include admission and life membership fees,
e)	Personal Accident Insurance	Premium not to exceed Rs. 10,000/- per annum.
f)	Car	Free use of Company's car for official work along with driver at Company's cost and, if no car is provided reimbursement of the conveyance shall be made on actual basis as may be claims made by her.
g)	Provident Fund & Other Funds	Contribution to Provident Fund & Family Pension Fund, superannuation fund or annuity fund subject to the rules framed by the Company in this respect.
h)	Gratuity	Gratuity payable not exceeding half a month's salary for each completed year of service subject to the ceiling prescribed by the Central Government from time to time.
i)	Telephone	Free use of telephone at her residence provided that personal long distance calls on the telephone shall be billed by the Company to her.
j)	Earned Privilege Leave	Earned Privilege Leave encashment subject to the condition that the leave accumulated but not availed be allowed to encash for 15 days salary for every year completed services at the end of the tenure.

**Mr Sorab Agarwal, Whole-time Director**

S No	REMUNERATION	DETAILS
I.	Basic Salary	Rs. 25,000/- Per Month
II.	Perquisites	The perquisites are allowed in addition to salary and commission as per details given below, however, such perks are restricted to an amount equal to one month salary during each year:-
a)	Housing	Free residential accommodation or House Rent Allowance equal to 40 per cent of the basic salary. Free furnishing is provided by the Company along with other amenities.
b)	Medical Reimbursement	Reimbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his family, subject to a ceiling of one month's salary in a year or five months' salary over a period of five years.
c)	Leave Travel Concession	The expenses incurred on leave travel by the appointee on self and his family is reimbursed once in a two year in accordance with the rules specified by the Company.
d)	Club Fees	Fees of clubs subject to a maximum of two clubs. This does not include admission and life membership fees,
e)	Personal Accident Insurance	Premium not to exceed Rs. 5000/- per annum.
f)	Car	Free use of Company's car for official work along with driver at Company's cost and, if no car is provided reimbursement of the conveyance shall be made on actual basis as may be claims made by him.
g)	Provident Fund & Other Funds	Contribution to Provident Fund & Family Pension Fund, superannuation fund or annuity fund subject to the rules framed by the Company in this respect.
h)	Gratuity	Gratuity payable not exceeding half a month's salary for each completed year of service subject to the ceiling prescribed by the Central Government from time to time.
i)	Telephone	Free use of telephone at his residence provided that personal long distance calls on the telephone shall be billed by the Company to him.
j)	Earned Privilege Leave	Earned Privilege Leave encashment subject to the condition that the leave accumulated but not availed be allowed to encashment for 15 days salary for every year completed services at the end of the tenure.



**Mr Vijay Kumar Singh, Whole-time Director**

S No	REMUNERATION	DETAILS
I.	Basic Salary	Rs. 22,500/- Per Month
a)	Housing	Free residential accommodation or House Rent Allowance equal to 40 per cent of the basic salary.
b)	Medical Reimbursement	Reimbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his family, in accordance with the rules specified by the Company.
c)	Leave Travel Concession	The expenses incurred on leave travel by the appointee on self and his family is reimbursed once in a two year in accordance with the rules specified by the Company.
d)	Car	Free use of Company's car for official work
e)	Provident Fund & Other Funds	Contribution to Provident Fund & Family Pension Fund, superannuation fund subject to the rules framed by the Company in this respect.
f)	Gratuity	Gratuity payable not exceeding half a month's salary for each completed year of service subject to the ceiling prescribed by the Central Government from time to time.
g)	Telephone	Free use of telephone provided that personal long distance calls on the telephone shall be billed by the Company to him.
h)	Earned Privilege Leave	Earned Privilege Leave encashment in accordance with the rules specified by the Company.

In all above cases, Board of Directors of the Company will be authorized to alter and vary the terms and conditions of the said appointment and/or agreement in such manner as may be agreed to between the Board of Directors and respective Director, provided that, such alternation/variation shall be within the limits specified in schedule XIII of the Companies Act 1956, including any modification, amendment or re-enactment thereof.

**COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENT**

The Guidelines of the Corporate Governance will be applicable to the company as soon as the company applies for in-principle approval for listing of the Equity Shares on the Stock Exchanges. The Company believes in adopting the best corporate governance practices like transparency, disclosure and independent supervision to increase the value of the stakeholders, based on the following principles-

- Recognition of the respective roles and responsibilities of Board and the management;
- Independent verification and assured integrity of financial reporting;
- Protection of shareholders' right and priority for investor relations; and
- Timely and accurate disclosure on all material matters concerning operations and performance of the Company.

Accordingly, the Company has already taken the steps to comply with the SEBI Guidelines on Corporate Governance. The Corporate Governance framework is based on an effective independent Board and constitution of the Board Committees, majority of them comprise of Independent Directors.

**Composition of the Board**

50% of the members of the Board are Independent Directors. The table is given as follows:

Name	Designation
Mr. Vijay Agarwal	Executive and Non-independent Director
Mrs. Mona Agarwal	Executive and Non-independent Director
Mr. Sorab Agarwal	Executive and Non-independent Director
Mr. Vijay Kumar Singh	Executive and Non-independent Director
Mr. Subhash Chander Verma	Non-Executive and Independent Director
Major General (Retd) Dr. K.C Agarwal	Non-Executive and Independent Director
Mr. Girish Narain Mehra (IAS retired)	Non-Executive and Independent Director
Dr. Amar Singhal	Non-Executive and Independent Director



## Details of existing Committee are as under

### Audit Committee

The Audit Committee was reconstituted by the Board of Directors on July 29, 2006. Now, after the latest constitution, it comprises of following members:

Sr.no.	Name of the Director	Status
1	Mr Subhash Chander Verma	Chairman Non Executive Director
2	Dr. Amar Singhal	Non Executive Director
3	Mr Vijay Agarwal	Chairman & Managing Director
4	Mr. Girish Narain Mehra (IAS retired)	Non Executive Director

The Statutory Auditors, Internal Auditors and Chief Finance Officer are special invitees to the Audit Committee Meetings. The Company Secretary is the Secretary of the Committee. The Committee shall meet at least 4 times a year and conduct 1 meeting in every 3 months before finalization of accounts/quarterly accounts.

The term of the Audit Committee comply with the requirement of clause 49 of the listing requirement to be entered with the stock exchanges. The scope and function of the Audit Committee are as per section 292A of the Companies Act 1956. The main function of the Committee is to provide to the company with additional assurance as to reliability of financial information, statutory financial statement and adequacy of internal accounting & control systems. It acts as a link between the management, the auditors and to the Board of Directors.

The scope of Audit Committee shall include, but shall not be restricted to the following:

1. It shall have authority to investigate into any matter in relation to the items specified in section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and external professional advice, if necessary.
2. To investigate any activity within its terms of reference.
3. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
4. Reviewing with management the annual financial statements.
5. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. Reviewing the Company's financial and risk management policies.
8. It shall have discussion with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.
9. To recommended appointment/removal of auditors and fix/approves fees and other payments.

However, the Audit Committee will also closely monitor the deployment of the fund out of the proceed of the Issue.

### Remuneration Committee

The Remuneration Committee was reconstituted by the Board of Directors on Mar 22, 2006. Now, it comprises of following members, after the latest reconstitution-on Mar 22, 2006

Sr.no.	Name of the Director	Status
1	Dr. Amar Singhal	Chairman-Non Executive Director
2	Major General (Retd) Dr. K C Agarwal	Non Executive Director
3	Mr Girish Narain Mehra (IAS Retd)	Non Executive Director

The Chairman & Managing Director, other Directors and Chief Finance Officer are invitees to the Remuneration Committee Meetings. The Company Secretary is the Secretary of the Committee.

The Committee has been formed to decide and approve the terms and conditions for appointment of Directors of the company and remuneration payable to them, based upon the performance and achievements, in the interest of the Company and the shareholders. The Committee would take into account the financial position of the Company, profitability, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc. and be in a position to bring out objectivity in determining the remuneration package.

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

As part of its Corporate Governance initiative, the Board of Directors has constituted the Shareholders/Investors Grievance & Share Transfer Committee in their meeting held on 26th October, 2005, that comprises of following members-

<b>Sr. no.</b>	<b>Name of the Director</b>	<b>Status</b>
1	Major General (Retd) Dr. K C Agarwal	Chairman-Non Executive Director
2	Mr Vijay Kumar Singh	Whole-time Director
3	Mr Subhash Chander Verma	Non Executive Director

The Company Secretary is the Secretary of the Committee and CFO of the Company will be special invitee to Meetings.

The Committee is formed to specifically look into all the works relating to shares and shareholders grievance i.e. approval of transfer/transmission/demat of shares, issue of duplicate, split-up, consolidation, renewal of share certificate, non receipt of balance sheet, non receipt of declared dividends etc and other related matter as may be deemed necessary.

Upon listing of the company's shares on the Stock Exchanges, the scope, functions, powers and duties of the Audit Committee, Remuneration Committee and Shareholders/Investors' Grievance Committee would comply with the provisions as contained in Clause 49 of the Listing agreement, which the company shall enter into with the Stock Exchanges.

#### **Interest of Directors (Other than promoter directors)**

Except as stated in "Related Party Transactions" on page 94 of the Red Herring Prospectus, and to the extent of shareholding in the Company, the Directors do not have any other interest in the business. The directors are interested to the extent of shares allotted to them. Except to the extent of their compensation as mentioned on page 86 of the Red Herring Prospectus, and their shareholding or shareholding of companies they represent, the Directors, other than the Promoters who are also Directors, do not have any other interest in the Company

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

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

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

### Changes in the Directors

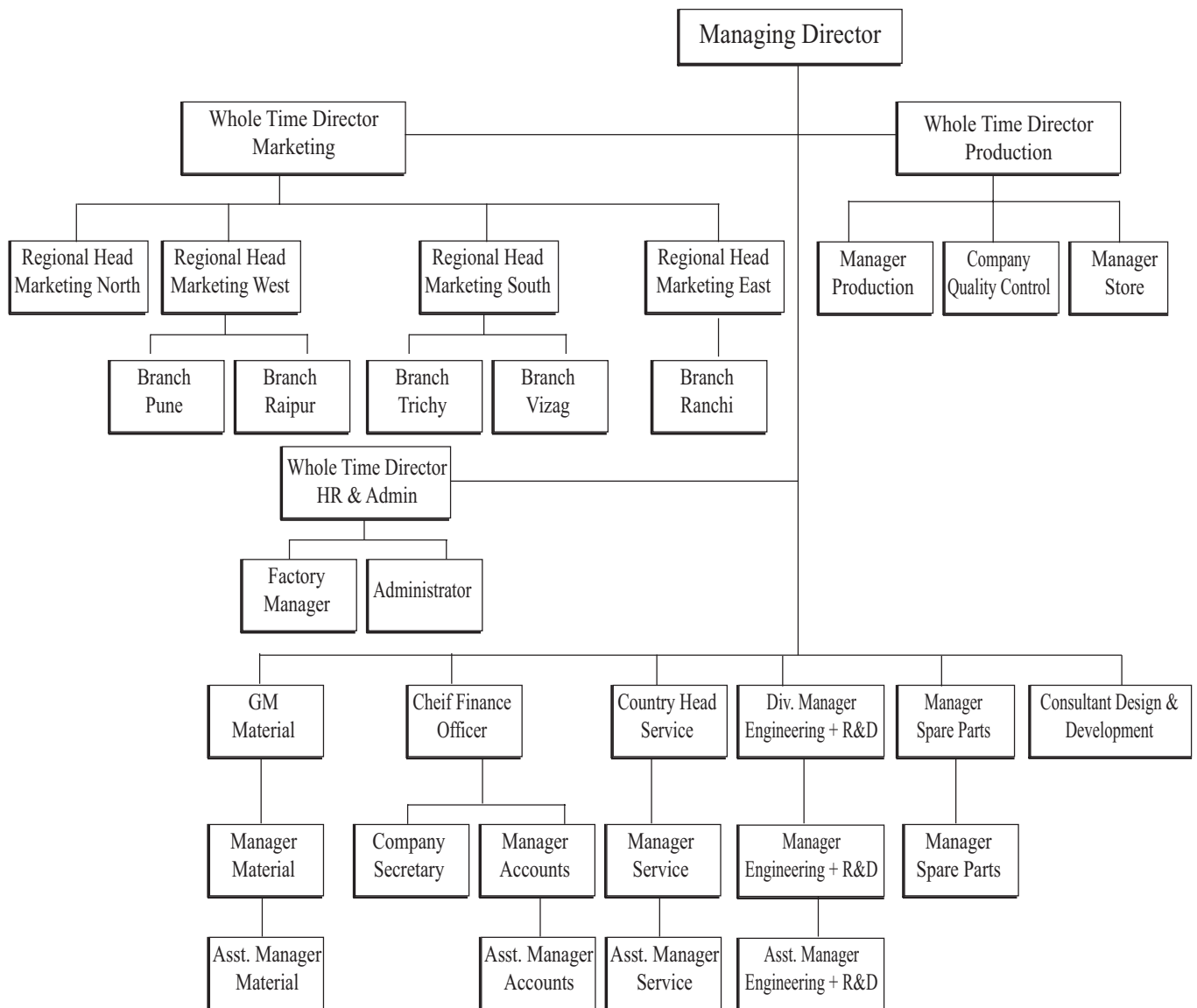
The following changes have taken place in the Board of Directors of the Company during the last three years.

<b>Name</b>	<b>Date of appointment</b>	<b>Date of Cessation</b>	<b>Reason for change</b>
Mr. Yogendra Prasad	06.10.2005	01.03.2006	Resigned as Independent Director
Mr. Subhash Chander Verma	06.10.2005	N/A	Appointed as Independent Director
Major General (Retd) Dr. K C Agarwal	06.10.2005	N/A	Appointed as Independent Director
Mr Girish Narain Mehra (IAS Retd)	06.10.2005	N/A	Appointed as Independent Director
Mr. Madhur Mohan Goyal	14.03.2006	18.3.2006	Resigned as Independent Director
Dr. Amar Singhal	22.03.2006	N/A	Appointed as Independent Director

### Shareholding of the Directors

<b>Name of Key Managerial Personnel</b>	<b>No. of shares</b>
Mr. Vijay Agarwal	58,85,130
Mrs. Mona Agarwal	54,00,660
Mr. Sorab Agarwal	4,14,210
Mr. Vijay Kumar Singh	5,000
Mr. Subhash Chander Verma	5,000
Dr. Amar Singhal	16,000
<b>Total</b>	<b>1,17,26,000</b>

**ORGANISATION STRUCTURE**



**KEY MANAGEMENT PERSONNEL**

As on 31st July 2006, the Company has a total strength of 362 employees, out of which 219 are permanent employees, 143 are employed on contract basis, for which the company has received registration under the Contract labour (Regulation and Abolition) Act to employ contract labour.

The key management personnel of the Company include the Whole-time Directors of the company viz. Mr. Vijay Agarwal, Mr. Sorab Agarwal, Ms. Mona Agarwal and Mr. Vijay Kumar Singh whose details are given under “Profile of Directors”. Details of other Key managerial personnel are given below:

Name	Designation & Functional area	Qualification	Experience (years)	Gross Remuneration per annum	Date of joining	Details of Previous employment
Mr. P K Bansal	Chief Finance Officer Responsible for Finance , Accounts, Taxation, Dealing with the Banks etc.	Chartered Accountant, B.Com. from Rajasthan University	12 Yrs.	6.84 lac	27.09.04	Worked 11 years With Kirloskar Pneumatic Co. Ltd. as Dy. General Manager(Finance)
Mr. Y P Mahajan	GM-Materials Responsible for Procurement of material for production and dealing with Suppliers.	B.Sc.	35 Yrs	5.07 lac	01.02.95	Worked 16 years with Escorts Construction Equipment Ltd. in Material Department as Manager
Mr. Ashok Kumar Guglani	Divisional Manager -Engineering & R & D Responsible for Design & Development of Products	Diploma in Automobile Engineering in 1977	28 Yrs.	4.19 lac	11.5.2004	Worked 16 years with Escorts Construction Equipment Ltd. in QCI & Production Department as Asstt. Manager and 2 years with Delhi Automobile Ltd.
LT. COL. K S Dahiya.	Manager-Administration, Responsible for Legal issues, Projects & Administrative. Matters	B.E. Post Graduate ( Auto Engg. ) , Military College of EME Secunderabad (A .P)	33 Yrs.	2.44 lac	03.02.02	Technical staff officer in HQ Tech. Group E.M.E. in the Indian Army and officer Commanding Armoured workshop.
Mr. L R Chaudhary	Working as Design & Development Consultant Responsible for Development of Products.	Diploma Mechanical from Punjab University, Diploma in Business Management from National Productivity Council	37 yrs.	2.64 lac	24.05.04	Worked 30 years with Escorts Ltd. at various level and last position held as General Manager - Chief Value Engineering.

Name	Designation & Functional area	Qualification	Experience (years)	Gross Remuneration per annum	Date of joining	Details of Previous employment
Mr. Navdeep Singh	Regional Manager - Marketing West Zone Responsible For Marketing of Products.	MBA Marketing from Punjab University, Patiala , B.E from Sukhadia University , Udaipur, Rajasthan.	20 yrs.	4.04 lac	08.10.04	Worked 19 years with different capacity i.e. as General Manager sales & marketing in Bhasin Motors India P Ltd., Majestic Auto Ltd. Ludhiana, Regional Manager in DCM Daewoo India Ltd. Chandigarh. Sr. Marketing officer in Swaraj Mazada Ltd. Service & Parts Executive in M/s. Tractor & Farm Equip-ment Ltd. & Sales & Service Engineer in M/s. Eicher Tractor Ltd.
Mr. M J Shariff	Regional Manager Marketing-South Zone Responsible for Marketing of Products.	B.E. (Mech.) AMIE	23 Yrs.	2.65 lac	07.04.03	Worked 21 years as Fore man , Sr, Service Engineer, Workshop Supervisor in Charge Heavy Earth Moving Equipment , Escorts Limited, & General Petroleum Corporation.
Mr. Jitin Sadana	Company Secretary	Company Secretary, M. Com. from Ch Charan Singh University, Meerut	1 year	1.71 lac	26.10.05	Worked 1 year with JCB India Limited, as Industrial Trainee
Mr. Sanjay Kumar Nagar	Dy General Manager HR and administration	MSW (Personnel Management and Industrial Relations), PG Diploma in HRD and LLB	12 years	5.52 lac	13.04.06	Worked as Head HR and Administration in Allied Nippon Ltd.
Mr. Samir Chatterjee	Regional Manager - East	M.Tech (Industrial Engineering and Management)	15 years	7.20 lac	03.05.06	Worked as a General Manager of Western Consolidated Pvt. Ltd.
Mr. Ishwaran M	Regional Manager - South	B.E Electrical and Electronics	28 years	8.00 lac	18.05.06	Worked as a Vice President in a Japanese MNC at Bangalore

**The details of the same are as follows:**

**Mr P K Bansal**, 37 is a Chartered Accountant. He has done his B.Com from Rajasthan University. He holds an overall experience of 12 years including 1 year in the issuer company. He has worked for 11 years with Kirloskar Pneumatic Co. Ltd as Dy. Gen Manager, Finance. During his term with Kirloskar Pneumatic Co. Ltd he was the star performer for 2 consecutive years. He is currently serving as Chief Financial Officer and has rich and varied experience of handling Finance, Accounts, Taxation, and dealing with Banks etc. He reports directly to the Managing Director.

**Mr Y P Mahajan, 56** is a Bachelor in Science. He holds an overall experience of 35 years including 10 years in the issuer company. His previous experience includes 16 years in the Materials Department as Manager for Escorts Construction Equipment Ltd. He heads the Materials Department and reports directly to the Managing Director.

**Mr Ashok Kumar Guglani, 48** has done his Diploma in Automobile Engineering. He holds an overall experience of 28 years including 10 years in the issuer company. He has worked for 16 years in Escorts Construction Equipment Ltd. in QCI and production as Assistant Manager and 2 years with Delhi Automobile Ltd. He currently heads the Engineering Department and reports directly to the Managing Director.

**Lt. CoL. (Retd) K S Dahiya, 58** has done his B.E. Post Graduate in Auto Engineering from Military College of EME Secunderabad. He holds an overall experience of 33 years including 4 years in the issuer company. He was a technical staff officer in HQ Tech group EME in the Indian Army and officer commanding Armoured workshop. His current responsibilities in the company include Administration, Legal and Projects related matters. He reports directly to the Managing Director.

**Mr L R Chaudhary, 60** is a Diploma in Mechanical Engineering from Punjab University. He holds an overall experience of 37 years including 1 year in the issuer company. He has worked for 30 years with Escorts at various levels and his last position in that company was General Manager - Chief of Value Engineering. His current responsibility in the company includes design and development of products. He reports directly to the Managing Director.

**Mr. Navdeep Singh, 41** is an MBA from Punjab University. He is a B.E from Sukhadia University, Rajasthan. He holds an overall experience of 20 years including 1 year in the issuer company. He has worked for 19 yrs in different capacities i.e. as General Manager sales & marketing in Bhasin Motors India P Ltd., Majestic Auto Ltd. Ludhiana, Regional Manager in DCM Daewoo India Ltd., Chandigarh, Sr. Marketing officer in Swaraj Mazada Ltd., Service & Parts Executive in M/s. Tractor & Farm Equipment Ltd. & Sales & Service Engineer in M/s. Eicher Tractor Ltd. His current responsibility in the company as Regional Manager Marketing is marketing of products. He reports directly to the Whole time Director Marketing.

**Mr. M J Shariff, 47** has done his B.E. Mechanical from AMIE. He holds an overall experience of 23 years including 2 years in the issuer company. He is currently working as Regional Manager Marketing. He has worked for 6 years in Middle East in Bahrain as Transport and Maintenance Manager dealing with road construction machinery. He has also worked in Doha, Qatar as workshop supervisor in Qatar General Petroleum Corp. He was a Senior Service Engineer with M/s Escorts Limited. He reports directly to the Whole Time Director Marketing.

**Mr. Jitin Sadana, 23** is a Company Secretary. He has done his M.Com from Chowdhary Charan Singh University Meerut in 2004 and qualified as Company Secretary in the year 2005. He is responsible for looking after Secretarial work. He has worked with JCB India Limited as an Industrial trainee for one year under the regulations of The Institute of Company Secretaries of India.

**Mr. Sanjay Kumar Nagar, 37** is Deputy General Manager - HR and Administration. He is a MSW (Personnel Management and Industrial Relations) in addition to being a PG Diploma in HRD and LLB. He has total work experience of 12 years. He directly reports to Mrs. Mona Agarwal, whole-time director. He is responsible for overall HRD and administration activities for all the plants. Previously he has worked as the Head of HR and Administration in M/s Allied Nippon Ltd. He has been awarded as the Best Manager in Allied Nippon Ltd. in the year 2005.

**Mr. Samir Chatterjee, 44** is the Regional Manager, Eastern Region. He has done his M.Tech (Industrial Engineering and Management) and has an overall experience of 15 years. He directly reports to Mr. Sorab Agarwal, whole-time director, Marketing. Previously he has worked as a General Manager of Western Consolidated Pvt. Ltd. He has also worked as Manager, Eastern Region for TIL Ltd for their construction equipment and cranes. He is responsible for overall marketing and product support of eastern region.

**Mr. Ishwaran M,** is the Regional Manager of the Southern Region. He is a B.E in Electrical and Electronics. He has an overall experience of 28 years. He reports to Mr. Sorab Agarwal, whole-time director, Marketing. Earlier he was employed with a Japanese MNC at Bangalore as Vice President. He has also worked with Siemens, Chennai and Bangalore and also with Crompton Greaves, Secunderabad. He is responsible for overall marketing and product support of southern region.

**All the Key managerial personnel mentioned above are on Company's permanent pay rolls.**

#### **Details of Bonus or Profit sharing Plan to key managerial personnel**

The Company certifies that all the persons whose name appears as key management personnel are on permanent rolls of the Company and are not employed by any of its Group Concerns. Further, none of the key personnel mentioned above are related to the promoters/directors of the Company. None of the above has been selected pursuant to any arrangement/understanding with major shareholders/customers/suppliers.



To motivate the employees and also to reward them for their performance, the company has a system of performance allowance based on output and target achievements and is reviewed and modified from time to time.

#### Shareholding of the Key Management Personnel

Name of Key Managerial Personnel	No. of shares
Mr P K Bansal	13,000
Mr Y P Mahajan	10,000
Mr Ashok Kumar Guglani	5,000
LT. Col. K S Dahiya.	1,900
Mr L R Choudhary	1,500
Mr Navdeep Singh	1,000
Mr M J Shariff	1,000
<b>Total</b>	<b>33,400</b>

#### Changes in Key Management Personnel

Other than the following, there has been no change in the key managerial personnel of the Company during the last three years.

S. No.	Name	Designation	Date of Appointment	Date of Cessation	Reason of change
1	Mr LR Choudhary	Design & Development - Consultant	24.05.2004	N/A	New appointment
2	Mr Navdeep Singh	Regional Manager	08.10.2004	N/A	New appointment
3	Mr MJ Shariff	Regional Manager -	07.04.2003	N/A	New appointment
4	Mr AS Dangwal	Country Head - Service	23.10.2003	28.07.2006	Resigned
5	Mr Ashok Kumar Guglani	Divisional Manager - Product Support	01.03.1995	13.10.2003	Resigned
6	Mr Vipin Sharma	Sr. Manager - Finance	01.03.1995	28.08.2004	Resigned
7	Mr P.K. Bansal	Chief Finance Officer	27.09.2004	N/A	New appointment
8	Mr Ashok Kumar Guglani	Sr. Divisional Manager	11.05.2004	N/A	New appointment
9	Mr Sonam Sarin	Company Secretary	30.09.2005	14.10.2005	Resigned
10	Mr Jitin Sadana	Company Secretary	26.10.2005	N/A	New appointment
11	Mr. Sanjay Kumar Nagar	Dy General Manager - HR and administration	13.04.2006	N/A	New appointment
12	Mr. Samir Chatterjee	Regional Manager - East	03.05.2006	N/A	New appointment
13	Mr. Ishwaran M	Regional Manager - South	18.05.2006	N/A	New appointment

## VI. PROMOTERS

Mr. Vijay Agarwal, Mrs. Mona Agarwal and Mr. Sorab Agarwal are the promoters of the Company.

A brief profile of the promoters is given hereunder:



**Mr. Vijay Agarwal**

**Mr. Vijay Agarwal**, (57), Chairman and Managing Director of the Company, has 34 years of experience in material handling and heavy engineering industry. He has done B.E. (Mechanical) & MBA from FMS, Delhi and is looking after overall management and planning of the Company. Mr. Vijay Agarwal started his career with Bhartiya Cuttler Hammer Ltd., and worked there for ten years. Thereafter, he joined Escorts Ltd, in the Industrial Equipment Division as Senior Divisional Manager and worked there for eight years in different departments and looked after Purchase, Production & Service. From 1993, he was Business Head in Delhi Auto Mobiles Ltd., for a period of three years. He started Action Construction Equipments (P) Ltd. in the year 1995. He has vast experience in this field. Because of his gusty efforts, the company is one of the leaders in its segment today. Under his able guidance and strategic approach, the Company has achieved enviable success in short span of 11 years, with a vision to become leading manufacturer of construction equipment in India.

Bank Account: S.B A/c # 0931000012264  
HDFC BANK LTD., FARIDABAD

Voter ID: HR/06/52/603256

Driving License: 7141/F/98

PAN No.: AAZPA6461C

Passport No.: F-1084667



**Ms. Mona Agarwal**

**Mrs. Mona Agarwal**, (50), is the wife of Mr. Vijay Agarwal. She is passed her Senior Secondary (Xth +2) examination and looks after the Administration & HR wing of the Company since 1995. Under her guidance, the company's administrative affairs are being handled in a professional manner. She has helped the company to formulate effective and motivating HR Policies.

Bank Account: S.B A/c # 0931000012281  
HDFC BANK LTD., FARIDABAD

Voter ID: HR/06/52/603257

Driving License: 7140/F/98

PAN No. AANPA6595R

Passport No. F-1084637



**Mr. Sorab Agarwal**

**Mr. Sorab Agarwal**, (29), is the son of Mr. Vijay Agarwal. He has done B.E. (Mechanical) and is looking after the Marketing function of the Company. Mr. Sorab Agarwal has been associated with the company since the last 8 years and under his marketing capability, the Company has ventured into new territories and increased market share considerably. He has played a major role in setting up all India competent Sales & Service network, aimed at achieving target oriented Results. He takes care for brand building of the Company.

Bank Account: S.B A/c # 0931000059330  
HDFC BANK LTD., FARIDABAD

Voter ID: Not available

Driving License: 903/F/2003

PAN No. AENPA0418H

Passport No. E-9696096



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

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

Mr Vijay Agarwal, Mrs.Mona Agarwal and Mr. Sorab Agarwal are related to each other. Mr Vijay Agarwal is the husband of Mrs.Mona Agarwal and father of Mr. Sorab Agarwal.

Except as stated above, there is no relation between any promoters, Director and Key Managerial Personnel of the company.

#### **Common Pursuits**

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

#### **Interest of the Promoters**

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

The Promoters are not interested in any property acquired by the Company within two years from the date of the Red Herring Prospectus except as stated under the section on Business Overview on page 1.

Mr. Vijay Agarwal and Mrs Mona Agarwal are interested to the extent of the rent received for the property leased by them to the Company. Other than aforesaid, the Promoters are not interested in any loan or advance given by the Company, neither are they beneficiary of any such loans or advances except as disclosed in Annexure xv to the Auditors Report.

The following companies/ firms/ ventures promoted by the promoters of Company and the promoters may be deemed to be interested in these companies:

<b>Name of the Concern</b>	<b>Type of Concern</b>	<b>Interested party</b>	<b>Nature of Transaction</b>
Ace Steelfab Pvt. Ltd.	Group Company	Mr. Vijay Agarwal	Purchase and sale of Material
		Mrs. Mona Agarwal	-Do-
		Mr. Sorab Agarwal	-Do-
Ace Cranes	Proprietary Concern	Mr. Sorab Agarwal	Consignment Agent

Except as disclosed above and Related party transaction on Page 94, the Promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits, if any.

#### **Payment or benefit to Promoters of the Company**

Apart from rent paid for their premises at Office No. 17A, Sector 11, DLF Model Town, Faridabad and Office at 84A, Acharya Jagadish Chandra Bose Road, P S Taltala, Kolkata-14 and the remuneration, there has been no payment or benefits to the Promoters of the Company.

#### **Related Party Transactions**

For details of related party transactions, please refer to Annexure XV of the Financial Statement on page 94.

**VII. CURRENCY OF PRESENTATION AND DIVIDEND POLICY****Currency of Presentation**

In the Red Herring Prospectus, all references to “Rupees” and “Rs.” and “Indian Rupees” are to the legal currency of the Republic of India.

**Dividend Policy**

The declaration and payment of dividends will be recommended by the Board of Directors and the shareholders, in their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition. The details of dividend paid by the Company, since inception, are as follows:

<b>Sr. No.</b>	<b>Year</b>	<b>Share Capital (Rs.)</b>	<b>Dividend (Rs.in lac)</b>	<b>Percentage</b>	<b>Date of EGM /AGM</b>
1.	1996	26,00,800	5.20	20%	30.09.1996
2.	1997	26,00,800	7.80	30%	30.09.1997
3.	1998	37,91,900	11.37	30%	30.09.1998
4.	1999	78,29,400	7.83	10%	30.09.1999
5.	2006	12,37,70,000	495.08	40%	29.07.2006

\* Interim Dividend, declared in the Board Meeting held on 14<sup>th</sup> March 2006.



## SECTION V FINANCIAL INFORMATION

### AUDITORS REPORT

**The Board of Directors**

**29th July-2006**

**Action Construction Equipment Limited**

Plot No. 7, H-Block

Sarita Vihar

**New Delhi - 44**

Dear Sirs,

1. We have examined the accounts of **Action Construction Equipment Limited** ('the Company') for the five financial years ended March 31, 2002, March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006 being the last date to which the accounts of the Company have been made up and audited by us.
2. We have also examined the accounts of the Company for the three months ended June 30, 2006 prepared and approved by the Board of Directors of the Company and audited by us for the purpose of disclosure in the Offering Memorandum being issued by the Company in connection with the Public Issue of Equity Shares of the Company.
3. The Company has also been preparing accounts for the financial year ending March 31 of each year for Income-tax purposes. The Company has adopted uniform accounting period as March 31 for both Income-tax and Company Law purposes.
4. In accordance with the requirements of Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 (SEBI Guidelines) and our terms of reference with the Company dated Oct 7, 2005 requesting us to make this report for the purpose of the Offering Memorandum in connection with the Public Issue of Equity Shares of the Company, we report that:
  - a) The restated profits of the Company for the financial year ended March 31 2002, 2003, 2004, 2005, 2006 and for the three months ended on June 30, 2006 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes appearing in Annexure III to this Report.
  - b) The restated assets and liabilities of the Company as at March 31 2002, 2003, 2004, 2005, 2006 and as at June 30, 2006 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes appearing in Annexure III to this Report.
  - c) No investment has been made by the Company during the financial years ended March 31 2002, 2003, 2004, 2005 & 2006 and also for the period ended on June 30, 2006.
  - d) We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offering Memorandum: -
    - Accounting Ratios as appearing in Annexure IV to this Report.
    - Capitalization Statement as at June 30, 2006 as appearing in Annexure V to this Report.
    - Statement of Tax Shelters as appearing in Annexure VI to this Report.
    - Details of Other Income as appearing in Annexure VII to this Report.
    - Details of Sundry Debtors as appearing in Annexure VIII to this Report.
    - Details of Loans and Advances as appearing in Annexure IX to this Report.
    - Details of Unsecured & Secured Loans as appearing in Annexure X(a) & X(b) to this Report.
    - Details of change in Share Capital in Annexure XI to this Report.
    - Details of Dividend in Annexure XII to this Report.
    - Details of facility from Bank in Annexure XIII to this Report.

- Details of Cash Flow Statement in Annexure XIV to this Report.
- Details of Related Party Transactions in Annexure XV to this Report.

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

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

For **Rajan Chhabra & Co**  
**Chartered Accountants**

Sd/-

**Proprietor**

Membership Number: 088276

Place: Faridabad

Date: 29th July-2006

**ANNEXURE - I**
**ACTION CONSTRUCTION EQUIPMENT LTD**
**Statement of Profit & Loss Account, as Restated**

The Profit and Loss Statement of the Company for five financial years ended from March 31, 2002 to March 31, 2006 and period ended on June 30, 2006 read with significant accounting policies, after making certain regroupings for comparability and making adjustment as stated in notes to accounts are set out below :

For the Financial year / Period ended (Rs. In Lac)						
Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Income</b>						
Sales of Products manufactured by the Co.	4,624.85	15,927.48	8,508.58	3,424.86	1,602.11	1,020.11
Of products traded by the Company	289.09	640.09	271.62	13.13	58.33	58.98
<b>Net Sales</b>	<b>4,913.94</b>	<b>16,567.57</b>	<b>8,780.20</b>	<b>3,438.00</b>	<b>1,660.45</b>	<b>1,079.09</b>
Excise Duty and Sales Tax	716.90	3,401.48	1,829.09	741.37	451.39	244.50
<b>Total Sales</b>	<b>5,630.84</b>	<b>19,969.05</b>	<b>10,609.29</b>	<b>4,179.36</b>	<b>2,111.83</b>	<b>1,323.59</b>
Other Income	19.69	31.36	13.48	5.64	10.85	8.17
<b>Total Income</b>	<b>5,650.53</b>	<b>20,000.41</b>	<b>10,622.77</b>	<b>4,185.00</b>	<b>2,122.68</b>	<b>1,331.76</b>
<b>Expenditure</b>						
Raw materials & goods consumed	3,722.56	12,377.54	6,933.62	2,842.36	1,296.30	728.05
Excise duty and Sales Tax	716.90	3,401.48	1,829.09	741.37	451.39	244.50
Staff Costs	114.77	489.59	275.17	128.94	77.53	86.26
Manufacturing expenses	256.65	743.63	366.97	122.20	72.58	61.71
Administration & other expenses	90.63	303.83	250.83	154.23	115.57	110.59
Selling & Distribution expenses	117.06	613.37	222.24	101.71	47.27	46.89
Interest	7.12	14.24	20.00	28.28	32.60	28.51
Depreciation	25.63	71.50	50.61	26.65	20.18	18.09
Miscellaneous expenditure written off	-	-	-	-	-	-
<b>Total expenditure</b>	<b>5,051.32</b>	<b>18,015.18</b>	<b>9,948.53</b>	<b>4,145.74</b>	<b>2,113.42</b>	<b>1,324.60</b>
<b>Net Profit before tax and extraordinary items</b>	<b>599.21</b>	<b>1,985.23</b>	<b>674.24</b>	<b>39.26</b>	<b>9.26</b>	<b>7.16</b>
Provision for Taxation	204.62	692.44	236.36	10.58	2.58	2.01
<b>Net Profit after tax &amp; before extraordinary items</b>	<b>394.59</b>	<b>1,292.79</b>	<b>437.88</b>	<b>28.68</b>	<b>6.68</b>	<b>5.15</b>
Deferred Tax (Assets)/Liabilities	(1.21)	(8.58)	0.53	3.98	-	-
Impact of adjustment for restatement in corresponding year*	-	-	32.15	0.11	2.20	-
<b>Net Profit after extraordinary items</b>	<b>395.80</b>	<b>1,301.37</b>	<b>405.20</b>	<b>24.59</b>	<b>4.48</b>	<b>5.15</b>
<b>Balance of profit brought forward</b>	<b>205.85</b>	<b>60.00</b>	<b>54.80</b>	<b>30.21</b>	<b>25.73</b>	<b>20.58</b>
Transfer to Share Capital on allotment of Bonus Shares	-	91.01	-	-	-	-
<b>Total available for Appropriations</b>	<b>601.65</b>	<b>1,270.36</b>	<b>460.00</b>	<b>54.80</b>	<b>30.21</b>	<b>25.73</b>
Transfer to General Reserve	-	500.00	400.00	-	-	-
Interim Dividend	-	495.08	-	-	-	-
Tax on Dividend	-	69.43	-	-	-	-
<b>Balance carried to Balance sheet</b>	<b>601.65</b>	<b>205.85</b>	<b>60.00</b>	<b>54.80</b>	<b>30.21</b>	<b>25.73</b>

\*Short Provision of taxes and Deferred Tax Liability relating to earlier years have been adjusted in the year to which these relate.



**ANNEXURE - II**  
**ACTION CONSTRUCTION EQUIPMENT LTD**

*Statement of Assets & Liabilities, as Restated*

**Assets & Liabilities of the Company as at the end of each financial year and period read with significant accounting policies, after making adjustments as stated in notes to accounts are set out below along with the assets & liabilities as at March 31, 2002 to June 30, 2006-**

As at Financial years / Period ended ( Rs. In Lac)						
Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Fixed Assets</b>						
Gross Block	2,247.65	1,517.19	644.21	552.86	472.20	346.06
Less : Depreciation	290.39	271.51	208.66	158.05	131.40	18.09
Net Block	1,957.26	1,245.68	435.55	394.81	340.80	327.97
Building work in progress	28.30	23.79	-	-	-	-
Less : Revaluation Reserve	144.88	144.88	144.88	144.88	144.88	144.88
<b>Total - A</b>	<b>1,840.68</b>	<b>1,124.59</b>	<b>290.67</b>	<b>249.93</b>	<b>195.92</b>	<b>183.09</b>
<b>Current Assets, Loans &amp; Advances</b>						
<u>I) Current Assets</u>						
Sundry Debtors	2,335.56	2,105.63	891.28	386.32	330.75	121.11
Closing Stock (Inventories)	1,533.38	1,229.18	658.18	398.68	408.71	497.28
Cash & Bank Balance	543.72	666.24	80.45	57.26	37.20	33.29
Other current Assets	-	-	-	-	-	21.92
ii) Loans & Advances	2,133.50	1,772.34	196.07	68.47	67.23	48.16
<b>Total B</b>	<b>6,546.16</b>	<b>5,773.39</b>	<b>1,825.98</b>	<b>910.73</b>	<b>843.89</b>	<b>721.76</b>
<b>Total Assets (A+B) = C</b>	<b>8,386.84</b>	<b>6,897.98</b>	<b>2,116.65</b>	<b>1,160.66</b>	<b>1,039.81</b>	<b>904.85</b>
<b>Less: Liabilities &amp; provisions</b>						
Secured Loans	520.61	150.87	256.94	227.25	222.25	170.73
Unsecured Loans	-	-	-	-	-	30.57
Long Term Liabilities	-	-	-	184.00	148.07	157.10
Deferred Tax (Assets)/Liabilities-Net	(3.08)	(1.88)	6.71	6.18	2.20	-
Current Liabilities	2,394.06	1,873.96	684.35	438.28	446.65	365.90
Provisions	1,165.67	961.05	247.04	10.69	2.58	2.00
<b>Total Liabilities - D</b>	<b>4,077.26</b>	<b>2,984.00</b>	<b>1,195.04</b>	<b>866.40</b>	<b>821.75</b>	<b>726.30</b>
<b>Net worth (C-D)</b>	<b>4,309.58</b>	<b>3,913.98</b>	<b>921.61</b>	<b>294.26</b>	<b>218.06</b>	<b>178.55</b>
<b>Net worth Represented by-</b>						
Share Capital -	1,337.70	1,337.70	167.36	138.26	128.26	93.24
Share Application Money	-	-	-	1.60	-	-
Reserve & Surplus	3,150.25	2,754.45	899.13	299.28	234.69	230.22
Less : Revaluation Reserve	144.88	144.88	144.88	144.88	144.88	144.88
	4,343.07	3,947.27	921.61	294.26	218.07	178.58
Less: Misc. Exp. To the extent not written off	33.49	33.29	-	-	0.01	0.03
<b>Net Worth</b>	<b>4,309.58</b>	<b>3,913.98</b>	<b>921.61</b>	<b>294.26</b>	<b>218.06</b>	<b>178.55</b>

**ANNEXURE - III****ACTION CONSTRUCTION EQUIPMENT LTD****Significant Accounting Policies and Notes to Accounts****(A) Significant Accounting Policies -****1. System of Accounting-**

- (a) The Company follows the mercantile system of accounting and recognises income & expenditure on accrual basis.
- (b) The Financial Statement are based on historical cost convention, in accordance with applicable accounting standards and relevant presentation requirements of the Companies Act, 1956. These costs are not adjusted to reflect the impact of the changing value in the current purchasing power of money.
- (c) The Financial Statements are prepared in conformity with the prevalent Accounting Standards.
- (d) The Sales have been shown inclusive of Excise Duty and Sales Tax and correspondingly Excise Duty and Sales Tax paid have been shown in expenses, hence, effect on profitability is Nil. The Company has changed its Accounting Policy to show the Sales inclusive of Excise Duty & Sales tax from Financial year 2004-05.

**2. Inventory Valuation -**

- (a) Raw Materials, Components and Spare-Parts are valued at cost.
- (b) Work in Progress is valued at Prime cost and includes direct labour & overhead charges.
- (c) Finished goods are valued at Works cost or estimated realisable value, which-ever is lower and inclusive of Excise Duty.

**3. Fixed Assets and Depreciation -**

- (a) All Fixed Assets are valued at historical costs less depreciation. Land, Building and Plant & Machinery bought are value at landed cost.
- (b) Depreciation has been provided on WDV method as per rates prescribed by Schedule XIV of the Companies Act, 1956.

**4. Foreign Currency Transactions-**

Transactions other than those of capital nature are accounted for at the exchange rate prevailing at the transaction date. Variations on settlement are recognised as gain or loss in exchange in Profit & Loss Account

- 5. No. of employees in receipts of remuneration aggregating not less than Rs. 24,00,000/- p.a., if employed throughout the year or Rs. 2,00,000/- p.m., if employed for a part of the year is Nil.

**6. Benefits to Employees-**

- (a) Provident Fund is accrued on monthly basis in accordance with the terms of contract with the employees and is deposited with the "Statutory Provident Fund". The company's contribution is charged to Profit & Loss Account.
- (b) Liability for leave encashment benefit is accounted for on the assumption that such benefits are payable to all employees at the end of accounting year.
- (c) The Company has taken a Group Gratuity Policy from LIC of India and the premium so paid is charged to the Profit & Loss Account. The Calculation of Premium under the policy is made on the basis of actuarial valuation done by LIC.

**7. Accounting for Taxes on Income :**

Provision for taxation for the year comprises of current taxes and deferred taxes. Current taxes consist of Income Tax/ Wealth Tax payable on current year Income / Wealth. Deferred Tax is calculated for timing differences and has been accounted as per provisions of the Accounting Standard-22 issued by The institute of Chartered Accountants of India.

**(B) Others Notes-**

1. Issued and paid up capital includes 7,531,155 Equity Shares of Rs. 10 each allotted as fully paid up Bonus Shares during the Financial year ended on 31st March, 2006, by way of capitalisation of General Reserves, Share Premium and credit balance in the Profit and Loss Account.
2. During the Financial year ended on 31st March, 2006, the Company has made the following allotment of its Equity Shares-
  - (a) 2,495,255 Equity Shares of Rs. 10 each to the promoters @ Rs. 20 each.
  - (b) 194,000 Equity Shares of Rs. 10 each to the outside parties @ Rs. 50 each.
  - (c) 400,000 Equity Shares of Rs. 10 each to M/s. Bennett Coleman & Company Limited, 7, Bahadurshah Zafar Marg, New Delhi @ Rs. 100 each.
  - (d) 83,000 Equity Shares of Rs. 10 each to Company's Employees & Director @ Rs. 30 each.
  - (e) 1,000,000 Equity Shares of Rs. 10 each to The Western India Trustee and Executor Company Limited (India Advantage Fund-I) @ Rs. 130 each.
3. The names of small scale industrial undertakings to whom the Company owes a sum exceeding Rs. 1 lac which is outstanding for more than 30 days as on 30th June 2006 are mentioned below. Total outstanding dues of small scale industrial undertakings are Rs. 12,777,753.05. Total outstanding dues of creditors other than small scale industrial undertakings are Rs. 148,213,600.64 as on 30th June 2006.

S. No.	Supplier's Name
1	Capital Rubber & Plastic Products
2	Century Crane Engrs. (P) Ltd
3	Nissim India Pvt.Ltd
4	Orbit Bearings India Pvt. Ltd.,
5	Polar Auto & Engg. Industries P Ltd
6	Wal-Fabs Enterprises

**4. Contingent Liabilities not provided for-**
**Rs. In Lac**

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Bank Guarantees	123.15	140.31	74.06	44.85	27.39	63.64
Letter of Credits	173.26	89.98	114.29	136.67	84.27	31.62
Claim against the Company, not acknowledge as debts	6.68	6.68	0.21	-	-	-
<b>Total</b>	<b>303.09</b>	<b>236.97</b>	<b>188.56</b>	<b>181.52</b>	<b>111.66</b>	<b>95.26</b>

**5. Miscellaneous Expenses include Auditor's Remuneration as under-**
**Rs. In Lac**

Particulars	Apr06- Jun-06	2005-06	2004-05	2003-04	2002-03	2001-02
Audit Fee	0.30	1.10	0.75	0.60	0.60	0.35
Taxation Matters	-	0.40	0.25	0.10	-	0.10
Others	-	0.50	-	-	-	0.10
<b>Total</b>	<b>0.30</b>	<b>2.00</b>	<b>1.00</b>	<b>0.70</b>	<b>0.60</b>	<b>0.55</b>

**6. Remuneration paid to Directors -**
**Rs. In Lac**

	<b>Apr06-Jun06</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>
Sh. Vijay Agarwal	14.70	104.10	60.00	12.00	6.00	6.00
Smt. Mona Agarwal	5.88	78.03	48.00	8.10	4.20	4.20
Sh. Sorab Agarwal	1.05	4.20	4.20	4.10	2.40	2.40
Sh. Vijay Kumar Singh	0.95	5.33	3.81	2.53	3.50	2.24
<b>Total</b>	<b>22.58</b>	<b>191.66</b>	<b>116.01</b>	<b>26.73</b>	<b>16.10</b>	<b>14.84</b>

7. As per Accounting Standard 17, "Segment Reporting" issued by The Institute of Chartered Accountants of India, the Company who is dealing in multiple products/services and operates in geographical areas are required to report under this Accounting Standard. But no disclosure is required as the Company mainly operates in a single primary business segment namely Crane Manufacturing Segment and at single geographical area viz. India.
8. As per Accounting Standard 18, "Related Party Disclosure" issued by The Institute of Chartered Accountants of India, the disclosures of transactions with the Related Parties as defined in the Accounting Standard for the Year 2001-2002 onwards are given below-

**a. Associate Companies / Entities-**

ACE STEELFAB PVT. LTD.  
ACE CRANES

**b. Key Management Personnel-**

Sh. Vijay Agarwal  
Smt. Mona Agarwal  
Sh. Sorab Agarwal  
Sh. Vijay Kumar Singh

**c. Relatives of Key Management Personnel and Enterprises, over which Relatives of Key Management Personnel exercise significant influence-**

-NIL-

**d. Related Party Transactions-**
**Rs. in Lac**

Nature of Transaction	Period	Associates Companies		Key Management Personnel	Total
		ACE Steelfab P Ltd	ACE Cranes		
<b>Purchase of Goods</b>	Apr'06-Jun'06	724.19	-	-	724.19
	2005-2006	3,239.11	-	-	3,239.11
	2004-2005	1,076.12	-	-	1,076.12
	2003-2004	-	-	-	-
	2002-2003	-	-	-	-
	2001-2002	-	-	-	-
<b>Sales of Goods</b>	Apr'06-Jun'06	402.89	238.74	-	641.63
	2005-2006	909.01	993.94	-	1,902.95
	2004-2005	239.03	813.25	-	1,052.28
	2003-2004	-	317.90	-	317.90
	2002-2003	-	-	-	-
	2001-2002	-	-	-	-

<b>Remuneration Paid</b>	Apr'06-Jun'06	-	-	22.58	22.58
	2005-2006	-	-	191.66	191.66
	2004-2005	-	-	116.01	116.01
	2003-2004	-	-	26.73	26.73
	2002-2003	-	-	16.10	16.10
	2001-2002	-	-	14.84	14.84
<b>Licence Deposit paid</b>	Apr'06-Jun'06	-	-	-	-
	2005-2006	-	-	9.00	9.00
	2004-2005	-	-	-	-
	2003-2004	-	-	-	-
	2002-2003	-	-	-	-
	2001-2002	-	-	-	-
<b>Licence Fee paid</b>	Apr'06-Jun'06	-	-	4.65	4.65
	2005-2006	-	-	14.00	14.00
	2004-2005	-	-	-	-
	2003-2004	-	-	-	-
	2002-2003	-	-	-	-
	2001-2002	-	-	-	-
<b>Rent received</b>	Apr'06-Jun'06	0.60	-	-	0.60
	2005-2006	2.40	-	-	2.40
	2004-2005	2.27	-	-	2.27
	2003-2004	-	-	-	-
	2002-2003	-	-	-	-
	2001-2002	-	-	-	-

9. All Credit Facilities from ICICI Bank Ltd secured by way of hypothecation of the Company's entire stocks of raw materials, semi-finished and finished goods, consumable stores and spares and such other moveable including book-debts, bills whether documentary or clean, outstanding monies, receivables, both present and future and First charge by way of equitable mortgage of property situated at Jajru Rd. 25th Mile Stone, Mathura Road, Ballabgarh, Haryana and also unconditional and irrevocable personal guarantees of the Promoters.

**10. CIF Value of Imports-**

**Rs. In Lac**

Particulars	Apr06-Jun06	2005-06	2004-05	2003-04	2002-03	2001-02
Raw Materials, Spares & Trading	637.11	624.68	105.29	90.52	345.72	67.94

**11 Capacity & Production -**

**Licensed & Installed Capacity - Not applicable**

Particulars	Apr06-Jun06	2005-06	2004-05	2003-04	2002-03	2001-02
Production- No. of Cranes	486	1902	1146	459	218	187

**12 Turnover -**

**Amount in Rs.**

Sales	Apr06-Jun06	2005-06	2004-05	2003-04	2002-03	2001-02
Cranes	456,430,007	1,569,859,826	833,795,538	329,045,348	152,916,062	95,641,002
Others	34,964,323	86,896,741	44,223,870	14,753,110	13,128,435	12,268,045
Excise Duty & Sales Tax	71,690,086	340,147,947	182,909,464	74,136,720	45,137,961	24,450,009
<b>Total Value</b>	<b>563,084,416</b>	<b>1,996,904,514</b>	<b>1,060,928,872</b>	<b>417,935,178</b>	<b>211,182,458</b>	<b>132,359,056</b>

**13. Earning in Foreign Exchange**
**Rs. In Lac**

Particulars	Apr06-Jun06	2005-06	2004-05	2003-04	2002-03	2001-02
Export of Goods (F.O.B. Value)	176.42	428.57	57.66	18.77	15.82	16.06

**14. Expenditure in Foreign Currency**
**Rs. In Lac**

Particulars	Apr06-Jun06	2005-06	2004-05	2003-04	2002-03	2001-02
Foreign Traveling Exp.	11.62	19.29	19.35	13.51	3.18	4.48
Advertisement Exp.	-	0.43	2.29	-	-	-
Commission on sale	-	1.02	-	-	-	-
<b>Total</b>	<b>11.62</b>	<b>20.74</b>	<b>21.64</b>	<b>13.51</b>	<b>3.18</b>	<b>4.48</b>

**15. Value of imported raw material consumed**
**Rs. In Lac**

Period	Imported value.	%	Indigenous value.	%	Total value
Apr06-Jun06	165.46	4.44%	3,557.10	95.56%	3,722.56
2005-06	1,095.00	8.85%	11,282.54	91.15%	12,377.53
2004-05	86.62	1.25%	6,847.00	98.75%	6,933.62
2003-04	56.71	2.00%	2,785.65	98.00%	2,842.37
2002-03	345.72	26.67%	950.58	73.33%	1,296.30
2001-02	67.94	9.33%	660.12	90.67%	728.05

**16. Earning Per Share (Basic & Diluted)**

Particulars	Apr06-Jun06	2005-06	2004-05	2003-04	2002-03	2001-02
Opening no of shares (after converting in Rs. 10 each)	13,377,000	1,673,590	1,382,590	1,282,590	932,440	932,440
Closing no of shares (after converting in Rs. 10 each)	13,377,000	13,377,000	1,673,590	1,382,590	1,282,590	932,440
<b>Weighted average number of Equity Share of Rs. 10 each (Basic)</b>	<b>13,377,000</b>	<b>11,024,822</b>	<b>7,732,071</b>	<b>7,055,752</b>	<b>5,133,696</b>	<b>5,128,420</b>
Share Application Money (Rs.)	-	-	-	160,000	-	-
<b>Weighted average number of Equity Share of Rs. 10 each (Diluted)</b>	<b>13,377,000</b>	<b>11,024,822</b>	<b>7,732,071</b>	<b>7,065,735</b>	<b>5,133,696</b>	<b>5,128,420</b>
Profit After Tax (Rs.in Lac)	395.80	1,301.37	405.20	24.59	4.48	5.15
EPS (In Rupees)- Basic	11.84	11.80	5.24	0.35	0.09	0.10
EPS (In Rupees)- Diluted	11.84	11.80	5.24	0.35	0.09	0.10
	*					

*\* Annualised*

**17. Balance of Sundry Debtors, Sundry Creditors and Loans & Advances are subject to confirmation and reconciliation by the parties and if any, adjustment is required on reconciliation, will be done in the year in which the same is reconciled.**

**18. The previous years figures have been regrouped or re-arranged wherever considered necessary.**

**ANNEXURE - IV**  
**ACTION CONSTRUCTION EQUIPMENT LTD**

*Statement of Accounting Ratios*

Particulars		June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Earning per Share (EPS)</b>							
Profit After Tax (Rs.in Lac)	(a)	395.80	1,301.37	405.20	24.59	4.48	5.15
Weighted average number of Equity Share of Rs. 10 each (Basic)	(b)	13,377,000	11,024,822	7,732,071	7,055,752	5,133,696	5,128,420
Share Application Money (Rs.)	(c)	-	-	-	160,000	-	-
Weighted average number of Equity Share of Rs. 10 each (Diluted)	(d)	13,377,000	11,024,822	7,732,071	7,065,735	5,133,696	5,128,420
<b>EPS (In Rupees)- Basic</b>	(a)/(b)	11.84	11.80	5.24	0.35	0.09	0.10
<b>EPS (In Rupees)- Diluted</b>	(a)/(d)	11.84 *	11.80	5.24	0.35	0.09	0.10
<b>RETURN OF NET WORTH</b>							
Profit After Tax (Rs.in Lac)	(a)	395.80	1,301.37	405.20	24.59	4.48	5.15
Net Worth (Rs. in Lac)	(b)	4,309.58	3,913.98	921.61	294.26	218.06	178.55
<b>RETURN OF NET WORTH - %</b>	(a)/(b)	36.74*	33.25	43.97	8.36	2.05	2.89
<b>NET ASSETS VALUE PER SHARE</b>							
Total Assets (Rs. in Lac)	(a)	8,386.84	6,897.98	2,116.65	1,160.66	1,039.81	904.85
Total Liabilities (Rs. in Lac)	(b)	4,077.26	2,984.00	1,195.04	866.40	821.75	726.30
Net Assets Value (a)-(b) (Rs. in Lac)	(c)	4,309.58	3,913.98	921.61	294.26	218.06	178.55
No. of Shares (after converting in Rs. 10 each)	(d)	13,377,000	13,377,000	1,673,590	1,382,590	1,282,590	932,440
Net Assets Value Per Share (Rs.)	(c)/(d)	32.22	29.26	55.07	21.28	17.00	19.15
<b>BUSINESS PER EMPLOYEES</b>							
Net Sales (Rs.in Lac)	(a)	4,913.94	16,567.57	8,780.20	3,438.00	1,660.45	1,079.09
No. of Employees	(b)	343	293	231	130	94	88
<b>Business per Employee (Rs. in Lac)</b>	(a)/(b)	57.31*	56.54	38.01	26.45	17.66	12.26
<b>NET PROFIT PER EMPLOYEES</b>							
Profit After Tax (Rs.in Lac)	(a)	395.80	1,301.37	405.20	24.59	4.48	5.15
No. of Employees	(b)	343	293	231	130	94	88
<b>Profit per Employee (Rs. in Lac)</b>	(a)/(b)	4.62*	4.44	1.75	0.19	0.05	0.06

\* Annualised



**Definitions :**
**1) EARNING PER SHARE**

Earning per share (EPS) is calculated after adjusting 75,31,155 Bonus shares issued on 8.9.2005 in the ratio of 9:2 on 16,73,590 Equity Shares, on proportionate basis with retrospective effect, as provided in Accounting Standard (AS-20)- "EARNING PER SHARE" as follow

EPS-Basic = NET PROFIT AFTER TAX / WEIGHTED AVERAGE NO OF SHARES OUTSTANDING AT THE END OF THE YEAR

EPS-Diluted = NET PROFIT AFTER TAX / WEIGHTED AVERAGE NO OF SHARES OUTSTANDING AT THE END OF THE YEAR, AFTER GIVING

THE PROPORTIONATE EFFECT OF SHARE APPLICATION MONEY RECEIVED.

**2) RETURN OF NET WORTH = NET PROFIT AFTER TAX / NET WORTH**

where NET WORTH = SHARE CAPITAL + RESERVES AND SURPLUS - PRELIMINARY EXPENSES

**3) NET ASSETS VALUE = NET WORTH / NUMBER OF EQUITY SHARES**

where NET WORTH = SHARE CAPITAL + RESERVES AND SURPLUS - PRELIMINARY EXPENSES

**ANNEXURE - V**
**ACTION CONSTRUCTION EQUIPMENT LTD**
***CAPITALISATION STATEMENT***

Particulars	(Rs. In Lac)	
	PRE - ISSUE (As on June 30, 2006)	POST- ISSUE*
<b>Loans-Secured &amp; Unsecured</b>	520.61	
Working Capital Loan	480.43	
Loan against Vehicles - From Private Inst.	40.18	
Long Term Debt	-	
<b>Shareholder's funds :</b>		
Share Capital	1,337.70	
Reserve & Surplus	3,005.37	
<b>Total Shareholder's funds</b>	4,343.07	
<b>Long Term Debt/Shareholder's fund</b>	-	

\* Share Capital & Reserves - Post-Issue can be ascertained only after the conclusion of book building process.

**ANNEXURE - VI**  
**ACTION CONSTRUCTION EQUIPMENT LTD**

*Statement of Tax Shelter*

Particulars	For the Financial Years / Period ended ( Rs. In Lac)					
	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Profit as per Books of Account-Before Tax</b>	599.21	1,985.23	674.24	39.26	9.26	7.16
Tax Rate (including surcharge) %	33.66	33.66	36.59	35.88	36.75	35.70
<b>A - Notional Tax Payable</b>	<b>201.69</b>	<b>668.23</b>	<b>246.71</b>	<b>14.09</b>	<b>3.40</b>	<b>2.56</b>
<b>B - Permanent Difference</b>						
1- Impact in respect of Depreciation on Fixed Assets	3.59	(4.35)	(1.45)	(11.37)	(6.27)	(1.57)
2- (Profit)/Loss on Sale of Assets (Different treatment in tax)	(3.75)	(2.75)	-	-	-	-
3- Other Adjustments	-	36.01	0.30	0.80	4.04	(0.06)
<b>Total - B</b>	<b>(0.16)</b>	<b>28.91</b>	<b>(1.15)</b>	<b>(10.57)</b>	<b>(2.23)</b>	<b>(1.63)</b>
<b>Tax Burden / (Savings) thereon</b>	<b>(0.05)</b>	<b>9.73</b>	<b>(0.42)</b>	<b>(3.79)</b>	<b>(0.82)</b>	<b>(0.58)</b>

**ANNEXURE - VII**  
**ACTION CONSTRUCTION EQUIPMENT LTD**  
**Statement of Other Income - (IF>20% of Profit before Tax)**

Particulars	For the Financial Years / Period ended ( Rs. In Lac)					
	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
Profit Before Tax	599.21	1,985.23	674.24	39.26	9.26	7.16
20% of Profit Before Tax	119.84	397.05	134.85	7.85	1.85	1.43
Other Income during the period / year	19.69	31.36	13.48	5.64	10.85	8.17

Particulars	For the Financial Years/ Period ended ( Rs. In Lac)						
	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	Nature of Income
<b>Other Income Details</b>							
Service Charges Received	0.92	8.63	2.04	-	5.40	5.82	Recurring
Interest Received	12.88	8.11	2.63	0.22	0.41	0.93	Recurring
Rent Received	0.60	2.40	2.27	-	-	-	Non-Recurring
Shortage & Excess Recovery	-	-	-	-	-	-	Non-Recurring
Misc. Income	1.54	8.34	6.54	5.42	5.04	1.42	Recurring
Insurance Claim Received	-	1.13					Non-Recurring
Profit on Sale of Assets	3.75	2.75					Non-Recurring
<b>Total</b>	<b>19.69</b>	<b>31.36</b>	<b>13.48</b>	<b>5.64</b>	<b>10.85</b>	<b>8.17</b>	

**ANNEXURE - VIII**  
**ACTION CONSTRUCTION EQUIPMENT LTD**  
*Statement showing Age-wise Analysis of Sundry Debtors*

(Rs. in Lac)

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Sundry Debtors (Unsecured, Considered Goods) (Unless otherwise stated)</b>						
Exceeding Six Months	318.96	345.46	107.73	75.69	83.93	25.02
Others	2,016.60	1,760.17	783.55	310.63	246.82	96.09
<b>Total</b>	<b>2,335.56</b>	<b>2,105.63</b>	<b>891.28</b>	<b>386.32</b>	<b>330.75</b>	<b>121.11</b>

**DEBTORS INCLUDES RECEIVABLES FROM RELATED PARTY AS SET OUT BELOW**

(Rs. in Lac)

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Sundry Debtors (Unsecured, Considered Goods) (Unless otherwise stated)</b>						
ACE Cranes	12.06	113.54	(23.96)	(10.08)	(7.73)	(7.73)
<b>Total</b>	<b>12.06</b>	<b>113.54</b>	<b>(23.96)</b>	<b>(10.08)</b>	<b>(7.73)</b>	<b>(7.73)</b>

**ANNEXURE - IX**  
**ACTION CONSTRUCTION EQUIPMENT LTD**  
*Statement showing details of Loan & Advances*

(Rs. in Lac)

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Loans &amp; Advances, Unsecured, Good (unless otherwise stated)</b>						
Advances recoverable in cash or in kind or for value to be received	1,348.55	1,038.33	108.54	46.32	62.01	45.94
Balance with Excise Authority	0.59	0.59	18.61	12.10	2.18	0.49
Advance Tax (Incl.TDS)	784.36	733.42	68.92	10.05	1.63	0.75
Prepaid Expenses	-	-	-	-	1.41	0.98
<b>Total</b>	<b>2,133.50</b>	<b>1,772.34</b>	<b>196.07</b>	<b>68.47</b>	<b>67.23</b>	<b>48.16</b>

**ANNEXURE - X (A)**  
**ACTION CONSTRUCTION EQUIPMENT LTD**  
*Statement of Unsecured Loans*

(Rs. in Lac)

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>A - Loan from -</b>						
- Promoter/Directors	-	-	-	-	-	30.57
- Shareholders	Nil	Nil	Nil	Nil	Nil	Nil
- Others	-	-	-	184.00	148.07	157.10
<b>B - Public Deposits</b>	Nil	Nil	Nil	Nil	Nil	Nil
<b>C - Bank</b>	Nil	Nil	Nil	Nil	Nil	Nil

**ANNEXURE - X (B)**  
**ACTION CONSTRUCTION EQUIPMENT LTD**  
*Statement of Secured Loans*

(Rs. in Lac)

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>A - Loan from -</b>						
- Cash Credit - Bank	480.43	103.13	217.04	184.95	184.14	124.73
- Against Vehicles - From Private Institutions	40.18	47.74	39.90	42.30	38.11	46.00
<b>Total</b>	<b>520.61</b>	<b>150.87</b>	<b>256.94</b>	<b>227.25</b>	<b>222.25</b>	<b>170.73</b>

**ANNEXURE - XI**  
**ACTION CONSTRUCTION EQUIPMENT LTD**  
**Statement of change in Share Capital**

(Rs. In Lac)

Particulars	June 30, 2006	March 31, 2006	March 31, 2005
<b>Share Capital</b>			
<b>Authorised Share Capital</b>			
No. of Shares of Rs. 10 Each	20,000,000	20,000,000	
Amount (Rs. In Lac)	2,000	2,000	
No. of Shares of Rs. 100 Each			300,000
Amount (Rs. In Lac)			300
<b>Issued Subscribed &amp; Paid Up</b>			
No. of Shares of Rs. 10 Each	13,377,000	13,377,000	
Amount (Rs. In Lac)	1,338	1,338	
No. of Shares of Rs. 100 Each			167,359
Amount (Rs. In Lac)			167

**ANNEXURE - XII**  
**ACTION CONSTRUCTION EQUIPMENT LTD**  
**Statement of Dividend**

Particulars	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>EQUITY SHARES</b>						
Rate of Dividend - Interim	-	40%	-	-	-	-
Interim Dividend Amount (Rs. In Lac)	Nil	495.08	Nil	Nil	Nil	Nil
No. of Equity Shares	13,377,000	13,377,000	167,359	138,259	128,259	93,244
Nominal Value of Share (Rs.)	10	10	100	100	100	100

**ANNEXURE - XIII**  
**ACTION CONSTRUCTION EQUIPMENT LTD**  
**FACILITY FROM BANKS AS ON 30.06.2006**

Sr. No.	Particulars of Loan	Sanctioned Amount (Rs. In Lac)	Amount outstanding (Rs. in Lac)	Rate of interest	Repayment Terms	Securities Offered
<b>1</b>	<b><u>From ICICI Bank Ltd</u></b>					
1.1	Cash Credit	500	480.43	10%	On Demand	Exclusive Charge in favour of the Bank by way of hypothecation of the Company's entire stocks of raw materials, semi-finished and finished goods, consumable stores and spares and such other moveable including book-debts, bills whether documentary or clean, outstanding monies, receivables, both present and future, in a form and manner satisfactory to the Bank.
	Sub-limit of Working Capital Demand Loan.	(300)	-	10%	On Demand	First charge by way of equitable mortgage of property situated at Jajru Rd. 25th Mile Stone, Mathura Road, Ballabgarh, Haryana. Unconditional and irrevocable personal guarantees of following Directors - 1. Mr Vijay Agarwal 2. Mrs Mona Agarwal 3. Mr Sorab Agarwal
1.2	Letter of Credits	300	173.26	1.70% p.a. (Commission)	As per Term of LC	Cash Margin of 15%
	Sub limit of Bank Guarantees	(150)	123.15	1.70% p.a. (Commission)	As per Term of Bank Guarantee	Cash Margin of 15%
<b>2</b>	<b><u>From SIDBI</u></b>					
	Bill Discounting Facility for Suppliers	50	37.54	10.24%	As per Hundi accepted	First charge by way of equitable mortgage of plot of land together with building thereon, out of Khewat/Khata No. 533/671, Mustil No. 27, Kila No. 9(8-0), 10/1(5-15), measuring 13 Kanal 17 Marla, at Prithala, Tehsil Palwal. Personal guarantees of following Directors - 1. Mr. Vijay Agarwal 2. Mrs. Mona Agarwal 3. Mr. Sorab Agarwal

**ANNEXURE - XIV**  
**ACTION CONSTRUCTION EQUIPMENT LTD**  
**CASH FLOW STATEMENT**

Rs. In Lac

	Apr06-Jun06	As at 31.3.2006	As at 31.3.2005	As at 31.3.2004	As at 31.3.2003	As at 31.3.2002
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>						
Net Profit after Tax as per Profit and loss account	395.80	1301.37	405.20	24.59	4.48	5.15
Adjustments For :						
Interest Expenses	7.12	14.24	20.00	28.28	32.60	28.51
Depreciation	25.63	71.50	50.61	26.65	20.18	18.09
Interest Received	(12.88)	(8.10)	(2.63)	(0.22)	(0.41)	(0.93)
Income Tax Provision	201.64	677.96	268.22	10.58	2.58	2.00
Wealth Tax Provision	0.21	0.72	0.28	0.11		
Deferred Tax	(1.21)	(8.58)	0.53	3.98	2.20	
Fringe Benefit Tax Provision	2.77	223.28	13.75	337.02	69.37	57.15
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>619.08</b>	<b>2062.86</b>	<b>742.22</b>	<b>93.96</b>	<b>61.63</b>	<b>52.82</b>
Adjustments For :						
Trade & other Receivable	(229.93)	(894.51)	(504.96)	(55.57)	(187.72)	90.86
Inventories	(304.20)	(571.00)	(259.51)	10.05	88.57	(158.46)
Trade Payable	520.11	695.65	246.08	(8.38)	80.75	(6.44)
Provision of Income - Tax for earlier year adjusted	-	(10.58)	-	(2.58)	(2.00)	(4.91)
Misc Exp not written off	(0.20)	(14.22)	(33.29)	(518.39)	0.02	(20.39)
<b>Cash generated from Operations</b>	<b>604.86</b>	<b>1249.13</b>	<b>223.83</b>	<b>37.50</b>	<b>41.24</b>	<b>(26.11)</b>
<b>Net Cash From Operating Activities</b>	<b>604.86</b>	<b>1249.13</b>	<b>223.83</b>	<b>37.50</b>	<b>41.24</b>	<b>(26.11)</b>
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES:</b>						
Purchase of Fixed Assets	(753.97)	(914.76)	(91.35)	(80.67)	(46.13)	(2.44)
Sale of Fixed Assets	12.25	9.33			13.13	
	(741.72)	(905.43)	(91.35)	(80.67)	(33.00)	(2.44)
<b>Net Cash From Investing Activities</b>	<b>(741.72)</b>	<b>(905.43)</b>	<b>(91.35)</b>	<b>(80.67)</b>	<b>(33.00)</b>	<b>(2.44)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>						
Proceeds From Secured Loans	369.74	(106.06)	29.69	5.00	51.52	36.23
Proceeds From Unsecured Loans	-	-	(184.00)	35.93	(39.60)	8.45
Loans & Advances	(361.16)	(1402.15)	(127.60)	(1.24)	(19.07)	(2.54)
Proceeds from issue of shares	-	2320.95	190.00	50.00	35.01	
Proceeds from Share Application Money	-	-	-	1.60	-	-
Interest Paid	(7.12)	(14.24)	(20.00)	(28.28)	(32.60)	(28.51)
Interest Received	12.88	8.10	2.63	0.22	0.41	0.93
Interim Dividend & Dividend Tax Paid	-	(564.51)	-	-	-	-
<b>Net Cash From Financing Activities</b>	<b>14.34</b>	<b>242.09</b>	<b>(109.28)</b>	<b>63.23</b>	<b>(4.32)</b>	<b>14.56</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>(122.52)</b>	<b>585.79</b>	<b>23.20</b>	<b>20.06</b>	<b>3.92</b>	<b>(14.00)</b>
<b>OPENING BALANCE OF CASH &amp; CASH EQUIVALENTS</b>	<b>666.24</b>	<b>80.45</b>	<b>57.26</b>	<b>37.20</b>	<b>33.29</b>	<b>47.29</b>
<b>CLOSING BALANCE OF CASH &amp; CASH EQUIVALENTS</b>	<b>543.72</b>	<b>666.24</b>	<b>80.45</b>	<b>57.26</b>	<b>37.20</b>	<b>33.29</b>

ANNEXURE - XV  
ACTION CONSTRUCTION EQUIPMENT LTD  
*RELATED PARTY TRANSACTIONS*

**A. List of Related Parties**

**1 Associate Companies / Entities**

ACE STEELFAB PVT. LTD.  
ACE CRANES

**2 Key Management Personnel**

Sh. Vijay Agarwal  
Smt. Mona Agarwal  
Sh. Sorab Agarwal  
Sh. Vijay Kumar Singh

**3 Relatives of Key Management Personnel and Enterprises, over which Relatives of Key Management Personnel exercise significant influence**

NIL

**B. Related Party Transactions-**

Rs. in Lac

Nature of Transaction	Period	Associates Companies		Key Management Personnel	Total
		ACE Steelfab Pvt. Ltd	ACE Cranes		
<b>Purchase of Goods</b>	Apr06-Jun06	724.19	-	-	724.19
	2005-2006	3,239.11	-	-	3,239.11
	2004-2005	1,076.12	-	-	1,076.12
	2003-2004	-	-	-	-
	2002-2003	-	-	-	-
	2001-2002	-	-	-	-
<b>Sales of Goods</b>	Apr06-Jun06	402.89	238.74	-	641.63
	2005-2006	909.01	993.94	-	1,902.95
	2004-2005	239.03	813.25	-	1,052.28
	2003-2004	-	317.90	-	317.90
	2002-2003	-	-	-	-
	2001-2002	-	-	-	-
<b>Remuneration Paid</b>	Apr06-Jun06	-	-	22.58	22.58
	2005-2006	-	-	191.66	191.66
	2004-2005	-	-	116.01	116.01
	2003-2004	-	-	26.73	26.73
	2002-2003	-	-	16.10	16.10
	2001-2002	-	-	14.84	14.84
<b>Licence Deposit paid</b>	Apr06-Jun06	-	-	-	-
	2005-2006	-	-	9.00	9.00
	2004-2005	-	-	-	-
	2003-2004	-	-	-	-
	2002-2003	-	-	-	-
	2001-2002	-	-	-	-



Nature of Transaction	Period	Associates Companies		Key Management Personnel	Total
		ACE Steelfab Pvt. Ltd	ACE Cranes		
<b>Licence Fee paid</b>	Apr06-Jun06	-	-	4.65	4.65
	2005-2006	-	-	14.00	14.00
	2004-2005	-	-	-	-
	2003-2004	-	-	-	-
	2002-2003	-	-	-	-
	2001-2002	-	-	-	-
<b>Rent received</b>	Apr06-Jun06	0.60	-	-	0.60
	2005-2006	2.40	-	-	2.40
	2004-2005	2.27	-	-	2.27
	2003-2004	-	-	-	-
	2002-2003	-	-	-	-
	2001-2002	-	-	-	-

## II. FINANCIAL INFORMATION OF GROUP COMPANIES

### a) ACE STEELFAB PVT LTD

1	Constitution	Private Limited Company		
2	Date of Incorporation	19 <sup>th</sup> April 2004		
3	Board of Directors	Mr Vijay Agarwal Mrs Mona Agarwal Mr Sorab Agarwal		
4	Nature of Activities	The Company is engaged in the manufacturing of Fabrication Items		
5	Share Holding Pattern	<b>Name of Shareholder</b>	<b>No of Shares @ 10 each held</b>	<b>Percentage</b>
		Mr Vijay Agarwal	5000	50%
		Mrs Mona Agarwal	2500	25%
		Mr Sorab Agarwal	2500	25%
		<b>Total</b>	<b>10000</b>	<b>100%</b>
6	Brief Financial	<b>Particulars</b>	<b>As on 31.3.2006 Rs in Lac</b>	<b>As on 31.3.2005 Rs. in Lac</b>
		Sales & Other Income	2719.81	894.29
		PAT	21.92	8.04
		Equity Capital	1.00	1.00
		Reserves & Surplus (excluding Revaluation Reserve)	24.26	8.04
		EPS (Rs)	219.17	80.42
		Book Value/Share (Rs.)	249.54	87.04

Ace Steelfab Pvt. Ltd has sold goods worth Rs. 3239.11 Lac to the Company for the year ended 2005-06 which is greater than 10% of the Total Income of the Company. For further details of the related party transactions please refer page 94

### b) ACE CRANES

1	Constitution	Proprietary concern of Mr Sorab Agarwal			
2	Date of Incorporation	Not applicable			
3	Board of Directors	Not applicable, Mr Sorab Agarwal, Whole-time Director of the Company, is proprietor.			
4	Nature of Activities	Working as a Consignment Agent of Action Construction Equipment Ltd			
5	Share Holding Pattern	Not applicable			
6	Brief Financial	Particulars	31.03.2004 Rs. Lac	31.03.2005 Rs. Lac	31.03.2006 Rs. Lac
		Sales & Other Income	371.59	955.13	1167.54
		PBT	1.54	7.37	8.06
		Equity Capital	NA	NA	NA
		Reserves & Surplus (excluding Revaluation Reserve)	NA	NA	NA
		EPS (Rs)	NA	NA	NA
		Book Value/Share (Rs.)	NA	NA	NA

None of the group companies have become sick companies within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up or has a negative net worth.

For details of the related party business transactions please refer to the Related party transactions on page no.94.

### **III. CHANGES IN ACCOUNTING POLICES**

The Company has changed its Accounting Policy to show the Sales inclusive of Excise Duty & Sales tax from Financial year 2004-05. Except this, there is no change in the Accounting Policy of the Company during last 3 years.

### **IV. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS**

*(All the figures used in this section, unless stated otherwise, have been derived from the audited restated financial statements of Action Construction Equipment Ltd.)*

#### **OVERVIEW OF THE BUSINESS**

The Company started manufacturing of Hydraulic Mobile Cranes under the brand name of “ACE” in 1995. It has production facility based at Faridabad. Today, it is an established manufacturer of Hydraulic Mobile Cranes, Tower Cranes and other Construction Equipment in the country and has got a consolidated presence in all major Infrastructure, Construction, Heavy Engineering and Industrial Projects existing since more than a decade. The Company is dedicated to provide it's customers with the latest technology Construction Equipment, efficient sales & service support and a comprehensive follow-up system aimed at satisfying their real needs. Products of the Company are also registered with the Automotive Research Association of India for roadworthiness.

The Company's product range includes Hydraulic Mobile Cranes, Mobile / Fixed Tower Cranes, Loaders, Aerial Access Platforms, Lorry Loader Cranes, and Construction Elevators & Climbing Platforms. The Company has got a country wide Sales and Service network of 37 Outlets supported by five Regional Offices.

The Company has series of marketing tie-ups with leading foreign companies like AUTOGRU PM - Italy, Maber - Italy, Zoomlion - China and TIGIEFFE SRL - Italy, which facilitate the availability of latest technology and machines from around the world.

The Company is supplying equipment to most of the leading private and government sector companies in India and is also touching the foreign horizons of Middle-East Asia, South East Asia and African countries. The Company's products are being exporting to UAE, Qatar, Sultanate of Oman, Kuwait, South Africa, Kenya, Nigeria, Mauritius, Sri Lanka, Nepal, Bhutan, Bangladesh, Singapore, and Portugal etc.

The Company has been certified as an ISO-9001 Company by CVI(Conformity Verification International) and its products have better functional parameters, are cost effective and come along with the best in the line product support through its country wide network of Sales and Service, Outlets and Offices.

Majority of the equipment are supplied for Infrastructure Development and today Infrastructure is the buzzword for the growth of Indian Economy.

#### **MAIN FOCUS AREAS AND APPLICATIONS-**

The Company's equipment are widely used in all major Infrastructure, Construction, Heavy Engineering and Industrial Projects across the country. Due to the versatility of the company's equipment to satisfy a vast range of possible applications, the same are being successfully used in many sectors like Infrastructure construction, Power Projects, Ports & Shipyards, Dams, Metro Rail, Road, Coal Mines, Steel Industry, Engineering Industry, Railways, Cement, Petroleum, Defence, Chemicals and Fertilizer Plants, Building Construction etc. to name a few.

#### **SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO THE LAST BALANCE SHEET**

- The Company was converted from Action Construction Equipments Private Limited to Action Construction Equipments Limited on October 4, 2005. Further the name of the company was changed to Action Construction Equipment Limited with effect from March 23, 2006
- 83000 equity shares of Rs.10/- each were allotted to the employees of the company at a price of Rs.30/-
- Fire broke out due to short circuit in the utility shed in the factory premises at Jajru Road. Ballabgarh, on October 10, 2005. The Company has filed an insurance claim of Rs.40.32 lac.
- Setting-up of new assembling unit at Bazpur Industrial area in Uttaranchal.
- Availing of working capital facility from CitiBank N.A.

**FACTORS THAT MAY AFFECT THE OPERATIONS-**

- The business of the Company is primarily based in India and it derives substantial portion of revenue from the Indian market. Therefore, any slowdown in the Indian economic growth, in particular industrial growth & infrastructure, may negatively impact Company's business.
- Any change in the government policy or its budgetary allocation to the infrastructure sector will have a major impact on Company's business
- Increase in prices of any of the raw materials namely Steel, will affect the bottom line of the Company
- Change in the tax structure of Sales Tax, Entry Tax, etc.
- Increasing competition from National and International players
- Change in political and regulatory environment.
- New strategic partnerships and acquisitions.
- Our ability to expand international business.
- Unforeseen business losses

**COMPANY'S GROWTH PATH-**

The table below sets forth information regarding the Company's income, expenditure and profit for the indicated period

Particulars	For the Financial year/Period ended ( Rs. In Lac)					
	June 30, 2006	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002
<b>Income</b>						
Sales of Products manufactured by the Co	4,624.85	15,927.48	8508.58	3,424.86	1,602.11	1,020.11
Of products traded by the Company	289.09	640.09	271.62	13.13	58.33	58.98
<b>Total Sales</b>	<b>4,913.94</b>	<b>16,567.57</b>	<b>8,780.20</b>	<b>3,437.99</b>	<b>1,660.44</b>	<b>1,079.09</b>
Other Income	19.69	31.36	13.48	5.64	10.85	8.17
<b>Total Income</b>	<b>4,933.63</b>	<b>16,598.93</b>	<b>8793.68</b>	<b>3,443.63</b>	<b>1,671.29</b>	<b>1,087.26</b>
<b>Expenditure</b>						
Raw materials & goods consumed	3,722.56	12,377.54	6933.62	2,842.36	1,296.30	728.05
Staff Costs	114.77	489.59	275.17	128.94	77.53	86.26
Manufacturing expenses	256.65	743.63	366.97	122.20	72.58	61.71
Administration & other expenses	90.63	303.83	250.83	154.23	115.57	110.59
Selling & Distribution expenses	117.06	613.37	222.24	101.71	47.27	46.89
Interest	7.12	14.24	20.00	28.28	32.60	28.51
Depreciation	25.63	71.50	50.61	26.65	20.18	18.09
<b>Total expenditure</b>	<b>4,334.42</b>	<b>14,613.70</b>	<b>8119.44</b>	<b>3,404.37</b>	<b>1,662.03</b>	<b>1,080.10</b>
Net Profit before tax and extraordinary items	599.21	1,985.23	674.24	39.26	9.26	7.16
Provision for taxation	204.62	692.44	268.51	10.69	2.58	2.01
<b>Net Profit after tax &amp; before extraordinary items</b>	<b>394.59</b>	<b>1,292.79</b>	<b>405.73</b>	<b>28.57</b>	<b>6.68</b>	<b>5.15</b>

**DISCUSSION ON THE RESULTS OF OPERATIONS**

As evident from the financial statements, the Company has witnessed a significant growth in turnover and profits before & after tax during the last four years.

The Company has shown a consistent growth in its operations and profitability for past five years. From a turnover of Rs.1079.09 lac in the financial year 2001-02, it achieved a turnover of Rs.16567.57 Lac in the financial year 2005-06. During the first quarter ended on 30.06.06, the Company has registered a turnover of Rs. 4913.94 lac. There has been a significant growth in turnover of the Company during the last three years, 107% in financial year 2003-04, 155% in financial year 2004-05 and growth of 89% in the financial year 2005-06

**PERFORMANCE FOR PERIOD ENDED JUNE 30, 2006**

For the first quarter ended on 30th June 2006, the company has achieved total income of Rs. 4933.63 lac with a profit of Rs. 599.21 lac and net profit after tax is Rs. 394.59 Lac.

The Raw material consumption (Raw Material and goods consumed / Net Sales) was at 75.75% during the first quarter of 2006-2007 as compared to 74.71% in 2005-2006. This increase is a result of higher steel prices.

Administration and Other costs was 1.84% of Net Sales during the first quarter of 2006-2007 as compared to 1.83% in 2005-2006.

Profit before tax to Net Sales of the Company was at 12.19% during the first quarter of 2006-2007 as compared to 11.98% in 2005-2006.

**COMPARISON OF PERFORMANCE FOR FY 2005-2006 VIS-À-VIS FY 2004-2005****Total Income**

Total Income for the fiscal year 2006 was Rs. 16598.93 Lac as compared to Rs. 8793.68 Lac for fiscal year 2005, a rise of 88.76% over previous fiscal. Growth in total income is due to higher order conversion rate and increased brand building exercise conducted by the company.

**Raw materials & goods consumed**

In the year 2004-05, the material consumed was Rs. 6,933.62 Lac which increased to Rs. 12,377.54 Lac i.e. increased by 78.51% due to increase in turnover by 88.76%. The Raw Material cost to the turnover was 78.97% in the year 2004-2005, whereas this has reduced to 74.71% in the year 2005-2006, hence there is a reduction of 4.26% in the ratio of Raw Material cost to the turnover, due to higher margin on its products.

**Staff cost**

The Company's staff costs for the period increased by 77.92% due to increase in manpower. Staff costs stood at Rs.489.59 Lac during fiscal 2006 as compared to Rs. 275.17 Lac in fiscal 2005. Increase in volume of business necessitated recruitments in various branches across the Country. The Company's manpower has increased from 231 for fiscal 2005 to 293 for fiscal 2006.

**Manufacturing expenses**

Manufacturing expenses during fiscal 2006 were Rs. 743.63 Lac as compared to Rs. 366.97 Lac in fiscal 2005 which is a increase of 102.64%. The increase is primarily due to increase total income by 88.76%.

**Administration & other expenses**

There has been 21.13% increase in Administration and other expenses cost in comparison to the previous year. During fiscal 2006 the administration and other expenses were Rs. 303.83 Lac whereas it was Rs. 250.83 Lac during fiscal 2005.

**Selling and Distribution Expenses**

Selling and Distribution expenses increased by 176% from Rs. 222.24 Lac in fiscal 2005 to Rs. 613.37 Lac in fiscal 2006. This increase was due to substantial growth in sales and aggressive marketing, sales promotion and advertising of its products across the country and abroad. The Company continued to obtain high volume of business from the Government, PSUs etc, which require additional selling and distribution expenses.

**Interest**

During the period Company's interest cost decreased by Rs. 5.76 Lac and in terms of percentage by 28.82%, largely due to better utilization of current assets.



### **Depreciation**

Depreciation has increased from Rs. 50.61 lac to Rs. 71.50 Lac i.e. increased by 41.28%. This increase is primarily due to additional fixed assets purchased during the fiscal 2006.

### **EBITD**

Earning Before Interest, Tax and Depreciation (EBITD) for the fiscal year 2006 was Rs. 2070.97 Lac, which increased by 178.04% in comparison to the last fiscal which was Rs. 744.85 Lac. This has increased largely due to business growth, low raw material costs and reduction in Administrative & Other expenses

### **Provision for Taxation**

The provision for tax for the fiscal year 2006 increased to Rs. 692.44 Lac from Rs. 286.51 Lac in the previous fiscal. The increase was on account of increase in profitability.

### **PAT**

PAT for the period increased by 218.63% in 2006 to Rs. 1292.79 Lac from Rs. 405.73 Lac in 2005 due to higher sales and profitability.

## **COMPARISON OF PERFORMANCE FOR FY 2004-2005 VIS-À-VIS FY 2003-04**

### **Total Income**

Total Income for the fiscal year 2005 was Rs. 8793.68 Lac as compared to Rs. 3,443.63 Lac for fiscal year 2004, a rise of around 155% over previous fiscal. Growth in total income is due to increase in the domestic sales as well as International sales. During the year, the Company has added more customers who have contributed to enhance its Sales and also obtained large orders from its existing customers.

### **Raw materials & goods consumed**

In the year 2003-04, the material consumed was Rs. 2,842.36 lac which increased to Rs. 6,933.62 Lac i.e. increased by 144% due to increase in turnover by 155%. This increase in material cost is due to increase in the turnover. The Raw Material cost to the turnover was 83% in the year 2003-2004, whereas this has reduced to 79% in the year 2004-2005, hence there is a reduction of 4% in the ratio of Raw Material cost to the turnover.

### **Staff cost**

The Company's staff costs for the period increased by 113% due to implementation of Incentive scheme. Further increase in volume of business necessitated recruitments in various branches across the Country. The Company's manpower has increased from 130 for fiscal 2004 to 231 for fiscal 2005. However, in comparison to the increase in the turnover of the company this increase was not substantial and remained constant at 3% of Turnover.

### **Manufacturing expenses**

Manufacturing expenses increased by 200% in comparison to the previous fiscal year 2004, however total income increased by 155%. This increase is not substantial and remained constant at 4% of Turnover as compared to last fiscal.

### **Administration & other expenses**

The substantial growth in the company's business in the fiscal year 2005 required the Company to expand its presence across the country. Accordingly traveling cost and insurance cost increased due to marketing efforts taken for the business. There has been 63% increase in Administration and other expenses cost in comparison to the previous year.

### **Selling and Distribution Expenses**

Selling and distribution expenses increased by 119% from Rs. 101.71 lac in 2004 to Rs. 222.24 lac in 2005. This increase was due to business growth and Company's focus on marketing, sales promotion and advertising of its products across the country and abroad. The Company has obtained high volume of business from the Government, PSUs etc, which require additional selling and distribution expenses.

### **Interest**

During the period Company's interest cost decreased by Rs. 8.28 Lac and in terms of percentage by 29%, largely due to better utilization of current assets. However, with the growth in business and demand of Company's products in market, Company had mobilized its funds according to its business requirements, which had witnessed a gradual reduction in the interest cost.

**Depreciation**

Depreciation has increased from Rs. 26.65 lac to Rs. 50.61 lac i.e. increased by 90%. This increase was attributable to the purchase of fixed assets.

**EBITD**

Earning Before Interest, Tax and Depreciation (EBITD) for the fiscal year 2005 was Rs. 745 lac, which increased by 691% in comparison to the previous year. This has increased largely due to business growth, low raw material costs and reduction in Administrative & Other expenses

**Provision for Taxation**

The provision for tax for the fiscal year 2005 increased to Rs. 268.51 Lac from Rs. 10.69 Lac. The increase was on account of increase in profitability.

Deferred Tax increased to Rs. 6.71 Lac as on 31.03.2005, due to additional investment in the fixed assets, as the timing difference on depreciation has increased, which has resulted the increase in the Deferred Tax.

**PAT**

PAT for the period increased by 1320% in 2005 to Rs. 405.73 lac from Rs. 28.57 lac in 2004.

**COMPARISON OF PERFORMANCE FOR YEAR 2003-2004 VIS-À-VIS 2002-2003****Total Income**

Total Income reflected an Increase of 106% from Rs. 1671.29 lac in fiscal year 2003 to Rs. 3443.63 lac in the fiscal year 2004. The growth in revenue was driven by new customer addition and repeat business from the existing customers. The Company maintained its business with the Public Sector Organizations.

**Raw materials & goods consumed**

The raw materials consumed has increased by 5% as a percentage of total income over the year 2002-2003 due to sharp increase in price of raw materials like steel, diesel and other materials.

**Staff cost**

There was an increase in Staff cost by 66% from Rs. 77.53 lac to Rs. 128.94 lac. This was due to increase in recruitment of qualified personnel at various locations across the Country. As the company continued to expand, it increased recruitment of professional personnel at various locations across the country.

**Manufacturing expenses**

There was decreased by 1% in manufacturing expenses as compared to total Income for previous year, due to effective utilizations of resources.

**Administration & other expenses**

In comparison to the fiscal year 2003, the expenses under this head increased by 33%. The rise was on account of increased business activity, which required increased domestic and overseas travel by company's executives and sales personnel, as the Company has started to set up the branches and representative offices in all major cities of country.

**Selling and Distribution Expenses**

Selling and distribution expenses increased by 115% from Rs.47.27 lac to Rs.101.71 lac. One of the reasons for this increase is higher sales volume. Second reason for this increase is on account of Company's initiatives for brand building which include expenditure on advertisements and sale promotional activities and brand awareness.

**Interest**

The interest cost reduced by 13% from Rs. 32.60 lac in 2003 to Rs.28.28 lac in 2004 on account of better management of current assets & resources.

**Depreciation**

Depreciation increased by 32% from Rs. 20.18.lac in 2003 to Rs.26.65 lac in 2004 due to proportionate increased in fixed assets.





## **EBITD**

Earning Before Interest, Tax and Depreciation (EBITD) for the year 2004 was Rs. 94 lac, an increased by 52% over the previous year. The EBITD increased due to improvement in gross margin and control over expenditures.

## **Provision for Taxation**

The Company's provision for tax was Rs. 10.69 lac in 2004 against Rs.2.58 lac in 2003.

Deferred Tax has increased by 81% during the year 2004, due to additional investment in the capital goods.

## **PAT**

PAT for the period increased by 328% in 2004 to Rs.28.57 Lac from Rs.6.68 Lac in 2003.

## **INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 OF SEBI (DIP) GUIDELINES.**

### **Unusual or infrequent events or transactions**

There are no unusual or infrequent events or transactions having significant impact on the operations of the company.

### **Significant economic changes that materially affected or likely to affect income from continuing operations.**

There are no significant economic changes that materially affected or likely to affect income from existing operations.

### **Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations**

No known trends and uncertainties are envisaged from continuing operations.

### **Future changes in relationships between costs and revenues in case of events such as future increase in labour or material cost or prices that will cause material change are known.**

There are no such changes in relationship between cost and revenues.

### **Total turnover of each major industry segment in which the company operated.**

The Company is operating in the material handling and construction equipment industry. The total turnover for the financial year 2005-06 is Rs 16567.57 lac and Rs. 4913.94 lac for first quarter ended June 30, 2006.

### **The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.**

The material increase in sales is primarily due to increase in sales volume due to higher market penetration.

### **Status of any publicly announced new products or business segment.**

The Company has not publicly announced any new products or segments other than those mentioned in this RHP.

### **The extent to which the company's business is seasonal**

The Company's business is not seasonal.

### **Any significant dependence on a single or few suppliers or customers**

The revenues of the Company are not dependent on few customers. As on March 2006, the company has a customer base of 3368 customers. For the year 2005-2006, top ten customers contributed 10.92% of total sales for the year. Similarly, Company is not dependent on few suppliers.

### **Competitive conditions**

For details of competitive conditions, please refer to Section titled, "Business Overview" on page no. 1 of this Red Herring Prospectus.

## **SECTION VI - LEGAL AND OTHER INFORMATION**

### **I. OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS**

Other than those mentioned below there are no contingent liabilities not provided for, outstanding litigations, proceedings, disputes, non payment of statutory dues including disputed/contested tax liabilities of any nature including government claims, overdues to banks/ financial institutions, defaults including those against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued by the Company or the companies/firms promoted by the Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against Action Construction Equipment Ltd or its directors.

#### **Litigations filed by the Company-under the Negotiable Instrument Act.**

<b>No</b>	<b>Parties Involved</b>	<b>Court</b>	<b>Amount Involved (in Rs.)</b>	<b>Brief Particulars</b>	<b>Case no</b>	<b>Remarks</b>
1.	The Company Vs. M/s. Sai Steel Exchange	Civil Judge Senior Division Faridabad	57,750	This is a suit for mandatory injunction and consequential relief of decree of declaration.  In this case the Company had supplied certain goods against which the defendant has not issued the C Forms.  The Company has prayed to the court directing the defendant to furnish the C form favouring the Company and a decree to the effect that the Company is entitled to a sales tax amount of Rs. 57,750.	868/98	Next date of hearing is 28.10.2006
2.	The Company Vs. Damodar Sharma Prop. Baba Shyam Constructions	JMIC Faridabad	1,00,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	369/02	Next date of hearing is 18.10.2006
3.	The Company Vs. M/s. Prasan Associates and Another	JMIC Faridabad	97,529	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	260/02	Next date of hearing is 26.08.2006
4.	The Company Vs. M/s. Hindustan Industrial Gases and Another	JMIC Faridabad	1,27,320	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	735/05	Next date of hearing is 09.10.2006
5.	The Company Vs. Narender Singh Saini and Another	JMIC Faridabad	2,00,000	This is a criminal complaint filed by the Company under section 138 of the Negotiable Instruments Act, 1881.	315/03	Next date of hearing is 08.11.2006
6	The Company Vs. M/s Delhi Cranex Private Limited and Another	JMIC Faridabad	1,92,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	Not available	Awaiting Court order.
7	The Company Vs. M/s Dhandi Builders Limited and Another	JMIC Faridabad	1,38,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	1277/04	Next date of hearing is 02.09.2006
8.	The Company Vs. Mr. K Srinivas Reddy and Another	JMIC Faridabad	1,52,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	1157/04	Next date of hearing is 30.10.2006

No	Parties Involved	Court	Amount Involved (in Rs.)	Brief Particulars	Case no	Remarks
9.	The Company Vs. M/s Kaveri Engineering Works and Others	JMIC Faridabad	1,94,485	This is a criminal complaint filed by the company under Section 138 of the Negotiable Instruments Act, 1881.	474/05	Next date of hearing is 15.09.2006
10	The Company Vs. Mr. Damodar Sharma	JMIC Faridabad	1,00,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	189/02	Next date of hearing is 26.08.2006
11	The Company Vs. Mr. G. S Dhanotra and Another	JMIC Faridabad	21,412	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	225/05	Next date of hearing is 22.08.2006
12	The Company Vs. M/s Saha Transport and Another	JMIC Faridabad	63,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	629/03	Last date of hearing is 12.09.2006
13	The Company Vs. M/s Balaji Heavy Lifters and Another	JMIC Faridabad	1,61,302	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	326/05	Next date of hearing is 18.08.2006
14	The Company Vs. Mr. Sukhbir Singh Sethi and Another	JMIC Faridabad	86,810	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	289/05	Next date of hearing is 28.08.2006
15	The Company Vs. M. H. Zuberi and Another	JMIC Faridabad	2,03,468	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	226/05	Next date of hearing is 22.08.2006
16	The Company Vs. Sarada Roadways and Another	JMIC Faridabad	8,77,500	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	100/02	Next date of hearing is 03.10.2006
17	The Company Vs. Mr. Chander Kant Joshi	JMIC Faridabad	50,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	525/05	Next date of hearing is 30.08.2006
18	The Company Vs. Mr. Amar Singh	JMIC Faridabad	30,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	7/26	Next date of hearing is 29.09.2006
19	The Company Vs. Mr. Krishan Kumar	JMIC Faridabad	34,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	699/05	Next date of hearing is 23.08.2006
20	The Company Vs. Om Sai cranes	JMIC Faridabad	60,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	698/05	Next date of hearing is 23.08.2006
21	The Company Vs. Kamra Spares (P) Ltd.	JMIC, Faridabad.	22,705	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	84/06	Next date of hearing is 17.08.2006
22	The Company Vs. Braham Yadav	JMIC, Faridabad.	45,000	This is a criminal complaint filed by the Company under Section 138 of the Negotiable Instruments Act, 1881.	92/06	Next date of hearing is 01.09.2006

**CASES UNDER THE CONSUMER PROTECTION ACT, 1986**

1.	The Company Vs. Haryana Urban Development Authority	District Consumer Forum, Faridabad	Refund of 5% of the amount of earnest money & compensation for Rupees two lac.	The Company has filed Complain under section 12 of the Consumer Protection Act for the recovery of illegally deducted earnest money by Haryana Urban Development Authority	469/03	Next date of hearing is 21.09.2006
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**CASES UNDER THE CIVIL PROCEDURE CODE 1908**

1.	The Company Vs. Omega Engg. Corp.	JMIC Faridabad	31,77,493	Recovery Case filed by the Company.	97/05	Next date of hearing is 17.08.2006
2.	The Company Vs. Jyoti Sarup Mittal	JMIC Faridabad	1,31,000	Recovery Case filed by the Company.	96/06	Next date of hearing is 15.09.2006
3.	The Company Vs. Sapat Rishi Builders	JMIC Faridabad	2,14,338	Recovery Case filed by the Company.	109/06	The Company is awaiting the next hearing date.

**B.Litigations against the Company**

No	Parties Involved	Court	Amount Involved In Rs.	Brief Particulars	Remarks
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**UNDER CIVIL PROCEDURE CODE 1908**

1	M/s D. P Industries (India) Vs. Company and Another	Civil Judge Senior Division Faridabad	21,424.00	Case no. 221/04. This is a suit under Order 37 Rule 1 of CPC for recovery of Rs. 21,424 with interest @24% per annum pendente lite at future till realization	The Company is awaiting the next hearing date.
2	M/s Maharani Paints (India) Private Limited Vs. The Company	Additional District Judge Tis Hazari Courts, Delhi	6,46,815.60	Case no. 48/05. This is a suit for recovery of Rs. 6,46,815.60 along with interest filed against the Company. This is a commercial dispute in respect of the supply of goods to the Company. The Company has disputed the liability	Next date of hearing is 23.08.2006

**UNDER THE COPYRIGHT ACT 1957**

1.	M/s. J. C. Bamford Excavators Limited and another vs. Action Construction Equipment Limited and others (Appeal no FAO (OS) No....2006 against the order in the case No. CS(OS) 566/2006	High Court of Delhi	—	<p>A Suit no. CS (OS) 566/2006 was filed before the Hon'ble Delhi High Court under Copyright Act 1957 against infringement &amp; passing off of Industrial design and an ex-parte order dated 30-3-2006 was passed for injunction and the same was vacated vide Hon'ble Delhi High Court Order dated 26-5-2006.</p> <p>Under the said order of vacation dt 26-5-2006 the defendant is however directed by the Delhi High Court to maintain true and correct account of manufacture and distribution of Backhoe Loaders and would also keep 10% of the sale proceeds of their Backhoe Loaders in a separate account, the details of the account to be disclosed to the court as soon as the account is opened</p> <p>The Plaintiff has filed an appeal dt June 1, 2006 against the said vacation order before the High Court of Delhi and is pending under FAO (OS) no of 390 of 2006.</p>	Next date of hearing is 25.08.2006
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**C. Show cause notice issued by Registrar of Companies, NCT of Delhi and Haryana, Delhi**

The Company and four Wholetime Directors have received a show cause notice dated January 27, 2006 from the Registrar of Companies, NCT of Delhi and Haryana, pursuant to section 383 A of the Companies Act, 1956, for non- appointment of full time Company Secretary of the Company for period starting from September 30, 1998 to June 10, 2002. The Company jointly with its whole-time directors had filed a joint application u/s 621A of the Companies Act, 1956 for compounding of offences committed under Section 383A of the Companies Act, 1956.

Further to the above mentioned notice and subsequent compounding application made by the company on February 22, 2006, the Company Law Board vide its order dated 19th June 2006, had ordered the Company to pay compounding fee of Rs. 5,000/- and Rs.2000/- by each of the whole-time directors, which the company and its whole-time directors have deposited. The matter is hence closed.

**The list of small scale undertakings to whom the company owes a sum of more than Rs. One Lac or more which is outstanding for more than 30 days as on 30.06.2006**

S. No.	Supplier's Name	Amount In Rs.
1	Capital Rubber & Plastic Products	2,85,545.31
2	Century Crane Engrs. (P) Ltd	33,58,560.48
3	Nissim India Pvt.Ltd	3,74,400.00
4	Orbit Bearings India Pvt. Ltd.,	10,58,921.00
5	Polar Auto & Engg. Industries P Ltd	4,77,108.00
6	Wal-Fabs Enterprises	1,04,166.16
	<b>TOTAL</b>	<b>56,58,700.95</b>

**CONTINGENT LIABILITY AGAINST THE COMPANY**

Other than as disclosed above, the promoters, their relatives (as per Companies Act, 1956), issuer, group companies, associate companies are not detained as willful defaulters by RBI/ government authorities and there are no violations of securities laws committed by them in the past or pending against them.

**MATERIAL DEVELOPMENTS**

In the opinion of the Board of Directors, there have not arisen, since the date of the last financial statements disclosed in the Red Herring Prospectus, any circumstance that materially or adversely affect or are likely to affect the profitability of the Company or their ability to pay their material liabilities within the next twelve months other than as disclosed in the RHP.

The Company is currently setting up an assembly unit in Bazpur, District: Uddham Singh Nagar, Uttaranchal. This assembly unit will be eligible for income tax benefit under Sec 80-IC for 100% of Profit and Gains of this unit for the first five (5) years of commencing with the initial assessment year and 30% for the next 5 assesment years. The company is also eligible for capital investment subsidy @ 15% of their investment in plant and machinery, subject to a ceiling of Rs. 30 Lac, vide notification no "No. 1 (10) / 2001 - NER" of Government of India - Ministry of Commerce and Industry.

**II. GOVERNMENT APPROVALS /LICENSING ARRANGEMENTS**

The Company has received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for its business and no further major approvals are required by the Company for carrying on the present business and for the proposed business activities of the Company, Some approvals have already been received and some of these are under process of obtention. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, the company can undertake this Issue and its current business activities and no further major approvals from any statutory authority are required to continue these present activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

**REGISTRATION DETAILS FOR PRESENT BUSINESS ARE AS UNDER:**

Sr. No.	Name of the Location	Issuing Authority	License No. & Date	Nature of Licence
1	For all locations in Haryana	Assessing Authority Central Sales Tax, Haryana	FBD/CST/1313013 Jan 23, 1995	Certificate of Registration Form-B under Rule 6 (1) of Central Sales Tax (Registration and Turnover) Rules, 1957
2	For all locations in Haryana	Assessing Authority, Faridabad (w) District	06851313013 April, 1, 2003	Registration Certificate Form VAT-G1 under section 11 of the Haryana Value Added Tax Act, 2003
3	For Principal Place of business within State of Tamil Nadu	Commercial Tax Officer Chennai, Tamil Nadu	CST No. 31365 May 5, 2003	Certificate of Registration Form-B under Rule 5 (1) of Central Sales Tax Act, 1956
4	For Principal Place of business at Chennai	The Commercial Tax Officer, Annasalai I Assessment Circle, 621 Sire Mansion Annasalai, Chennai	TNGST No. 0600678 May 5, 2003	Certificate of Registration, Form D1 under Tamil Nadu General Sales Tax Act 1959 Rule 24.
5	For Principal Place of business at Visakhapatnam	Commercial Tax Officer, Vat Registering Authority, Dwarakanagar Circle, Visakhapatnam	TIN. 28810189091 April 1, 2005	Value added Tax Registration Certificate Form VAT 105 under commercial Taxes Department Rule 10(a) & 12
6	For Principal Place of business within the State of Andhra Pradesh	Commercial Taxes Dept. Asst. Comm. Tax Officer, Gopalapatnam, Visakhapatnam	CST No. VSP/03/4/ 1779/2002-03 Nov. 19, 2002	Certificate of Registration Form-B under Rule 5 (1) of Central Sales Tax (Registration and Turnover) Rules, 1957
7	For Import & Export of Goods.	Joint DGFT, New Delhi	0596009674 dated 09.06.2006	IEC Number for the purpose of Import & Export Goods
8	Action Construction Equipment Ltd.,	General Manager, Distt. Industrial Centre, Faridabad	051217275 Dated 03.08.2006	SSI Registration for Hydraulics Mobile Cranes & Earthmovers.
9	For Factory situated at 25th Mile Stone, Jajru Road Ballabgarh.	Asst. Commissioner of Service Tax, Faridabad	AAACA6189PST001 Dated 21.03.2005	Service for Maintenance or Repair Service & Transport of Goods by Road.
10	For Factory situated at 25 MileStone, Jajru Road Ballabgarh	Dy. Commissioner of Central Excise, Range : XVII, Division IV, New C.G.O. Complex, NH-IV, Faridabad	AAACA6189PXM001 dated 16.01.2003	Form RC, Central Excise Registration Certificate, under Rule 9 of the Central Excise Rules, 2002
11	Action Construction Equipment Ltd.,	Engineering Export Promotion Council, New Delhi	EPC:D:RMC-11805/ ENGG (SSI), dated 22.12.2004	Construction & Earthmoving Machinery, including Cranes, Hoists, Mining Equip & Tractors for construction and Earth Moving Purpose
12	Action Construction Equipment Ltd.,	Director of Income Tax (Systems), New Delhi	AAACA6189P	PAN
13	For Factory Situated at 25th Mile Stone, Jajru Road, Ballabgarh	Chief Inspector of Factories, Labour Dept. Haryana Chandigarh	FBD/A-371/3392 & Licence Serial No. 5918 is valid upto 31.12.2010	Registration & Factory Licence - Form No. 4 (Prescribed under Rule 8).
14	For Factory Situated at 25th Mile Stone, Jajru Road, Ballabgarh	Regional Director, Faridabad	No. 13/17549/78	Under Section 1(3) of ESI Act, Central Govt. vide notification No. S.O.637 dated 11.02.65



Sr. No.	Name of the Location	Issuing Authority	License No. & Date	Nature of Licence
15	Action Construction Equipment Ltd. and for all Branches.	Office of the Regional Provident Fund Commissioner, Haryana, Faridabad	HR/FD/9471	Schedule -I/classes of establishments in Employees Provident Fund and Miscellaneous Provisions Act.1952
16	For Factory Situated at 25th Mile Stone, Jajru Road, Ballabgarh	The Labour Commissioner, Haryana, Chandigarh	CLA/RG-1,831/1,383/344/FBD/I-322/NI-93 dt 10.2.2006	Registration under Contract Labour (Regulation & Abolition) Act, 1970
17	For Bazpur, Dist. Uddham Singh Nagar Uttaranchal	District Industry Centre, Uddhamsingh Nagar, Uttaranchal	No.051201450 Dated : 07/06/2006	SSI Provisional Registration
18	For Bazpur, Dist. Uddham Singh Nagar Uttaranchal	District Industry Centre, Uddhamsingh Nagar, Uttaranchal	No. 451/2006-2007 Dated: 10.06.2006	NOC from Pollution Control

**License / Registration Applied for, not received:**

S. No.	License/ Registration	License/Registration number
1	Shops and Commercial Establishment Acts (different States)	Some of these are under Process
2	Professional Tax (different States)	Some of these are under Process
3	Two applications to Dakshin Haryana Bijli Vitran Nigam Limited for 200 KW and 100 KW for the proposed plant at Dudhaura, Tehsil Palwal, Faridabad, Haryana	Applied For
4	Factory License for proposed assembly unit at Bazpur, Dist. Uddhamsingh Nagar Uttaranchal	Application yet to be made.
5	Application for power supply at the proposed assembly unit at Bazpur, Dist. Uddhamsingh Nagar Uttaranchal	Application yet to be made.
6	Application for NOC from Fire Safety Department for the proposed assembly unit at Bazpur, Dist. Uddhamsingh Nagar Uttaranchal	Applied For

**REGISTRATION DETAILS FOR THE PROPOSED UNIT AT DUDHAULA ARE AS UNDER:**

Sr. No.	Name of the Location	Issuing Authority	License No. & Date	Nature of Licence
1	Dudhaura, Tehsil Palwal, Faridabad, Haryana	Asst. Commissioner of Central Excise - Div.II Faridabad	AAACA6189PXM002 dated 12.12.2005	Central Excise Registration Certificate, under Rule 9 of the Central Excise Rules, 2002
2	Dudhaura, Tehsil Palwal, Faridabad, Haryana	Assessing Authority, Faridabad (w) District	06851313013 April, 1, 2003 and applied for amendment in existing TIN certificate on dated 18.08.2005.	Sales Tax Registration
3	Dudhaura, Tehsil Palwal, Faridabad, Haryana	Dist. Planner, Faridabad	Letter dated 07.06.2005 from Distt. Planner	Land is under decontrolled area.



**Details of Power Sanctions received for and/or applied for:**

Sr. No.	Name of the Location	Issuing Authority	Approval No. and/or Date of approval	Status / remarks
1.	Dudhaura, Tehsil Palwal, Faridabad, Haryana	Dakshin Haryana Bijli Vitran Nigam Ltd	Sanctions received for 200 KW and 100 KW vide letters dated June 30, 2006.	Connected load of 200 KW and 100 KW to be received.
2.	25th Mile Stone, Jajru Road, Ballabgarh	Dakshin Haryana Bijli Vitran Nigam Ltd	Sanction letter dated 2 Jan-2004	Connected load of 210 KVA received.
3.	Bazpur, Dist. Uddhamsingh Nagar, Uttaranchal	Uttaranchal Power Corporation Ltd.	Application pending. Power requirement estimated by the Company is 200KW.	Application Pending.

**Applications to be made:** The Company shall require approval from Reserve Bank of India and local government for setting up an office in Dubai. The Company shall make this application at an appropriate time.

**SECTION VII OTHER REGULATORY AND STATUTORY DISCLOSURES****AUTHORITY FOR THE PRESENT ISSUE**

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on October 6, 2005 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the Extra Ordinary General Meeting of the Company held on October 25, 2005.

**PROHIBITION BY SEBI**

The Company, its Directors, its Promoters, other companies/ ventures promoted by its Promoters and companies with which the Company's Directors are associated as directors or promoters have not been prohibited from accessing the capital markets or restrained from buying, selling or dealing in securities under any direction or order passed by SEBI.

Neither the Company nor its Directors, associates, Promoters, Promoter Group companies or relatives of its Promoters have been detained as wilful defaulters by the RBI or government authorities. There are no violations of securities laws committed by any of them in the past or pending against them.

**ELIGIBILITY FOR THE ISSUE**

The Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained under the eligibility criteria calculated in accordance with financial statements:

- The Company has net tangible assets of at least Rs. 3 crore in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;
- The Company has a track record of distributable profits in accordance with Section 205 of the Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;
- The Company has a net worth of at least Rs. 1 crore in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;
- The Change in name of the Company from Action Construction Equipments Limited to Action Construction Equipment Limited does not suggest any change in activity of the company; and
- The aggregate of the proposed Issue size and all previous issues made in the same financial year is not expected to exceed five times the pre-Issue net worth of our Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines.

In terms of a certificate issued by M/s Rajan Chhabra & Co., Chartered Accountants, dated 7<sup>th</sup> August, 2006, the Company satisfies the above eligibility criteria as follows:

<b>Rs. In Lac</b>						
<b>Year</b>	<b>June 2006 (3 months)</b>	<b>March 2006</b>	<b>March 2005</b>	<b>March 2004</b>	<b>March 2003</b>	<b>March 2002</b>
Net Tangible Assets	4306.50	3912.10	928.32	484.44	368.33	335.65
Monetary Assets	543.72	666.24	80.45	57.26	37.20	33.29
Distributable Profit	395.80	1301.37	405.20	24.59	4.48	5.15
Net worth	4309.58	3913.98	921.61	294.26	218.06	178.55

Net Tangible assets is defined as the sum of fixed assets (including capital work in progress), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).

Monetary Assets include cash in hand and bank balance.

In addition to these, the Company shall ensure that the numbers of allottees getting Equity Shares are not less than one thousand in number.

**DISCLAIMER CLAUSE**

**AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI.**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, KARVY INVESTOR SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, KARVY INVESTOR SERVICES LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 27, 2006 IN ACCORDANCE WITH THE 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 FINALIZATION OF THE RED HERRING 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, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

**WE CONFIRM THAT:**

- a THE RED HERRING PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - b ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - c THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.**
- III. WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATIONS ARE VALID.**
  - IV. WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

**THE FILING OF THE RED HERRING 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 (S) (MERCHANT BANKERS) ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.**



**WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH SEBI TILL DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.**

**ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, NATIONAL CAPITAL TERRITORY OF DELHI AND HARYANA, NEW DELHI, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.**

#### **GENERAL DISCLAIMER**

Investors may note that the Company and the Book Running Lead Managers accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisements or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Lead Manager and the Company.

All information shall be made available by the Company and the Lead Manager to the investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including in research or sales reports at bidding centres or elsewhere.

#### **JURISDICTION**

This Issue is made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks and regional rural banks, co-operative banks (subject to RBI permission), Trusts (registered under Societies Registration Act, 1860, or any other Trust law and are authorized under their constitution to hold and invest in shares), permitted insurance companies and to NRIs and FIIs as defined under the Indian Laws. The Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession the Red Herring Prospectus comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of courts in Mumbai only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and the Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring Prospectus nor any sale hereunder shall, under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

A copy of the Draft Red Herring Prospectus, had been filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021 and SEBI vide its letter no. CFD/DIL/SM/67455/2006 dated June 15, 2006 has given its comments. The comments of SEBI have been duly incorporated to the extent applicable.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, NCT of Delhi & Haryana, New Delhi and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies.

Investors may please note that Central Government/RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in this Red Herring Prospectus.

#### **DISCLAIMER CLAUSE OF NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE)**

As required, a copy of the Red Herring Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter NSE/LIST/22111-P dated May 12, 2006, which was valid upto August 12, 2006 and further extension obtained vide letter bearing no. NSE/LIST/27331-Y permission to the Issuer to use the Exchange's name in the Red Herring Prospectus as one of the Stock Exchanges on which the Issuer's securities are proposed

to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation. The Exchange has scrutinised this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Issuer, its promoter, its management or any scheme or project of this Issuer.

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

#### **DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED ("BSE")**

As required, a copy of the Red Herring Prospectus has been submitted to the BSE. BSE has given vide its letter No : DCS/SK/MT/02052006 dated May 02, 2006, permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner-

- a warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- b warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- c take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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

#### **UNDERTAKING FROM PROMOTERS AND DIRECTORS**

The company accepts full responsibility for the accuracy for the information given in the Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which make any statement in the Red Herring Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The company further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in this offer document. The Promoters/Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of the Red Herring Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/ mis-representation, the Promoters/Directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

#### **FILING**

A copy of the Red Herring Prospectus, has been filed with the Corporate Finance Department of SEBI, at "B" Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, NCT of Delhi & Haryana New Delhi and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies.

#### **LISTING**

Initial listing applications have been made to BSE and NSE for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company. BSE will be the Designated Stock Exchange for the Issue.



If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, will be jointly and severally liable to repay the money, with interest as prescribed under Section 73 of the Companies Act, 1956.

The Company with the assistance of the Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of basis of allotment for the Issue

## CONSENTS

The written consents of Promoters, Directors, Company Secretary, Compliance Officer, the Auditors, Legal Advisors, Lead Manager to the Issue, Registrars to the Issue, Bankers to the Company and Bankers to the Issue, Syndicate Members, to act in their respective capacities. No Objection Certificate (NOC) for the Issue from the Bankers to the Company viz. ICICI Bank Ltd. and Citibank N.A. has been obtained and filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, NCT of Delhi & Haryana, New Delhi as required under Section 60 of the Act and such consents/NOC have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration.

M/s. Rajan Chhabra & Co., Chartered Accountants have given their written consent to inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn upto the time of delivery of this Red Herring Prospectus for registration with RoC.

M/s. Rajan Chhabra & Co., Chartered Accountants, have given their consent to the tax benefits accruing to the Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

## EXPERT OPINION

The Company has not obtained any expert opinion apart from whatever is already mentioned in the Red Herring Prospectus.

## EXPENSES OF THE ISSUE

The total expenses of the Issue are estimated to be approximately Rs [●] lac. The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the Lead Manager to the Issue, Registrar to the Issue, Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses. All expenses with respect to the Issue would be borne by the Company. The estimated issue expenses are as under:

Sr. No.	Particulars	Amount Rs. Lac	% of total issue expenses	% of total issue size
1.	Fees to Book Running Lead Managers	[●]	[●]	[●]
2.	Fees to Registrar to the Issue	[●]	[●]	[●]
3.	Fees to Legal Advisors to the Issue	3.50	[●]	[●]
4.	Fees to Auditors	0.50	[●]	[●]
5.	Underwriting Commission and Selling Commission	[●]	[●]	[●]
6.	Escrow Bankers' charges	[●]	[●]	[●]
7.	Printing & Stationery	[●]	[●]	[●]
8.	Advertising Expenses	[●]	[●]	[●]
9.	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	[●]	[●]	[●]
10.	Contingencies	[●]	[●]	[●]
<b>Total</b>		[●]	[●]	[●]

*Note : The expenses shall be finalized after the issue price is determined*



**FEES PAYABLE TO THE BRLMs**

The total fees payable by the Company to the Book Running Lead Managers (including underwriting commission and selling commission) will be as per the MoU dated March 09, 2006 with Karvy Investor Services Limited and UTI Securities Limited, a copy of which is available for inspection at Registered Office of Company.

**FEES PAYABLE TO THE REGISTRAR TO THE ISSUE**

The fees payable by the Company to the Registrar to the Issue will be as per the Memorandum of Understanding signed by the Company with the Registrar dated February 15, 2006 issued by the Company, a copy of which is available for inspection at Registered Office of the Company.

**UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION**

The underwriting commission and the selling commission for the Issue are as set out in the Syndicate Agreement amongst the company, the BRLMs and the Syndicate Members.

The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue price and the amount underwritten in the manner mentioned on page 10 of the Red Herring Prospectus.

**PREVIOUS PUBLIC OR RIGHTS ISSUES**

This is the first public issue of the Company. The Company has not made any public issue previously.

**PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH**

On 8.9.2005, the company allotted 75,31,155 Equity Shares of face value of Rs. 10 each as bonus shares in the ratio of 9 shares for every 2 shares held in the Company by capitalisation of Rs.7,53,11,550 from the free Reserves.

**COMMISSION OR BROKERAGE ON PREVIOUS ISSUES**

The company has not made any public or rights Issue since its inception and has not paid any commission or brokerage.

**PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS**

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956 that made any capital issue during the last three years.

**PROMISES VS PERFORMANCE**

The company has not made any public issue of shares since its incorporation. There are no group companies, which have made any public issues.

**OUTSTANDING BONDS/ DEBENTURES**

There are no outstanding debentures or bonds or redeemable preference shares or any other instruments issued by the issuer company outstanding as on the date of Red Herring Prospectus.

**STOCK MARKET DATA**

This being the first public issue by the Company, no stock market data is available.

**DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM**

The Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Company and the Registrar will provide for retention of records with the Registrar for a period of one year from the last date of dispatch of Letters of Allotment/Share Certificates/Refund Orders to enable the investors to approach the Registrar for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Karvy Computershare Private Limited, giving full details such as name, address of the applicant, number of Shares applied for, amount paid on application and the bank branch/collection center where the application was submitted.

**Disposal of Investor Grievances**

The average time required by the Company/Registrar for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company/Registrar would strive to redress these complaints as expeditiously as possible.





Investors can also contact the Compliance Officer for any investor grievances-

Mr. P.K Bansal  
Compliance Officer and CFO.  
Jajru Road, 25th Mile Stone,  
Delhi Mathura Road,  
Ballabgarh, Faridabad District,  
Haryana - 121004  
Tel: 91 129 2307922  
Fax: 91 129 2307562  
E-mail: [finance@ace-cranes.com](mailto:finance@ace-cranes.com)

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

#### **CHANGES IN THE AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF**

There have been no changes in the auditors of the Company during the past three years.

#### **CAPITALISATION OF RESERVES OR PROFITS DURING THE LAST FIVE YEARS**

75,31,155 Equity Shares of the Company were allotted as bonus in the ratio of 9 shares for every 2 shares held in the Company by capitalisation of Rs. 753.12 lac from the free Reserves.

#### **REVALUATION OF ASSETS DURING THE LAST FIVE YEARS**

The Company has not revalued its assets during last five years.

**SECTION VIII - ISSUE INFORMATION****I. TERMS OF THE ISSUE**

The Equity Shares being issued are subject to the provisions of the Companies Act, Memorandum and Articles, the terms of the Red Herring Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the allotment advice and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, as applicable, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

**Authority for the Issue**

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on October 6, 2005 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the Extra Ordinary General Meeting of the Company held on October 25, 2005.

**Ranking of Equity Shares**

The Equity Shares being offered shall be subject to the provisions of Memorandum and Articles and shall rank pari passu in all respects with the other existing Equity Shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of Allotment.

**Mode of payment of dividend**

The Company shall pay dividends to its shareholders as per the provisions of the Companies Act.

**Face Value and Issue Price**

The Equity Shares with a face value of Rs.10 each are being offered in terms of the Red Herring Prospectus at a price band of Rs. 110/- to Rs.130/- per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

**Compliance with SEBI Guidelines**

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

**Rights of the Equity Shareholder**

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company’s Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see “Description of Equity Shares and Terms of Articles of Association” on Page 158 in the Red Herring Prospectus.

**Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors.



Since trading of the Equity Shares will be dematerialised mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of 50 Equity Shares to the successful bidders. For details of allocation and allotment, see “Other Regulatory and Statutory Disclosure - Basis of Allotment and Allocation”.

### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

### **Nomination Facility to the Investor**

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares 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.

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 the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the 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.*

### **Impersonation**

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

**“Any person who:**

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years.”**

### **Minimum Subscription**

If the Company does not receive the minimum subscription of 90% of the Issue amount, including devolvement of underwriters, if any, within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days, the Company and every director of the Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act.

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

### **Withdrawal of the Issue**

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at any time including after the bid/ issue opening date without assigning any reason thereof. In case the Company decides so, it shall issue a public notice for withdrawal of offer in the newspapers in which the bid advertisement appeared earlier. The Company shall also inform the Stock Exchanges on which the shares are proposed to be listed.

**Arrangements for Disposal of Odd Lots**

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is 1 share. Therefore there is no possibility of odd lots.

**Letters of Allotment or Refund Orders**

The Company shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of Allotment. Applicants residing at 15 centres where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit & RTGS. We shall ensure despatch of refund orders, other than ECS credits, 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 only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for the purpose shall be made available to the Registrar by the Company. Applicants to whom refunds are made through electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of Bid/Issue.

In accordance the requirements of the Stock Exchanges and SEBI Guidelines, the Company undertakes that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders, except ECS credits, shall be done within 15 days from the Issue Closing Date; and
- Save and except refunds effected through the electronic mode i.e ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.
- The Company shall pay interest at 15.00% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above 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 DIP Guidelines.
- Where refunds are effected through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the Issue giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of the refund.
- No further issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the Bid moneys are refunded on account of non-listing, under-subscription, etc.

The Company will provide adequate funds required for despatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds, in the manner aforesaid, will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders

**Restriction on Transfer and Transmission of Shares**

The restrictions, if any, on the transfer of Equity Shares of the Company are contained in the section titled "**Description of Equity Shares and terms of the Articles of Association**" beginning on page 158 of this Red Herring Prospectus.

The Company presently does not intend or propose to alter its capital structure for six months from the date of opening of the Issue, by way of split or 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 Equity Shares) whether preferential or otherwise, except that the Company may enter into acquisitions or joint ventures or may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

**Application by Non Residents/NRIs**

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis with other categories for the purpose of allocation. As per the policy of the RBI, Overseas Corporate Bodies cannot participate in this Issue.



Bid cum Application Forms have been made available for NRIs at the Registered/Corporate Office of the Company. NRI applicants may please note that only such applications that are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour). All instruments accompanying Bids shall be payable in Mumbai only.

#### **APPLICATION BY FIIs**

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of Company's post-Issue issue capital (i.e. 1,79,77,000 Equity Shares of Rs. 10 each) In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of its total issued capital or 5% of total issued capital in case such sub-account is a foreign corporate or an individual.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

## II. ISSUE STRUCTURE

Public issue of 46,00,000 equity shares of Rs. 10/- each issued for cash at a price of Rs. [●] per share aggregating Rs. [●] lac (hereinafter referred to as “the issue”) including employee reservation of 1,00,000 equity shares of face value Rs.10/- each at a price of Rs.[●] for cash aggregating Rs. [●] lac and net issue to the public of 45,00,000 equity shares of face value Rs.10/- each at a price of Rs. [●] for cash aggregating Rs. [●] lac. Details of the issue structure are tabulated below:

	<b>Employees</b>	<b>QIBs</b>	<b>Non Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares	Upto 1,00,000	Upto 22,50,000	Atleast 6,75,000	Atleast 15,75,000
Percentage of issue size available for allocation	Upto 2.17% of the total Issue Size	Upto 50% or issue size less allocation to non - institutional Bidders and Retail individual Bidders	Atleast 15% or issue size less allocation to QIBs and Retail individual Bidders	Atleast 35% or issue size less allocation to QIBs and Non-Institutional Bidders.
Basis of Allocation or Allotment if respective category oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	50 Equity shares and in multiple of 50 Equity Shares	Such number of Equity Shares and in multiples of 50 Equity Shares thereafter, that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 50	Such number of Equity Shares and in multiples of 50 Equity Shares thereafter, that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 50	50 Equity Shares and thereafter in multiples of 50
Maximum Bid	Not Exceeding 1,00,000 equity shares	Not exceeding the size of the issue subject to applicable limits	Not exceeding the size of the issue	Such number of Equity Shares whereby the Bid Amount does not exceed Rs.1,00,000
Allotment Mode	Compulsory in Dematerialized form	Compulsory in Dematerialized form	Compulsory in Dematerialized form	Compulsory in Dematerialized form
Trading Lot/ Market Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Bidding Lot	50	50	50	50
Who can apply	Permanent Employees of the company as on date of filing of Red Herring Prospectus with RoC.	Public financial institutions as specified in Section 4A of the Companies Act, FIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development Financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 25 crore and pension funds with minimum corpus of Rs. 25 crore.	Companies, corporate bodies, scientific institutions societies and trusts  Resident Indian individuals, HUF (in the name of Karta) and NRIs  (applying for an amount exceeding Rs.1,00,000 amount )	Individuals (including NRIs and HUFs) applying for an amount up to Rs. 1,00,000.

	<b>Employees</b>	<b>QIBs</b>	<b>Non Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Terms of Payment	Full Bid Amount on Bidding unless waived by the Syndicate.	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to non-institutional Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate
Margin Amount	Full Bid Amount on Bidding	10% of the Bid Amount	Full Bid Amount on Bidding	Full Bid Amount on Bidding

\* Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

\*\* The Issue is being made through the 100% book building process wherein upto 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. At least 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription in the Employee Reservation Portion shall be allowed to be met through over-subscription in the Retail Portion and the Non-Institutional Portion at the discretion of the Company and the BRLMs. Under-subscription, if any, in any other category, would be met with spill over from other categories at the discretion of the Company in consultation with the BRLM. See "Issue Procedure" on page 133 of this Red Herring Prospectus.

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



### III. ISSUE PROCEDURE

#### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net offer to the public shall be available for allocation to Qualified Institutional Buyers (QIB's) on a proportionate basis (out of which 5% shall be allocated proportionately to mutual funds. Mutual fund applicants shall also be eligible for proportionate allocation under the balance available for Qualified Institutional Buyers). Further, not less than 15% of the Net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net offer to the public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Further, there is reservation for the Employees of the Company to the extent of 1,00,000 Equity Shares which would be allotted on the proportionate basis. It may be noted that the bids received in the Employee Reservation Portion shall not be considered for the purpose of determining the Issue Price through Book Building Process.

Bidders are required to submit their Bids through the Syndicate. The Company, in consultation with the BRLMs, may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

***Investors should note that Equity Shares would be allotted to all successful allottees only in the dematerialised form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.***

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs 20 to Rs 24 per share, issue size of 3,000 Equity Shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs.24 per share while another has bid for 1,500 shares at Rs.22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	27.77
1,000	23	1,500	83.33
1,500	22	3,000	166.67
2,000	21	5,000	277.78
2,500	20	7,500	416.67

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

#### Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid Cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Eligible Non residents, NRIs or FIIs applying on a repatriation basis	Blue
Permanent Employees of the Company	Pink

#### Who can Bid?

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares;
10. NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
11. Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
12. Insurance Companies registered with Insurance Regulatory and Development Authority;
13. Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
14. Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
15. Multilateral and Bilateral Development Financial Institutions; and
16. Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law. Further, the BRLMs shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

#### 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 SEBI (Central Database of Market Participants) Regulations, 2003 and circular issued in connection thereto by its circular bearing number MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs 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. 1,00,000 to Rs. 5,00,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 5,00,000, 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 Red Herring 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.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account (“FIIs”) may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

***Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.***

#### **Application by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 1,12,500 equity shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

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 Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Under the SEBI Guidelines 5% of the QIB portion i.e. 1,12,500 equity shares shall be available for allocation on a proportionate basis to Mutual Funds only.

#### **APPLICATION BY FIIs**

**As per current regulations, the following restrictions are applicable for investment by FIIs:**

- No single FII can hold more than 10% of the post-issue paid-up capital of the Company (i.e. 10% of 1,79,77,000 Equity Shares of Rs. 10 each). In respect of an FII investing in the Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual
- As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%.

#### **BIDS BY NRIs OR FIIs ON A REPATRIATION BASIS**

Bids and revision to Bids must be made:

- On the Bid cum Application Form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single or joint names (not more than three).
- Bids by NRIs for a Bid Amount of up to less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of 50 Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000; for further details, please refer to the sub-section titled “Maximum and Minimum Bid Size” beginning on on page 131 of this Red Herring Prospectus.
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB’s.



Refunds will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

## **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 the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of the Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100 % of the Company's paid-up equity capital.

*The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.*

### **Maximum and Minimum Bid Size**

#### **1. For Retail Individual Bidders**

The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter, subject to maximum Bid amount of Rs. 1,00,000. In case of revision of Bids, the Retail bidders have to ensure that the Bid amount does not exceed Rs. 1,00,000/-. In case the maximum Bid amount is more than Rs. 1,00,000/-, due to revision of the Bid or revision of the Price Band or on exercise of the option, then the same would be considered for allocation under the Non-Institutional Bidders category. The cut-off option is an option available only to the Retail Individual Bidders indicating their agreement to bid and purchase the Equity Shares at the final issue price as determined at the end of the Book Building process.

#### **2. For Non-Institutional Bidders and QIBs Bidders**

The Bid must be for a minimum of such number of Equity Shares, so as to ensure that the minimum Bid amount exceeds Rs.1,00,000. Above this minimum Bid Amount, the Bid should be in multiples of 50 Equity Shares. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under SEBI existing guidelines a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000/-. In case the Bid Amount reduces to Rs 1,00,000/- or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under Retail portion.

Non-Institutional Bidders and QIB Bidders are not allowed to Bid at Cut-Off Price. A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

#### **3. For Employee Reservation Portion:**

The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed the size of the Issue.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.**

**Information for the Bidders**

- a) The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.
- b) The Company and the BRLMs shall declare the Bid/ Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi ). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX-A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.
- c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- d) Any investor (who is eligible to invest in the company's Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from the registered office of the Company's or from any of the BRLMs or Syndicate Members.
- e) The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- f) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- g) The Bidding/ Issue Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding/ Issue Period will be published in two national newspapers (one each in English and Hindi) and the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days.
- h) The Price Band has been fixed at Rs. 110/- to Rs. 130/- per Equity Share of Rs. 10 each, Rs. 110/- being the lower end of the Price Band and Rs. 130/- being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1 (One).
- i) The Company and the Selling Shareholders in consultation with the BRLMs, reserve the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.
- j) In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi) and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate Members.
- k) Investors who are interested in subscribing for the Company's Equity Shares should approach the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.
- l) The Company and the Selling Shareholders, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

**Method & Process of Bidding**

- a) The Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi), Hindi being the regional language. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLMs and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- b) Investors who are interested in subscribing for the Company's Equity Shares should approach any of the BRLMs, or Syndicate Member or their authorised agent(s) to register their Bid.
- c) The Bidding Period shall be open for atleast 3 working days and not more than working 7 days. In case the price band is revised, the revised price band will be published in two widely circulated newspapers (one each in English and Hindi) ,



Hindi being the regional language and the Bidding period will be extended for a further period of three working days, subject to the total Bidding period not exceeding 10 working days. During the bidding period, the Bidders may approach the Syndicate to submit their Bid. Every Member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the bids.

- d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” given below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- e) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page 143 of the Red Herring Prospectus.
- f) The BRLMs, and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.
- g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- h) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment and Payment into Escrow Account” on Page 142 of the Red Herring Prospectus.
- i) It may be noted that the bids received in the Employee Reservation Portion shall not be considered for the purpose of determining the Issue Price through Book Building Process.

#### **Bids at Different Price Levels and Revision of Bids**

- a) The Price Band has been fixed at Rs. 110/- to Rs. 130/- per Equity Share of Rs.10 each, Rs. 110/- being the Floor Price and Rs. 130/- being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1.
- b) In accordance with SEBI Guidelines, the Company, in consultation with the BRLMs, can revise the Price Band during the Bidding period, in which case the Issue will be kept open for a period of three days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially and as disclosed in the Red Herring Prospectus. In addition to this, the cap on the Price Band should not be more than 20% of the floor of the Price Band.
- c) Any revision in the Price Band shall be widely disseminated including by informing the stock exchanges by issuing a public notice in two national languages (One each in English & Hindi), Hindi being regional language also indicating the change on the relevant websites and the terminals of the members of Syndicate.
- d) The Company in consultation with the BRLMs can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders
- e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at “Cut off”. However, bidding at “Cut-off” is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.
- f) Retail Individual Bidders and Eligible Employees who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account/ refund account(s).

- g) In case of an upward revision in the Price Band announced as above, the Retail Bidders who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the Cap of the Revised Price Band, with the members of the Syndicate to whom the Original Bid was submitted. In case the total amount (i.e. the original Bid amount plus additional payment) exceeds Rs 1,00,000, the Bid will be considered for allocation of under the Non-Institutional portion in terms of the Red Herring Prospectus. If however the Bidder does not either revise the Bid or make additional payment and the issue price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- h) In case of downward revision in the Price Band announced as above, Retail Bidders who have bid at Cut-Off could either revise their Bid or the excess amount at the time of bidding would be refunded from the Escrow Account/ refund account(s).
- i) In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application shall remain 50 Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs.5,000/- to Rs.7,000/-.
- j) During the Bidding/ Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- k) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.
- l) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
- m) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- n) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- o) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate.

**It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

**Bids and revisions of Bids must be:**

- a. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (White colour for Resident Indians, Blue colour for NRIs and FIIs and applying on repatriation basis, Pink colour for Bidders under Employee Reservation portion).
- b. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- c. For Retail Individual Bidders, the Bid must be for a minimum of 50 Equity Shares and in multiples of 50 thereafter subject to a maximum Bid Amount of Rs. 100,000/-.
- d. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equal to Rs. 100,000/- and in multiples of 50 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.



- e. NRIs for a Bid Price of up to Rs. 100,000/- would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000/- would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 50 thereafter that the Bid Price exceeds Rs. 100,000/-.
- f. Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- g. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- h. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

**Bids by Eligible Employees**

The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter. Bidders under the Employee Reservation Portion can apply for a maximum of the size of the Issue. The allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000/- may bid-at Cut off Price.

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of the Company as on date of filing the RHP with ROC.

Bids under Employee Reservation Portion by Eligible Employees shall be

- a. Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour Form).
- b. The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed the size of the Issue.
- c. Eligible Employees, as defined above, should mention their Employee Number at the relevant place in the Bid cum Application Form
- d. The sole/ first bidder should be Eligible Employees as defined above.
- e. Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.
- f. Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- g. Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000/- in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid Amount exceeds Rs. 100,000/-.
- h. Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such bids shall not be treated as multiple bids.
- i. If the aggregate demand in this category is less than or equal to 1,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- j. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholder and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
- k. If the aggregate demand in this category is greater than 1,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para “Basis of Allotment” on page 154 of this Red Herring Prospectus.
- l. This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

**PAYMENT OF REFUND**

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Selling Shareholders, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

**Mode of making refunds**

The payment of refund, if any, would be done through various modes as given hereunder:

1. ECS - Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, 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 MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. Direct Credit - Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
3. RTGS - Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. NEFT (National Electronic Fund Transfer) - Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (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.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

**Option to Subscribe**

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only. Bidders **will not have** the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

**Escrow Mechanism****Escrow Account for the Issue**

The Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the



Escrow Account for the Issue shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow collection Banks as per the terms of the Escrow Agreement with the company and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), the Company, the Registrar to the Issue and BRLMs, and Syndicate Members to facilitate collections from the Bidders.

#### **Terms of Payment and Payment into the Escrow Collection Account**

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details please see the sub-section titled "Payment Instructions" beginning on page 150 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin amount by way of an electronic transfer of funds through RTGS mechanism. Each QIB shall provide their QIB Margin Amount only to the BRLMs. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders, Retail Individual Bidders and Bidders under the Employees Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page 150 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder not later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

#### **Electronic Registration of Bids**

- a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city, where stock exchange is located in India and where the Bids are accepted
- b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

- c) The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.
- d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
  - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
  - Investor Category - Individual, Corporate, NRI, FII, or Mutual Fund, etc.
  - Numbers of Equity Shares bid for
  - Bid price
  - Bid-cum-Application Form number
  - Whether payment is made upon submission of Bid-cum-Application Form
  - Margin Amount
  - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or by the Company.
- f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind
- g) Consequently, all or any of the members of the Syndicate may reject QIB Bids provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on Page 152 in this Red Herring Prospectus.
- h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, and BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the promoters, the management or any scheme or project of the Company.
- i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.
- j) Bids not uploaded to the online IPO system of NSE / BSE shall not be considered for allocations / allotment.

#### **Build Up of the Book and Revision of Bids**

- a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a regular basis.
- b) The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three working days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

- c) Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), Hindi being the regional language and also indicating the change on the relevant websites and the terminals of the members of the Syndicate
- d) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
- e) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum- Application Form.
- f) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete his or her Bid cum Application Form, the details of all the options in his or her Bid cum Application Form or earlier Revision Form and revisions for all the options as per his Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- g) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.
- h) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- i) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- j) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- k) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation / allotment. In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs based on the physical records of Bid Application Forms shall be final and binding to all concerned.

#### **Notice to QIBs: Allotment Reconciliation**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **Price Discovery and Allocation**

- a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with the company
- b) The Company in consultation with the BRLMs, shall finalise the “Issue Price”, the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder determined broadly based by the size, price and time of the Bid



- c) The allocation for QIBs would be not more than 50% (of which 5% shall be allocated to mutual funds) of the Net Issue size on a proportionate basis. The allocation to Non-Institutional Bidders would be not less than 15% of the Net Issue Size and allocation for Retail Individual Bidders will be not less than 35% of the Issue Size on proportionate basis, subject to valid Bids being received at or above the Issue Price. There is reservation for the Employees of the Company to the extent of 1,00,000 Equity Shares which would be allotted on the proportionate basis.
- d) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- e) Under subscription, if any, in any of the category would be allowed to be met with spill over of demand from any of the other categories, at the sole discretion of the Company and BRLMs
- f) Allocation to QIBs, Foreign venture capital funds, Non-Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them.
- g) The BRLMs, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- h) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date, without assigning any reason thereof.**
- i) The Company in consultation with the BRLMs, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.
- j) The allotment details shall be put on the website of the Registrar to the Issue.

#### **Signing of Underwriting Agreement and RoC Filing**

- a) The company, the BRLMs and the Syndicate Members shall enter into an underwriting agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- b) After signing the Underwriting Agreement, the company will file the Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

#### **ANNOUNCEMENT OF PRE-ISSUE ADVERTISEMENT**

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation and one Hindi National newspaper.

#### **ADVERTISEMENT REGARDING ISSUE PRICE AND PROSPECTUS**

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of Confirmation of Allocation Note**

- a) After the Bid/Issue Closing Date, a physical book will be prepared by the Registrar on the basis of Bid applications received. Based on the physical book, QIBs will be sent a CAN indicating the number of equity shares that are being allocated to them. Upon approval of the Basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. Investors should note that the Company shall ensure that the date of allotment of equity shares to all the investors in this issue shall be done on the same date to all investors in this Issue.
- b) The BRLMs, or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder.

- c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account of the Company at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account of the Company. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.
- d) The Issuance of CAN is subject to “Allotment Reconciliation and Revised CANs” as set forth under the Chapter “Terms of Issue of this Red Herring Prospectus.

#### **Designated Date and Allotment of Equity Shares**

- a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account Allotment of the Equity Shares to the allottees within two working days of the date of Allotment.
- b) All allottees will receive credit for the Equity Shares directly in their depository account. Equity Shares will be issued only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
- c) After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, the Company would allot the Equity Shares to the allottees. The Company would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees’ depository accounts within two working days from the date of allotment. In case the Company fails to make allotment within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- d) **Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

#### **General Instructions**

##### **Do’s:**

- a) Check if you are eligible to apply;
- b) Ensure that the Bid is only within the Price Band;
- c) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour), as the case may be;
- d) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
- e) Ensure that the DP account is activated;
- f) Investors must ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- g) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- h) Quote your Unique Identification Number as allotted under SEBI MAPIN
- i) Ensure that you have been given a TRS for all your Bid options; and
- j) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS
- k) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.



- l) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. The copy of the PAN card or the PAN allotment letter should be submitted with the application form; and
- m) If you have mentioned “Applied For” or “Not Applicable” in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

**Dont’s:**

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid to a price that is less than the Floor of the Price Band or higher than the Cap of the Price Band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d) Do not pay the Bid amount in cash, by money order or by postal order or by stockinvest;
- e) Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- f) Do not bid at Cut-off price for Non-institutional and QIB Bidders;
- g) A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws or regulations or maximum amount permissible under the applicable regulations.
- h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

**Instructions for Completing the Bid-cum-Application Form**

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs, or members of the Syndicate .

**Bids and Revisions of Bids**

Bids and revisions to Bids must be:

- a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis).
- b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, the Bid cum Application Form and Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- c) For Retail Individual Bidders, the Bids must be for a minimum of 50 Equity Shares and in multiples of 50 thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- d) For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 50 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- e) In single name or in joint names (not more than three) and in the same order as their Depository Participant details.
- f) Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his or her official seal.

**Bidder's Bank Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

**Bidders Depository Account Details**

It is mandatory for all the Bidders to get their Equity Shares in dematerialised form. All Bidders should mention their Depository Participant's name, Depository Participant Identification Number and Beneficiary Account Number in the Bid Cum Application Form. Investors must ensure that the name given in the Bid Cum Application Form is exactly the same as the name in which the Depository Account is held. In case the Bid Cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid Cum Application Form.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund order or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorise the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records. Refund Orders/Allocation Advice/ CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into 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 Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

An approval of the RBI is required for the transfer of Equity Shares to Eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and other Eligible NRIs pursuant to the Offer for Sale. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

#### **Bids under Power of Attorney**

**In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.**

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by provident funds with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids 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 Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason.

The Company, in absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms that the company may deem fit, in consultation with the BRLMs.

#### **Bids by NRIs, FIIs, And Foreign Venture Capital Funds registered with SEBI on a repatriation basis**

NRI, FIIs and Foreign Venture Capital funds Bidders to comply with the following:

- a) Individual NRI Bidders can obtain the Bid cum Application Forms from the Registered Office at II Floor, Plot no 7, H-Block, Sarita Vihar, New Delhi 110 044 from members of the Syndicate or the Registrar to the Issue.
- b) NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.
- c) NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid Cum Application form meant for Resident Indians (white in colour).

#### **Bids and revision to Bids must be made:**

- a) On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- b) In a single name or joint names (not more than three).
- c) By NRIs - For a minimum of 50 Equity Shares and in multiples of 50 thereafter subject to a maximum Bid amount of Rs 1,00,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs 1,00,000 would be considered under Non Institutional Category for the purposes of allocation. For further details see "Maximum and Minimum Bid Size" on page 131.
- d) By FIIs - for a minimum of such number of Equity Shares and in multiples of 50 that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled "Maximum and Minimum Bid Size" on page 131.

- e) In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- f) Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

### **Payment Instructions**

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

#### **Payment into Escrow Account to the Issue:**

- a.) The applicable Margin Amount for Non Institutional and Retail Individual Bidders is equal to 100% and while submitting the Bid cum Application Form, shall be drawn as a payment instrument for the Bid Amount in favour of the Escrow Account and submitted to the members of the Syndicate.
- b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- c) The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
  - In case of Resident Bidders: **“Escrow Account - ACE Public Issue”**
  - In case of Non Resident Bidders: **“Escrow Account - ACE Public Issue -NR”**
  - In case of Resident QIB Bidders: **“Escrow Account - ACE Public Issue - QIB”**
  - In case of Non Resident QIB Bidders: **“Escrow Account - ACE Public Issue - QIB NR”**
  - In case of Employees: **“Escrow Account - ACE Public Issue - Empl”**
  - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
  - In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- d) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
- e) The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.
- f) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.

- g) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

**Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker's clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/Money Orders/Postal Orders will not be accepted.**

#### **Payment by Stockinvest**

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

#### **Submission of Bid-cum-Application Form**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the BRLMs or Syndicate Member at the time of submitting the Bid. **The BRLMs/ members of the Syndicate may at its discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.**

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the BRLMs or Syndicate Member will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

#### **Other Instructions**

##### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched to his or her address.

##### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

##### **Procedure for Application by Mutual Funds**

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the name of scheme concerned for which the Bid has been made. The application made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

The company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

##### **Permanent Account Number or PAN**

Where Bid(s) is/are for Rs.50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T.Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid cum Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in



rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

### **Company's Right to Reject Bids**

In case of QIB Bidders, the Company, in consultation with the BRLM may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Bidders under the Employees Reservation Portion, the Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft or by ECS as the case may be and will be sent to the Bidder's address at the Bidder's risk. Bids made under the Employees Reservation Portion by any person who is not an Employee are also liable to be rejected.

### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

- a) Amount paid doesn't tally with the highest number of Equity Shares bid for;
- b) Bank account details (for refund) are not given;
- c) Age of First Bidder not given;
- d) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- e) PAN not given if Bid is for Rs. 50,000 or more or Copy of Form 60 or Form 61 as required not given;
- f) GIR number furnished instead of PAN
- g) Bids for lower number of Equity Shares than specified for that category of investors;
- h) Bids at a price less than lower end of the Price Band;
- i) Bids at a price more than the higher end of the Price Band;
- j) Bids at cut-off price by Non-Institutional and QIB Bidders;
- k) Bids for number of Equity Shares which are not in multiples of 50;
- l) Category not ticked;
- m) Multiple bids as defined in the Red Herring Prospectus;
- n) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- o) Bid-cum-Application Form does not have the stamp of the BRLMs, or Syndicate Members to whom the bid is submitted;
- p) Bid-cum-Application Form does not have Bidder's depository account details;
- q) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum-Application Form
- r) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. see the details regarding the same at page 131 of the Red Herring Prospectus;
- s) Bids accompanied by money order/postal order/cash;
- t) Signature of sole and / or joint bidders missing;
- u) Bids by OCBs;
- v) In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant's identity (DP ID).

**Equity Shares in Dematerialised Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two tripartite agreements have been signed between the Company and the Depositories:

- a) an agreement dated August 02, 2006 with NSDL, the Company and Karvy Computershare Private Limited
- b) an agreement dated June 13, 2006 with CDSL, the Company and Karvy Computershare Private Limited

**All bidders can seek allotment only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.**

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f) If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

As this Issue comprises of Fresh Issue, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Issue.

In case of pre issue or post issue related problems such as non-receipt of letters of allotment/ refund orders etc., the investors can contact the Compliance Officer.

**Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, draft number and issuing bank thereof.

The company has appointed Mr.P K Bansal, Chief Finance Officer as Compliance Officer. He can be contacted at Action Construction Equipment Limited, Jajru Road, 25th Mile Stone, Delhi Mathura Road, Ballabgarh, Faridabad District Haryana - 121004, Tel: 91 129 2307922, Fax: 91 129 2307562, E-mail: [finance@ace-cranes.com](mailto:finance@ace-cranes.com)

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

**Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money**

The company reserves, at their absolute and uncontrolled discretion and without assigning any reason therefore, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.



**Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the 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.”**

**Disposal of Applications and Application Money**

The Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges) within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- The Company shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

**Interest on Refund of excess Bid Amount**

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date 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.

**Basis of allotment or allocation****A For Retail Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 15,75,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.

- If the aggregate demand in this category is greater than 15,75,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of 50 Equity Shares. For the method of proportionate basis of allotment, refer below.

**B. For Non Institutional Bidders**

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,75,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.

In case the aggregate demand in this category is greater than 6,75,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of 50 Equity Shares. For the method of proportionate basis of allotment refer below.

**C. For QIBs**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Bids from Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIBs shall be determined as follows:
    - (i) In the event that the oversubscribed in the QIB Portion, all bidders who have submitted bids above the Issue price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
    - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
    - (iii) Under-subscription below 5% of the QIB Portion, if any from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate allocation to QIB Bidders shall be not more than 22,50,000 Equity Shares.

**D. For Employee Reservation Portion**

- 1,00,000 Equity shares and in multiple of 50 Equity Shares not Exceeding 1,00,000 equity shares

**Procedure and Time Schedule for Allotment of Equity Shares**

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non- Institutional Bidders and Retail Individual Bidders, the Company has a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure allotment/transfer of the Equity Shares within 15 days from the Bid/Issue Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

**Method of Proportionate Basis of Allotment**

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalized by the company, in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner. The allocation shall be made in multiples of one share, on a proportionate basis as explained below subject to minimum allocation being equal to 50 equity shares:

- (a) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (c) If the proportionate Allotment to a Bidder is a number that is more than 50 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (d) In all Bids where the proportionate Allotment is less than 50 Equity Shares per Bidder, the Allotment shall be made as follows:
  - Each successful Bidder shall be Allotted a minimum of 50 Equity Shares; and
  - The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder shall be Allotted a minimum of 50 Equity Shares.
- (e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.
- (f) If the proportionate allotment to a Bidder is a number that is more than 50 but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 1. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

**Interest in case of delay in Despatch of Allotment Letters/Refund Orders in case of Public Issues**

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants (or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner) within 15 days from the date of closure of the Issue.

**Despatch of Refund Orders**

The Company shall ensure that

- (a.) In case of applicants residing in any of the centers specified by SEBI (mention the names of the 15 cities), the refunds shall be credited to the bank accounts of applicants through electronic transfer of funds by using Electronic Clearing Service (ECS) Direct Credit, Real Time Gross Settlement (RTGS) or National Electronic Funds Transfer (NEFT), as is for the time being permitted by the Reserve Bank of India.
- (b.) In case of other applicants - by dispatch of refund orders by registered post, where the value is Rs.1500/- or more, or under certificate of posting in other cases, subject however to postal rules and
- (c.) In case of any category of applicants specified by SEBI - crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by SEBI from time to time.

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date 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.

### **Undertaking by the Company**

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days or 15 days of closure of the issue, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through the Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

### **Utilization of Issue proceeds**

The Board of Directors of the Company Certify that:

- all monies received out of the Fresh Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of Fresh Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

Pending utilisation of net proceeds of the Fresh Issue as specified under the section "Objects of the Issue" the net proceeds will be invested by the Company in fixed deposit with a Scheduled Bank.

### **Restrictions on Foreign Ownership of Indian Securities**

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy 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 to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI. Under present regulations, the maximum permissible FII investment in the Company is restricted to 24% of the total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by the shareholders; however, as of the date hereof, no such resolution has been recommended to Board or the shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

**SECTION IX - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY**

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and or their consolidation/splitting are detailed below.

Regulations contained in Table 'A' of Schedule I to the Companies Act shall apply to this Company but the regulations for the management of the Company and for observance of the Members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration or of addition to, its regulations by special resolution, as prescribed by the Companies Act be such as are contained in these Articles of Association.

**SHARE CAPITAL**

**Article 3.** The authorized share capital of the Company shall be such amount and be divided into such shares as may from time to time be provided in clause V of the Memorandum of Association with power to increase or reduce the capital in accordance with Companies Act, 1956 for the time being enforce in that behalf with power to sub-divide consolidate and increase and with power, from time to time to issue any shares of the original capital with and subject to any preferential, qualified or special rights, privileges or conditions as may be thought fit, and upon the sub-division of shares to apportion the right to participate in profits, in any manner as between the shares resulting from sub-division.

**REDEEMABLE PREFERENCE SHARES**

**Article 4.** Subject to the provisions of section 80 of the Act, the Company shall have power to issue preference shares carrying right of redemption, out of profits which otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or liable to be redeemed at the option of the Company and the Board of Director may exercise such power in such manner as it think fit.

**ALLOTMENT OF SHARES**

**Article 5.** Subject to the provision of section 75 and other applicable provisions of the Act and subject to these Articles the shares shall be under the control of the Board who may allot or otherwise dispose off the same on such terms and conditions and at such time as the Board think fit and proper to issue any shares as fully paid up in consideration of services rendered to the Company in its formation or otherwise, provided that where the Board decides to increase the issued capital of the Company by the issue of further shares, the provisions of sections 81 of the of the Act will be complied with provided further that the option or right to call of shares shall not be given to any person except with the sanction of the Company in general meeting.

**SHARES AT THE DISPOSAL OF BOARD**

**Article 12.** Subject to the provisions of section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Board who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of the section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the options or right to call for any shares either at par or premium during such time and for such consideration as the Board think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons except with the sanction of the Company in the General meeting.

**FURTHER ISSUE OF SHARES****Article 13.**

1. Subject to the provisions of section 81 of the Act, where at the time after the expiry of two years from the formations of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after the formation, which ever is earlier, it is proposed to increase the subscribe capital of the Company by allotment of further shares either out of the un-issued capital or out of the increased share capital then:



- a. Such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportions, as near as circumstances admit, to the capital paid up on those shares at the date.
  - b. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
  - c. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) thereof shall contain a statement of this right.
  - d. After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person (s) as they may think, in their sole discretion, fit and most beneficial to the Company.
2. Notwithstanding anything contained in sub-clause (1) thereof, the further shares may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
    - a. If a special resolution to that effect is passed by the Company in general meeting, or
    - b. Where no such resolution is passed, If the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the Member who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the Board. If any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.
  3. Nothing in sub-clause (c) of (1) hereof shall be deemed:
    - a. To extend the time within the offer should be accepted, or
    - b. To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
  4. Nothing in this Articles shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
    - a. To convert such debentures or loans into shares in the Company, or
    - b. To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms or such loans include a term providing for such option and such terms:

    - a. Either has been approved by the central Government before the issued of the debentures or the raising of the loans or is in conformity with rules, if any, made by that Government in this behalf, and
    - b. In the case of debentures or loans of other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General meeting before the issue of the debentures or raising of the loans.

## **SHARES WITH DIFFERENTIAL RIGHTS**

**Article 14.** The Company, subject to and in accordance with the provisions of the Act, and Rules framed there under, any other applicable laws, rules and regulations and any amendment or re-enactment thereof, shall have powers to issue equity shares with differential rights as to dividend, voting or otherwise.

## **ALLOTMENT OF SHARES FOR CONSIDERATION OTHER THAN CASH**

**Article 17.** Subject to the provisions of section 75 of the Act and these Articles, the Directors may allot and issue shares in the capital of the Company as payment or part payment for any property (including goodwill of any business) sold or transferred, goods or machinery supplied or for services rendered to the Company in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if so issued, shall be deemed to be fully paid up or partly paid up shares as aforesaid.

**BUYBACK OF SHARES**

**Article 18.** Notwithstanding anything contained in these Articles subject to Section 77A and 77B of Act and all other applicable provisions of the Act (including any statutory modification(s) or re-enactment thereof and any Ordinance promulgated in this regard for the time being in force and as may be enacted/promulgated from time to time) and subject to such other approvals, permissions and sanction, and in accordance with regulations made by authorities or bodies as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, the Board of Directors may, if and when thought fit, buy back from the existing holders of shares and/or other securities giving right to subscribe for shares of the Company, and/or from the open market and/or from the lots smaller than market lots of the securities (odd lots) and/or by purchasing the securities issued to the employees pursuant to a scheme of stock option, the shares or such other securities or securities having such underlying voting rights as may hereafter be notified by the Central Government or any other regulatory authority, from time to time (herein for brevity's sake referred to as "the Securities") of the Company, from out of its free reserves or out of the securities premium account of the Company or out of the proceeds of any shares or other securities or from such other sources as may prescribed or permitted by law, on such terms and conditions and in such manner as may be prescribed or permitted by law from time to time.

**SHARE CERTIFICATE**

**Article 19.** The certificate of title to shares shall be issued under the seal of the Company.

**MEMBER'S RIGHT TO CERTIFICATE**

**Article 20.** Every Member shall be entitled free of charge to one certificate for all the shares of each class in his name or if the Board so approves upon paying such fee as the Directors may from time to time determine, to several certificates each for one or more of such shares. Unless the conditions of issue of any shares otherwise provide, the Company shall either within three months after the date of allotment and on surrender to the Company of its letter making the allotment or of its fractional coupons of requisite value (save in the case of issue against letters of acceptance or of renunciation or in case of issue of bonus shares) or within one month of receipt of the application for registration of the transfer, sub-division, consolidation renewal or exchange of any of its shares, as the case may be complete and have ready for delivery the certificates of such shares. Every certificate of shares shall specify the name of the person in whose favour the certificate is issued, the shares to which it relates and the amount paid up thereon. Particulars of every certificate issued shall be entered in the register maintained in the form set out in the Act, or in a form as near thereto as circumstances admit, against the name of the person, to whom it has been issued, indicating the date of issue. In respect of any share registered in the joint names of several Members, the Company shall not be bound to issue more than one certificate, and delivery of the certificate to one of several Members registered jointly in respect thereof shall be sufficient delivery to all such Members.

**ISSUE OF NEW CERTIFICATE IN PLACE OF THE DEFACED, LOST OR DESTROYED**

**Article 21.** Subject to section 84 of the Act, if any certificate be worn out, defected, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, the Board may order the same to be cancelled and may issue a new certificate in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Board and on execution of such indemnity as the Board deem adequate, being given, and a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Articles shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that not withstanding what is stated above the Board shall comply with such rules or regulation or requirements of any stock exchange or the rules made under the Act or rules made under securities Contract (regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

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



**JOINT- HOLDERS OF SHARES****Article 22. JOINT- HOLDERS**

Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint-holders with benefit of survivorship subject to the following provisions and to the other provisions of these Articles relating to joint holders: -

- a. The Company shall not be bound to register more than three persons as the joint-holders of any share.
- b. The joint holders of a share shall be liable severally as well as jointly in respect of all calls or installments and other payments, which ought to be made in respect of such shares.
- c. On the death of any one or more of such joint holders the survivor or survivors shall be the only person recognized by the Company as having any title to or interest in such share but the Board may require such evidence of death as it may deem fit and nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person.
- d. Only the person whose name stands first in the register as one of the joint-holders of any share shall be entitled to delivery of the certificate relating to such shares or to receive notices (which expression shall be deemed to include all documents as defined in Section 2 of the Act) from the Company and any notice given to such person shall be deemed notice to all the joint-holders.
- e. If there are joint registered holders of any shares, any one of such persons may vote at any meeting either personally or by proxy in respect of such shares, as if he were solely entitled hereto, and if more than one of the such joint holders be present at any meeting either personally or by proxy, then one of the said persons so present whose name stands first or higher (as the case may be) on the register of Members shall alone be entitled to vote in respect of such shares. Provided always that a person present at any meeting personally shall be entitled to vote in preference to a person, present by an agent, duly authorised under power of attorney or by proxy although the name of such person present by an agent or proxy stands first in the Register in respect of such shares. Several executors of a deceased Member in whose (Deceased Member) sole name any share stands shall for the purpose of this sub-clause be deemed joint-holders.

**CALLS**

**Article 23.** The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the provisions of Section 91 of the Act, make such calls as they think fit, upon the Members in respect of all moneys unpaid on the shares held by them respectively, and not by the conditions of allotment thereof made payable at fixed times and each Member shall pay the amount of every call so made on him to the persons and at the times and shall be deemed to have been made when the resolution of the Board authorising such call is passed at a meeting of the Board.

**NOTICE OF CALL**

**Article 24.** Not less than 30 days notice of any calls shall be given specifying the time and place of payment and to whom such call shall be paid.

**AMOUNT PAYABLE**

**Article 25.** If by the terms of issue of any shares or otherwise, the whole or part of the amount of issue price thereof is made payable at any fixed time or by installments at fixed times whether an account of the amount of the share or by way of premium, every such amount of issue price shall be payable as if it were a call duly made by the Board and of which due notice had been given and all the provisions herein contained in respect of calls shall apply to such amount or issue price or installments accordingly.

**INTEREST TO BE CHARGED ON NON-PAYMENT OF CALLS**

**Article 26.** If the sum payable in respect of any call or installment be not paid on or before the day appointed for the payment thereof, the holder for the time being of the share in respect of which the call shall have been made or the installment shall be due, shall pay interest for the same at such rate as shall from time to time, be fixed by the Board, from the date appointed for the payment thereof to the time of the actual payment. The Board shall be liberty to waive payment of any such interest either wholly or in part.

**PAYMENT OF CALLS IN ADVANCE MAY CARRY INTEREST**

**Article 28.** The Board may, if it thinks fit, receive from any member willing to advance, all or any part of the money due upon the shares held by him beyond the sum actually called for, and upon the money so paid or satisfied in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate not exceeding twelve percent per annum unless the company in general meeting otherwise directs, and as the member paying such sum in advance and the Board agreeing upon. However, the money paid in advance of calls shall not confer a right to participate in profits or dividend. The Board may at any time repay the amount so advanced.

The member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The Provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

**Article 29. NO VOTING RIGHT ON ADVANCE PAYMENT OF CALLS**

The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would, but for such payment, become presently payable. The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

**LIEN****Article 39. COMPANY'S LIEN ON SHARES/ DEBENTURES**

The Company shall have a first and paramount lien upon all the shares / debentures (other than fully paid - up shares/ debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/ debentures and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/ debentures. Unless otherwise agreed the registration of a transfer of shares / debentures shall operate as a waiver of the Company's lien, if any, on such shares/debentures. The Board may at any time declare any shares/ debentures wholly or in part to be exempt from the provisions of this clause.

**TRANSFER AND TRANSMISSION OF SHARES****Article 45. TRANSFER ONLY THROUGH DULY EXECUTED INSTRUMENT**

Save as provided in section 108 of the Act, no transfer of shares shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor or transferee has been delivered to the Company together with the certificate or certificates of the shares, or if no such certificate is in existence along with the letter of allotment of shares. The instruments of transfer of any shares shall be signed both by or on behalf of the transferor and by or on behalf of transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the registered in respect thereof.

**Article 46. FORM OF TRANSFER**

The instrument of transfer of any share shall be such form, as may from time to time, be prescribed by the Act or by any regulation made thereunder and the instrument of transfer shall be in writing and all the provisions of Section 108 of the Act, and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers and of the Registration thereof.

**Article 47. APPLICATION FOR TRANSFER**

Application for the registration of the transfer of a share may be made either by the transferor or the transferee provided that, where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee in the manners prescribed in the Act, and subject to the provision of Articles hereof, the Company shall, unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the register, the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

**Article 48. REGISTER OF TRANSFER**

The Company shall keep a register of transfers and therein shall be fairly and distinctly entered particular of every transfer of any share.

**Article 49. RESTRICTION OF TRANSFER**

Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuant of any power of the Company under these articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in shares or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to company, send notice of the refusal to the transferee and transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.

**Article 50. NO TRANSFER OF SHARES IN CERTAIN CASES**

No transfer shall be made to or registered in the name of a person of unsound mind or a partnership firm. However, fully paid share may be transferred and registered in the name of a minor through his guardian.

**Article 51. FEE FOR REGISTRATION OF TRANSFER/TRANSMISSION OF SHARES**

No fee shall be charged for registration of transfer, transmission probate succession certificate, letter of administration, marriage, power of attorney or certificate of death or similar other instruments/documents.

**Article 52. NOTICE OF REFUSAL TO REGISTER TRANSFER**

If the Board refuse to register the transfer of, or transmission by operation of law, of the right to any share, the Company shall, within two months from the date on which the instrument of transfer or the intimation of such transmission as the case may be was lodged with the Company, send to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be notice of such refusal.

**Article 53. POWER TO CLOSE REGISTER OF MEMBERS OR DEBENTURE HOLDERS**

On giving not less than seven days' notice by advertisement in a newspaper circulating in the district in which the registered office of the Company is situated, close the register of Members or the debenture holders for any period or periods as the Board think fit not exceeding in the aggregate forty five days in each year but not exceeding thirty days at onetime.

**Article 54. TRANSMISSION OF REGISTERED SHARES**

The executors or administrators or the holder of a succession certificate in respect of shares of a deceased Member (not being one of several joint holders) shall be the only person whom the Company shall recognise as having any title to the shares registered in the name of such deceased Member and, in case of the death of any one or more of the joint holders of any registered shares the survivors shall be only person recognised by the Company as having any title to or interest in such share but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person. Before recognising any legal representative or heir or a person otherwise claiming title to the shares the Company may require him to obtain a grant of probate or letters of administration or succession certificate, or other legal representation as the case may be from a competent court, provided nevertheless that in any case where the Board in its absolute discretion think fit it shall be lawful for the Board to dispense with production of probate or letters of administration or a succession certificate or such other legal representation upon such terms as to indemnity or otherwise as the Board may consider desirable.

**Article 55. AS TO TRANSFER OF SHARES OF INSANE, MINOR, DECEASED OR INSOLVENT MEMBERS**

Any Committee or curator of a lunatic or guardian of a minor member or any person becoming entitled to a share in consequence of insolvency of any member upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Board think sufficient, may, with the consent of the Board (which the Board shall not be bound to give) be registered as a member in respect of such shares, or may subject to the regulation as to transfer, herein contained, transfer such shares.

**Article 56. RIGHTS OF EXECUTORS AND TRUSTEES OF THE DECEASED MEMBER**

Subject to any other provisions of these Articles if the Board in their sole discretion are satisfied in regard thereof, a person becoming entitled to shares in consequences of the death or insolvency of a Member, may receive and give a discharge for any dividends or other money payable in respect of the shares.

**Article 57. NOMINATION**

Notwithstanding anything contained in the Articles of Association or in any other law for the time being in force, where a nomination has been made in the manner prescribed in section 109A of the Act, purporting to confer on any person the right to vest the shares in, or debentures of the Company, the nominee shall, on the death of the shareholder or holder of debentures of the Company, or as the case may be, on the death of the joint holders, become entitled to all the rights in the shares or debentures of the Company or, as the case may be, all the joint holders, in relation to such shares in or debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner and the provisions contained in section 109A and 109B of the Act, shall be applicable to such cases.

**DEMATERIALISATION OF SECURITIES****Article 61. DEMATERIALISATION OF SECURITIES**

Notwithstanding any thing contained in these Articles, the Company shall be entitled to dematerialized its securities and to offer securities in dematerialized form pursuant to the Depositories Act, 1996.

**Article 62. OPTION TO INVESTORS TO HOLD SECURITIES IN PHYSICAL FORM OR IN THE FORM OF DEPOSITORY**

Every person or holding securities offered by the Company through allotment or otherwise shall have the option to receive and hold the same in the form of security certificates or to receive and hold the same in the dematerialized form with a depository.

**Article 63. BENEFICIAL OWNER MAY OPT OUT OF A DEPOSITORY**

Every person holding securities of the Company with a depository being the beneficial owner thereof may at any time opt out of the depository in the manner provided under the provisions of the depositories Act and the rules if any, prescribed thereunder and on fulfillment of the conditions prescribed by the Company from time to time, the Company shall issue the relevant security certificate(s) to the beneficial owner thereof.

**Article 64. SECURITIES IN DEPOSITORIES TO BE IN PRESCRIBED FORM**

All the securities held by a depository shall be dematerialized and shall be in form prescribed by it. Nothing contained in sections 153, 153A, 153B, 187B and 187C of the Act, shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

**Article 65. RIGHTS OF DEPOSITORIES AND BENEFICIAL OWNERS**

- a. Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to the registered owner for the purpose of effecting transfer or ownership of security on behalf of the beneficial owner.
- b. Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- c. Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a Member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

**Article 66. SERVICE OF RECORDS OF BENEFICIAL OWNERSHIP**

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

**Article 67. TRANSFER OF SECURITIES**

Transfer of securities held in depository will be governed by the provisions of the Depositories Act. Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

**Article 68. INTIMATION TO DEPOSITORY ON ALLOTMENT OF SECURITIES**

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with in a dematerialized form with a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

**Article 69. DISTINCTIVE NUMBERS OF SECURITIES HELD IN A DEPOSITORY**

Nothing contained in the Act or these Articles, regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.

**BORROWING POWERS OF THE BOARD****Article 74. POWER TO BORROW**

The Board may, from time to time, at its discretion, subject to the provisions of sections 58A, 292, 293 and any other applicable provisions of the Act, raise or borrow, either from the Directors or Central Government or State Governments, Banks, Corporations or any other party or parties and secure the payment of any sum or sums of money for the purposes of the Company. The Board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular by the issue of bonds, perpetual or redeemable, debentures or debenture-stock or any mortgage or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being, and Directors or any of them may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon, and shall subject to the provisions of section 310 of the Act, be entitled to receive such payment as consideration for giving guarantee as may be determined by the Directors with power to them to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or charge on the undertaking of the Company or upon any of its property or assets or otherwise. Notwithstanding anything contained in these Articles and so long as any money remains due by the Company to the lender under or by virtue of any Deed of Mortgage executed by the Company in favour of the lender, the following provision shall have effect:

- (i) No Director shall be entitled to receive any payments as consideration for giving any guarantee in respect of loan taken by the Company.
- (ii) The Company, the Directors or the Managing Director shall not create, purport or attempt to create, without the previous consent in writing, any charge or mortgage or other encumbrance, in respect of the properties or assets mortgaged and charged in favour of the lender or, any part thereof in respect of any of the assets (moveable or immovable) belonging to the Company.

**GENERAL MEETINGS****Article 79. WHEN ANNUAL GENERAL MEETING TO BE HELD**

In addition to any other meetings, Annual General Meetings of the Company shall be held within such intervals as are specified in Section 166(1) read with Section 210 of the Act and subject to the provisions of Section 166(2) of the Act, at such times and places as may be determined by the Board. All other meetings of the Company, shall except in the case of the statutory meeting, be called Extraordinary General Meetings, and shall be convened under the provisions of the next following Article.

**Article 80. WHEN EXTRA-ORDINARY GENERAL MEETING TO BE CALLED**

The Directors may, whenever they think fit, call an Extraordinary General Meeting, and an Extraordinary General Meeting shall also be held on such requisition or in default may be called by such requisitionists, as provided by Section 169 of the Act. If at any time there are not within India sufficient Directors capable of acting to form a quorum by Directors any two members of the Company may call an Extraordinary General Meeting in the same manner, as nearly as possible as that in which meeting may be called by the Directors.

**Article 81. CIRCULATION OF MEMBER'S RESOLUTION**

The Company shall comply with the provisions of Section 188 of the Act as to giving notice of resolutions and circulating statements on the requisition of members.





## **Article 82. NOTICE OF GENERAL MEETING**

Subject of the provisions of sections 171 and 176(2) of the Act, notice of every meeting of the Company shall be given to such persons and in such manner as provided by Section 172 of the Act. Where any business consists of “Special business” as hereinafter defined in Article 84, there shall be annexed to the notice a statement complying with Sections 173(2) and (3) of the Act.

## **PROCEEDINGS AT GENERAL MEETING**

### **Article 84. BUSINESS OF MEETING**

The ordinary business of an Annual General Meeting shall be to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and of the Auditors, to elect Directors in the place of those retiring by rotation, to appoint Auditors and fix their remuneration and to declare dividends. All other business transacted at the Annual General Meeting and all business at any other general meeting shall be deemed special business.

### **Article 85. QUORUM BE PRESENT WHEN BUSINESS COMMENCED**

No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided five members present in person shall be quorum.

### **Article 86. WHEN QUORUM NOT PRESENT, MEETING TO BE DISSOLVED AND WHEN TO BE ADJOURNED.**

If within half an hour from the time appointed for the meeting a quorum be not present, the meeting, if convened upon such requisition as aforesaid, shall be dissolved, but in any other case it shall stand adjourned in accordance with the provisions of sub-sections (3), (4) and (5) of Section 174 of the Act.

### **Article 87. RESOLUTION TO BE PASSED BY THE COMPANY IN GENERAL MEETING**

Any act or resolution which, under the provisions of these Articles of the Act, is permitted or required to be done or passed by the Company in general meeting be sufficiently so done or passed if effected by an Ordinary Resolution as defined in Section 189(1) of the Act, unless either the Act or these Articles specifically require such act to be done or resolution passed as a Special resolution as defined in Section 189(2) of the Act.

### **Article 88. CHAIRMAN OF GENERAL MEETING**

The Chairman of the Board shall be entitled to take the chair at every general meeting. If there be no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act, the members present shall choose another Director as Chairman, and if no Director be present or if all the Directors present decline to take the chair, then the members present shall, on a show of hands or on a poll if properly demanded, elect one of their number, being a member entitled to vote, to be Chairman of the meeting.

### **Article 106. MINUTES OF PROCEEDINGS OF GENERAL MEETINGS, BOARD MEETINGS AND COMMITTEES THEREOF**

The Board shall, in accordance with the provisions of section 193 of the act, cause minutes to be kept by making within thirty days of the conclusion of every Meeting of the Board or of every Committee of the Board, entries thereon in books kept for the purpose with the pages consecutively numbered, each page of every such book must be initialed or signed and last page of the record of proceedings of each Meeting in such book must be dated and signed, in the case of minutes of proceedings of a Meeting of the Board or Committee thereof, by the Chairman of the said Meeting or the Chairman of the next succeeding Meeting and, in the case of minutes of proceedings of a General Meeting, by the Chairman of the same Meeting within the aforesaid period of thirty days or in the event of the death or inability of the Chairman within that period, by a Director duly authorized by the Board for the purpose, provided that in no case shall the minutes or proceedings of a Meeting be attached to such books as aforesaid by pasting or otherwise.

The minutes of each Meeting shall contain a fair and correct summary of the proceedings thereat

Provided that no matter need be included in any such minutes which the Chairman of the Meeting, in his absolute discretion, considers to be:

- (a) Defamatory, or could reasonably be regarded as, defamatory of any person;
- (b) Irrelevant or immaterial to the proceedings; or
- (c) Detrimental to the interests of the Company.

Minutes of any meeting of the Board or Committee thereof, or of the Company in general Meeting, if kept in accordance with the provisions of section 193 of the Act, shall be evidence of the proceedings recorded in such minutes. The minute books of the general meetings of the members of the Company shall be kept at the registered office and shall be open to inspection by members on any working day between the hours of 10-30 a.m. and 12-30 p.m.

### **COMMON SEAL**

#### **Article 107. CUSTODY AND AFFIXING OF SEAL**

The Board shall provide for the safe custody of the seal.

The seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a Committee of the Board authorized by it in this behalf, and except in the presence of two directors or at least one director and the Secretary or some other person appointed by the Board for the purpose, and the said directors, secretary or the other person shall sign every instrument to which the seal of the Company is affixed in their presence.

### **DIVIDEND**

#### **Article 109. DISTRIBUTION OF PROFITS**

Subject to any preferential/special rights of the Members, the profits which the Company from time to time decides to distribute, in respect of any year or other interim period shall be applied in the payment of dividend on the fully paid equity Shares of the Company,

#### **Article 110. DECLARATION OF DIVIDEND**

The Company in annual general meeting may declare a dividend to be paid to the Members according to their rights and interest in the profits and may, subject to the provisions of section 205 and 207 of the Act fix the time for payment

#### **Article 111. RESTRICTION ON AMOUNT OF DIVIDEND**

The Company at the General meeting cannot declare dividend at a rate more than what is recommended by the Board.

#### **Article 112. INTERIM DIVIDENDS**

The Board may, from time to time, pay to the Members, such interim dividends as appear to the Board to be justified by the profits of the Company.

### **BOOKS AND DOCUMENTS**

#### **Article 125. MAINTENANCE OF BOOKS OF ACCOUNTS.**

The Board shall cause to be kept in accordance with section 209 of the act proper books of account with respect to:

- (a) All sums of money, received and expended by the Company and the matters in respect of which the receipts and expenditures take place;
- (b) All sales and purchases of goods by the Company; and
- (c) The assets and the liabilities of the Company.

#### **Article 126. LOCATION OF BOOKS OF ACCOUNT**

Subject to Section 209 of the Act, the books of account shall be kept at the registered office or at such other place or places in India as the Board may decide, and where the Board so decides, the Company shall, within seven days of the decision, file with the registrar a notice in writing, giving the full address of that other place. The books of account shall also be open to inspection by any Director during the business hours provided that the books of account shall also be opened to inspection by the Registrar by any officer of Government authorized by the Central Government in this behalf.

#### **Article 127. INSPECTION BY MEMBER**

The Board shall, from time to time, determine whether and to what extent and at what times and places, and under what conditions the book of accounts and book and documents of the Company shall be open to the inspection of the Members not being Directors, and no Member, not being Director, shall be entitled to require or receive any



information concerning the business, nor shall have any right of inspecting any books of account or document of the Company except as conferred by law or authorized by the Board or by the Company in General Meeting; and no Member, not being a Director shall be entitled to require or receive any information concerning business, trading or customers of the Company or any trade secret or secret process used by the Company.

## **DIRECTORS**

### **Article 128. NUMBER OF DIRECTORS, QUALIFICATION AND FIRST DIRECTORS**

- 1.1 Subject to the provision of section 259, the number of Directors of the Company shall not be less than three and not more than twelve, excluding the directors nominated by the financial institutions, banks and debenture holders. The Company in the general meeting may, from time to time, increase or reduce the number of directors within the limits fixed by the preceding Article.
- 1.2 A Director shall not be required to hold any qualification Shares.
- 1.3 The first Directors of the Company shall be:
  - (1) MR. VIJAY AGARWAL
  - (2) MRS. MONA AGARWAL
  - (3) MR. KHEM KARAN ARORA
  - (4) MRS. LAJ ARORA

### **Article 129. ADDITIONAL DIRECTORS**

Subject to Section 260 of the Act, the Board shall have power at any time and from time to time to appoint any person as a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles. Any Directors so appointed shall hold office only until the next Annual General Meeting of the Company and shall then be eligible for re-appointment.

### **Article 130. NOMINEE DIRECTOR**

Where any investment and finance corporations, such as, Industrial Development Bank of India, Industrial Finance Corporation of India, The Industrial Credit and Investment Corporation of India Limited, Life Insurance Corporation of India or any other Corporation or Bank or the State or Central Government of India, obtain Shares of the Company, make loans the Company or give guarantees in connection with the grant of a loan to or the supply of machinery for the Company, or where the Company enters into a contract with any person or persons for borrowing any money or for providing any guarantee or for technical collaboration or assistance or enters into any other arrangement, any such body or persons shall be entitled to appoint a Director or Directors of the Company if that be agreed to as a condition of the grant of a loan or giving of such guarantee or the acquiring of Shares or of any other arrangement.

The provisions of these Articles as to retirement of Directors shall not apply to him/them. The Directors so appointed shall have the same powers and privileges as other Directors of the Company. The said Directors shall hold office at the pleasure of any such corporation or Government or persons which shall have full power to remove any of the Directors appointed by it and to appoint any other persons in place of such Directors.

The nominee Directors so appointed shall hold the said office only so long as any money remains owing by the Company or any guarantee given by such person(s) is outstanding or so long as such body or person holding any Shares subscribed by virtue of their underwriting obligation or so long any other arrangement(s) entered into with such person or body is subsisting and such nominee Director so appointed shall ipso facto vacate that office immediately the money owing by the Company to such body or person is paid off or such person or body ceases to hold, any Shares in the Company so subscribed pursuant to their underwriting obligation or any guarantee so given is discharged or such other arrangement so agreed upon is determined.

### **Article 131. NOMINEE DIRECTOR(S) OF DEBT /SECURITIES HOLDERS**

If it is provided by any Trust Deed, securing or otherwise in connection with any issue of debentures of the Company that any person or persons shall have power to nominate Director of the Company, then in case of any and every issue of such debenture the person or persons having such power may exercise such power from time to time and appoint a Director accordingly, Any Director so appointed is hereinafter referred to as Debenture Director. A Debenture Director may be removed from office at any time by the person or person in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A debenture Director shall not be subject to retirement.

**Article 132. DIRECTOR'S REMUNERATION**

The Director shall receive and the Company shall pay remuneration not exceeding such sum as may be prescribed by the Act or the Central Government in that behalf

**Article 133. DIRECTOR'S SITTING FEE**

Unless otherwise determined by the Company in General Meeting each Director shall be entitled to receive out of the funds of the Company for his services in attending meeting of the Board or a Committee of the Board, a fee not exceeding 5000/- per meeting of the Board or Committee of the Board attended by him as may from time to time fixed by the Board.

**Article 134. REMUNERATION FOR SERVICES**

If any Director, being willing, may be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of residence for any purposes of the Company or in giving in giving special attention to the business of the Company or as member of Committee of the Board then, subject to sections 198, 309, 310 and 314 of the Acts, the Board may remunerate the director so doing, either by fixed sum or by a percentage of profits or otherwise any such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled.

**APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS****Article 135. ROTATION OF DIRECTORS**

Subject to section 255 and 256 of the Act, not less than two third of the total number of Directors shall be persons whose period of office is liable to determination by retirement of Directors by rotation. At each Annual General Meeting of the Company, one third or such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office. The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who become Directors on the same day those to retire shall in default of and subject to any agreement, among themselves be determined by lot.

The Board is however empowered to appoint up to one third of its strength as non-rotational directors.

The office of managing director shall not be taken in to account in determining the number of directors to retire by rotation.

**Article 136. BOARD MAY ACTS NOTWITHSTANDING VACANCY**

The continuing Directors may acts notwithstanding any vacancy in their body but so that if the number falls below the minimum above fixed, the Board shall not, except for the purpose of filling vacancies or convening a General Meeting, act so long as the number is below the minimum.

**Article 137. VACATION OF OFFICE OF DIRECTOR**

Subject to Section 283 of the Act, the office of a Director shall become vacant if:

- (a) he is found to be unsound mind by the Court of competent jurisdiction: or
- (b) he applies to be adjudicated an insolvent : or
- (c) he is adjudged an insolvent : or
- (d) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment of no less than six month : or
- (e) he falls to pay any call in respect of the Shares of the Company held by him, whether alone or jointly with others, within six month from the last date fixed for the payment of the call unless the central Government has by notification in the official gazette, removed the disqualification incurred by such for failure:
- (f) he absents himself from three consecutive Meeting of the Board or from all Meeting of the Board for a continuous period three months, whichever is longer, without obtaining leave of absence from the Board: or
- (g) he (whether by himself or by any person for his benefit or his account) or any firm of which he is a partner, or any private Company of which he is a Director, accepts a loan, or any guarantee or security for a loan from the Company in Contravention of section 295 of the Acts: or

- (h) he acts in contravention of section 299 of the Acts: or
  - (i) he becomes disqualified by an order of Court under section 203 of the Acts: or
  - (j) he is removed from office in pursuance of section 284 of the Acts: or
  - (k) any office or place of profit under the Company or under any subsidiary of the Company is held in Contravention of section 314 of the Acts when by operation of that section he is deemed to vacate office.
  - (l) Having been appointed a Director, by virtue of his holding any office or other employment in the Company, he ceases to hold office or any other employment in the Company.
2. Notwithstanding any matter or things in sub clauses(c),(d) and (i) of clause (1) the disqualification referred to in those sub clauses shall not take effect:
- (a) for thirty days from the date of adjudication, sentence or order: or
  - (b) where an appeal or petition is preferred within thirty days aforesaid against adjudication, sentence or conviction resulting in the sentence, or order until the expiry of seven days from the date on which such appeal or petition is disposed of: or
  - (c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence conviction or order and the appeal or petition, if allowed would, result in the removal of the disqualification, until such further appeal or petition is disposed of.

#### **Article 138. CONTRACTS IN WHICH DIRECTORS ARE INTERESTED**

Subject to the provision of section 297 of the Act or any other applicable provisions of the Act, a Director shall not be disqualified from contracting with the Company either as vendor, purchaser or otherwise, of goods, materials or services or from underwriting the subscription of any Shares, or debentures of the Company, nor shall any such contract or arrangement entered in to by or on behalf of the Company with a relative of such Director, or a firm in which such Director or relative is a partner or with any other partner in such firm or with a private company of which such Director is a Member or Director, be avoided, nor shall any Director so contracting or being such Member or so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Directors holding office of the fiduciary relation thereby established.

#### **Article 139. DISCLOSURE OF DIRECTOR'S INTEREST**

Every Director, who is in any way, whether directly or indirectly concerned, or interested in a contract or arrangement entered in to be entered into by or on behalf of the Company, shall disclose the nature of his concern or interest at a Meeting of the Board as required by section 299 of the Act. A general notice renewable in the last month of each financial year of the Company that a Director is a Director or a Member of any specified body corporate or it's a partner of any specified firm and is to be regarded as concerned or interested in any subsequent contract of arrangement with that body corporate or firm shall be sufficient disclosure of concern or interest in relation to any contract or arrangement so made and, after such general notice it shall be necessary to give special notice relating to any particular contract or arrangement with such body corporate or firm provided such general notice is given at a Meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first Meeting of the Board after it is given.

#### **Article 140. DISCUSSION AND VOTING BY INTERESTED DIRECTOR**

Subject to Section 300 of the Act, no Director shall, as Director, take any part in the discussion or vote on any contract arrangement in which he is any way, whether directly, concerned, or interested, nor shall his presence count for the purpose of forming a quorum at a time of such discussion or vote, The prohibition shall not apply to (a) any contract or indemnity against any loss which the Director or any of them suffer by reason of becoming or being sureties or a surety for the Company: or (b) any contract or arrangement entered into or to be entered into by the Company with a public Company or with a private Company which is a subsidiary of the public Company in which the interest of the Director consists solely in his being Director of such Company and the holder of not more Shares in number or value therein that is requisite to qualify him for appointment as a Director thereof, he having been nominated a such Director by the Company or in his being a Member of the Company holding not more than two percent of the paid-up Share capital of the Company.

**Article 141. FILING OF CASUAL VACANCIES AMONG DIRECTORS**

Subject to Section 262 of the Companies Act, if any Director appointed by the Company in General Meeting vacate his office as Director before the expiry of his term of office, the vacancy may be filled by the Board at a Meeting of the Board, But any person so appointed shall retain his office only so long as the vacating Director would have retained the same if no vacancy had occurred.

**Article 142. A CANDIDATE FOR OFFICE OF DIRECTOR MUST GIVE NOTICE**

Subject to Section 257 of the Act, no person not being a retiring Director shall be eligible for appointment to the office of Director at any General Meeting unless he or some Member intending to propose him has not less than fourteen days before the Meeting, left at the office a notice in writing under his hand signifying his candidature for the office of Director or the intention of such Member to propose his a candidate for that office as the case may be.

**Article 143. GENRAL POWER OF THE COMPANY VESTED IN BOARD.**

Subject to the provision of the act, the control of the Company shall be vested in the Board, and be entitled to exercise all such power and to all such acts and things as the Company is authorized to exercise and do, provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the act or by any other status or by the Memorandum of the Company or by these Articles or otherwise, to be exercised or done by the Company in general Meetings provided further that in exercising any such power or doing such act or thing, the shall be subject to the provisions in that behalf contained in the Act or any other status or in the Memorandum of the Company or in these Articles, or in any regulations not inconsistent therewith and duly made there under, including regulations made 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.

**Article 144. DELEGATION OF POWERS OF THE BOARD**

Subject to the restrictions contained in Section 292 of the Act, the Board may, from time to time, and at any time, delegate any of its powers to a Committee consisting of such Director or Directors as it thinks fit and may discharge any such Committee of Board either wholly or in part, and either as to persons or purposes; but every Committee of Board so formed shall, in the exercise of the powers so delegated, conform to any regulations of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment, shall have the like force and effect as if done by the Board.

The Board may subject to the provisions of sections 291 to 292 of the act, from time to time entrust to and confer upon a Managing Director or whole time Director for the time being such of the powers exercisable under these presents by the Board as they may think fit and may confer such power for such time and to be exercised for such objects and purpose and upon such terms and conditions and with such restrictions as they think expedient; and they may confer such powers, either collaterally with or to the exclusion of and 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.

Further, subject to the provisions of section 292 of the Act, the Board may from time to time, as it may think fit, delegate to such person or persons as it may choose any of the powers hereby conferred upon the Board.

**ALTERNATE DIRECTORS****Article 145. POWER OF BOARD TO APPOINT ALTERNATE DIRECTORS**

Subject to section 313 of the Act, the Board may appoint any person as the case may be, to act as Alternate Director for a Director, during the latter's absence of a period of not less than three months from the state in which Meetings of the Board are ordinarily held and such appointment shall have effect and such appointee, whilst he holds office as an alternate Director, shall be entitled to notice of the Board and to attend and vote thereat accordingly, and shall ipso facto vacate office if and when the absent Director returns to the state in which Meeting of the Board are ordinarily held or the absent Director vacate office as Director.

**PROCEEDINGS OF THE BOARD OF DIRECTORS****Article 146. MEETINGS OF BOARD OF DIRECTORS**

Subject to section 285 of the Act, the Director shall meet together at least once in every calendar quarter and at the least four such Meetings shall be held in a year for dispatch of business, and subject as aforesaid may adjourn and otherwise regulate their Meetings and proceedings as they may think fit.

**Article 147. NOTICE OF BOARD MEETINGS**

A reasonable Notice of every Meeting of the Board 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. The notice must specify the date, time and location of the Meeting.

**Article 148. CALLING OF MEETING BY THE DIRECTORS**

A Director may at any time, and the Secretary upon the request of a Director shall convene, a Meeting of the Board by giving a notice in writing to every Director for the time being in India, at his usual address in India and to every other Director.

**Article 149. CHAIRMAN OF THE BOARD**

The Board may elect a Chairman of its Meeting and determine the period for which he is to hold office. If no such Chairman is elected, or if any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting, the directors present may choose one of the directors present to be Chairman of meeting.

**Article 150. QUORUM FOR BOARD MEETING**

Subject to the provisions of Section 287 of the Act, the quorum necessary for the transaction of the business by the Board shall be one third of its total strength, excluding Directors, if any, whose places may be vacant at the time (any fraction contained in that one third being rounded off as one), or two Directors, whichever is higher. For the purpose of this Article, an alternate Director shall be counted in a quorum at a Meeting at which the Director for whom he is appointed is not present. If a quorum shall not be present within fifteen minute from the time appointed for holding a Meeting of the Board, the Meeting shall be adjourned till the same day in the next week, at the same time ad place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place. Provided that where at any time the number of interested Directors exceeds or is equal to two third of the total strength, the number of remaining Directors that is to say, the number of Directors who are not interested, present at the Meeting being not less than two shall be the quorum during such time.

**Article 151. PROCEEDINGS OF MEETING OF BOARD OF DIRECTORS**

A Meeting of the Board at which a quorum be present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles for the time being vested in or exercisable by the Board.

Question arising at any Board Meeting shall be decided by a majority of votes and in the case of equality of votes the Chairman shall have a casting vote.

**Article 152. REGULATION OF COMMITTEE MEETING**

The Meeting and proceedings of any such Committee consisting of two or more Directors shall be governed by the provisions contained in these Articles regulating the Meetings and proceedings of the Board so far the same are applicable thereto and are not superseded by any regulations made by the Board under the last preceding Article.

**MANAGING / WHOLE TIME DIRECTORS****Article 155. APPOINTMENT OF MANAGING/ WHOLE TIME DIRECTORS**

The Company by the ordinary resolution or the Directors may subject to the provisions of the sections 268, 269 and Schedule XIII of the Act from time to time appoint a Director to be Managing Director or whole time Director(s) of the Company for a term not exceeding five years at a time and may from time to time subject to the provisions of any contract between him or them and the Company remove or dismiss him or them from office and appoint another or other in his or their place or places.

**Article 156. REMUNERATION OF MANAGING/WHOLE-TIME DIRECTORS**

Subject to Section 198, 309 and other applicable provisions of the Act, in addition to the usual remuneration as of an ordinary Director, the remuneration of the Managing Director and of Whole Time Directors shall be fixed by the Company in general Meeting by a resolution and may be by way of fixed salary or at a specified percentage of the profits of the Company or both provided that such percentage shall not exceed five percent, for any one such managing or whole time Director, ten percent of the net profit of the Company for all of them together, subject to the applicable provisions of the Act.



**Article 157. CERTAIN PERSON NOT TO BE APPOINTED AS MANAGING OR WHOLE TIME DIRECTORS**

Pursuant to Section 267 of the Act, Company shall not appoint or employ or continue the appointment or employment of any person as its managing or whole-time Directors who:

- (a) Is an undischarged insolvent or has at any time been adjudged an insolvent;
- (b) Suspends or has at any time suspended, a payment to his creditors, or makes or has at any time made, a composition with them; or
- (c) Is or has at any time been convicted by a court of an offence involving moral turpitude.

**BALANCE SHEET AND ACCOUNTS****Article 159. BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

At every Annual General Meeting and Board shall lay before the Company a Balance Sheet and Profit and Loss Account made up in accordance with the provisions of Section 210 of the Act and such Balance Sheet and Profit and Loss Account shall comply with the requirements of Sections 210, 211, 212, 215 and 216 and of Schedule VI of the Act so far as they are applicable to the Company but, save as aforesaid, the Board shall not be bound to disclose greater details of the result or extent of the trading transactions of the Company than it may deem expedient.

**Article 160. DIRECTORS REPORT**

There shall be attached to every Balance Sheet laid before the Company a report by the Board in accordance with Section 217 of the Act.

**Article 161. COPIES BALANCE SHEET SHALL BE SENT TO MEMBERS AND OTHERS**

A copy of every Balance Sheet (including the Profit and Loss Account, the Auditor's Report and every document required by law to be annexed or attached to the Balance Sheet) shall, as provided by Section 219 of the Act, not less than twenty one days before the Meeting, be sent to every such member, debenture-holder, trustee and other person to whom the same is required to be sent by the said section.

**AUDIT****Article 162. ACCOUNTS TO BE AUDITED ANNUALLY**

At least once in every year the Books of Account of the Company shall be examined by one or more Auditors.

**Article 163. APPOINTMENT AND REMUNERATION OF AUDITORS**

The Company shall at each Annual General Meeting appoint an Auditor or Auditors to hold office from the conclusion of the Meeting until conclusion of the next Annual General Meeting and shall, within seven days of the next Annual General Meeting and shall, within seven days of the appointment, give notice thereof to every Auditor so appointed. The appointment, remuneration, rights and duties of the Auditor or Auditors shall be regulated by Sections 224 to 233 of the Act.

**SECRECY CLAUSE****Article 168. SECRECY**

Every Director, Auditor, Manager, Secretary or Trustee for the Company, its members or debenture holders, members of a Committee, officer, servant, agent, accountant or other person employed in or about the business of the Company shall, if so required by the Board or by the Managing Director before entering upon his duties, sign a declaration pledging himself to observe, strict secrecy respecting all transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto and shall by such declaration pledge himself not to reveal any of any matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by any General Meeting or by a court of law and except so far as may be necessary in order to comply with any of the provisions in these articles contained.

**Article 169. RIGHT OF MEMBERS TO ENTER PREMISES OF THE COMPANY**

No member or other person (not being a Director) shall be entitled to enter upon the property of the Company or to inspect or examine the premises or properties of the Company without the permission of the Board.

**Article 170. DISTRIBUTION OF ASSETS**

If the Company shall be wound up and the assets available for distribution among the members as such be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be 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 among 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 members registered in respect of Shares issued upon special terms and conditions.

**Article 171. DISTRIBUTION OF ASSETS IN SPECIE**

If the Company shall be wound up, whether voluntarily or otherwise, the liquidator may, with the sanction of a Special Resolution, divide among the members in specie or in kind, the whole or 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 trust for the benefit of the members, or any of them, as the liquidator, with the like sanction, shall think fit but so that no member shall be compelled to accept any Shares or other securities where on there is any liability.

**INDEMNITY****Article 172. INDEMNITY**

- (a) Subject to the provisions of Section 201 of the Act, every Director, Managing Director, Secretary or other officer of the Company or any person employed by the Company and any person appointed as Auditor, Legal Advisor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, Managing Director, Secretary, Officer, Employee, Auditor or Legal Advisor by reason of any contract entered into or act or deed done by him as such.
- (b) Subject to the aforesaid every Director, Managing Director, Secretary or other officer or Employee of the Company shall be indemnified against any liability incurred by him in defending any proceedings whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under section 633 of the Act, in which relief is given to him by the Court.



**SECTION X - MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of the Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Red Herring Prospectus have been delivered to the Registrar of Companies, NCT of Delhi & Haryana, New Delhi for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered office of the Company situated at II Floor, Plot no 7, H-Block, Sarita Vihar, New Delhi 110 044 between 11:00 am. to 5:00 p.m on working days from the date of the Red Herring Prospectus until the date of closure of the Issue.

**MATERIAL CONTRACTS**

1. Memorandum of Understanding dated March 09, 2006 entered into with Karvy, UTISEC and the Company to act as the Book Running Lead Managers to the Issue along with Inter -Se Allocation of Responsibility
2. Memorandum of Understanding dated Feb 15, 2006 entered into with Karvy Computershare Private Limited, to act as the Registrar to the Issue
3. Letter dated October 08, 2005 from the Company appointing Karvy Investor Services Limited and Letter dated October 31, 2005 from the Company appointing UTI Securities Ltd. as the Book Running Lead Managers, and their acceptance thereto
4. Letter dated Feb 15, 2006 appointing Karvy Computershare Private Limited as the Registrars to the Issue
5. Escrow Agreement dated 29th May, 2006 between the Company, BRLMs, Registrars to the Issue and Escrow Bankers.
6. Syndicate Agreement dated 29th May, 2006 between the Company, BRLMs and the Syndicate Members.
7. Underwriting Agreement dated [•] between [•].

**DOCUMENTS FOR INSPECTION**

1. Memorandum and Articles of Association of the Company as amended from time to time
2. Certificate of Incorporation of the Company dated January 13, 1995 and Certificate of change of name dated October 04, 2005 (subsequent to change to a public limited company)
3. Fresh Certificate of Incorporation consequent to change of name dated October 04, 2005
4. Resolution of the Members of the Company passed at the Extra Ordinary General Meeting held on October 25, 2005, appointing Managing Directors and Wholtime Directors and Board resolution dated 14th February, 2006 for revision in the remuneration of Mr. Vijay Agarwal and Mrs. Mona Agarwal.
5. Copy of the resolution passed at the meeting of the Board of Directors held on 6th October 2005 and a Special Resolution passed at the Extra Ordinary General Meeting of the Company held on October 25, 2005 approving this Public issue
6. Copy of Resolution of the Members of the Company passed at the Extra Ordinary General Meeting held on October 25, 2005 pursuant to Section 81(1A) of the Companies Act
7. Consents of the Directors, Company Secretary, Auditors, Lead Managers to the Issue, Legal Advisors, Bankers to the Company, Bankers to the Issue, Compliance Officer and Registrars to the Issue, to include their names in the Letter of Offer to act in their respective capacities
8. Consent dated July 31, 2006, from M/s Rajan Chhabra & Co., Chartered Accountants for inclusion of their reports on accounts in the form and context in which they appear in the Red Herring Prospectus
9. The Report of the statutory auditors, M/s Rajan Chhabra & Co Chartered Accountants dated July 29, 2006 as mentioned in the Red Herring Prospectus.
10. Letter dated August 07, 2006 from the Auditors of the Company, M/s. Rajan Chhabra & Co Chartered Accountants confirming Tax benefits a mentioned in this Red Herring Prospectus
11. Resolution of the Members of the Company passed at the Annual General Meeting held on July 29, 2006 appointing M/s. Rajan Chhabra & Co. Chartered Accountants as statutory auditors
12. Resolution of the Meeting of the Board of Directors held on October 26, 2005 for the formation of the Company's Audit Committee, Investors Grievances Committee, and Remuneration Committee and also resolution passed in the Board Meeting held on July 29, 2006 for reformation of the committees.
13. Annual reports of the Company for the last 5 financial years.

14. Due Diligence Certificate dated March 27, 2006 from Lead Manager, Karvy Investor Services Limited
15. Tripartite agreement dated August 02, 2006 between the Company, (Registrar) and NSDL, for offering depository services.
16. Tripartite agreement dated June 13, 2006, between the Company, (Registrar) and CDSL, for offering depository services.
17. SEBI Observation letters no. CFD/DIL/SM/67455/2006 dated June 15, 2006 and reply dated August 14, 2006
18. Applications made to BSE and NSE for listing
19. In-principle listing approval no. DCS/SK/MT/02052006 dated May 02,2006 from BSE
20. In-principle listing approval no. NSE/LIST/22111-P dated May 12,2006, which was valid upto August 12,2006 and further extension obtained vide letter bearing no. NSE/LIST/27331-Y from NSE
21. Share holders Agreement between Bennett, Coleman & Co. Limited and the company dated August 30, 2005 and the amendment to shareholders agreement dated December 12, 2005.
22. Advertising Agreement between Bennett, Coleman & Co. Limited and the company dated August 29, 2005
23. Subscription and Shareholders Agreement between The Western India Trustee and Executor Company Limited (Investor) and Action Construction Equipments Limited (Company) and Mr Vijay Agarwal, Mrs Mona Agarwal and Mr Sorab Agarwal(Promoters).
24. General Power of Attorneys from the signatories Draft Red Herring Prospectus, Red Herring prospectus and Prospectus for signing and making necessary changes in these.
25. Lease deed of Plant at Bazpur.
26. Agreement with Bankers ICICI Bank and CitiBank N.A.
27. Declaration by the compliance officer that all the observations made by SEBI vide their letter No.CFD/DIL/SM/67455/2006, dated June 15, 2006 have been duly incorporated in the RHP to the extent applicable.

Any of the contracts or documents mentioned in the Red Herring Prospectus may be amended or modified at any time, if so required, in the interest of the Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

**DECLARATION**

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act 1992, as the case may be, have been complied with and no statement made in the Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. The Company further certifies that all the statements in the Red Herring Prospectus are true and correct.

***SIGNED BY ALL THE DIRECTORS OF ACTION CONSTRUCTION EQUIPMENT LIMITED***

Sd/-

Vijay Agarwal, Chairman &amp; Managing Director

Sd/-

Mona Agarwal, Whole-time Director

Sd/-

Sorab Agarwal, Whole-time Director

Sd/-

Vijay Kumar Singh, Whole-time Director

Sd/-

Subhash Chander Verma, Director

Sd/-

Major General (Retd) Dr. K.C Agarwal, Director

Sd/-

Girish Narain Mehra (IAS retired), Director

Sd/-

Dr. Amar Singhal , Director

Sd/-

P K Bansal, CFO and Compliance Officer

Place: Faridabad

Date: 23<sup>rd</sup> August, 2006

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