



## PROSPECTUS

Under Section 60 of the Companies Act, 1956  
Dated 19<sup>th</sup> March, 2007

### HILTON METAL FORGING LIMITED

(The Company was formed by converting the Partnership firm under Part IX of The Companies Act, 1956 on 21st July 2005 and obtained a certificate of incorporation number U28900 MH2005 PLC 154986 from Registrar of Companies, Maharashtra, Mumbai)

**Registered Office & Corporate Office:** 60, Whispering Palm Centre, Lokhandwala Township, Kandivali (East), Mumbai - 400101.

**Tel:** +91-22-28863359/28846565; **Fax:** +91-22-28846677; **Website:** www.hmfl.co.in; **Email:** ipo@hmfl.co.in

**Factory:** Plot No.1,2,3,15, 21, 25, 26, 28, 29 & 30, Shah Mehta Ind. Estate, Village Ghonsai, Taluka Wada, Dist. Thane.

**Tel No.** +91- 2526- 222444/222555; **Fax:** +91-2526-222666

**Contact Person & Compliance Officer:** Mr. Viswanathan Sridhar, Company Secretary & Compliance Officer; **Email:** ipo@hmfl.co.in

**PUBLIC ISSUE OF 54, 50,000 EQUITY SHARES OF RS. 10/- EACH AT A PRICE RS. 70 PER EQUITY SHARE INCLUSIVE OF PREMIUM AGGREGATING RS. 3815 LAKHS INCLUDING 5000 EQUITY SHARES OF RS 10/- EACH BEING OFFERED TO CENTRUM CAPITAL LIMITED ON A FIRM BASIS AT A PRICE OF RS. 70/- PER EQUITY SHARE INCLUSIVE OF PREMIUM AND THE NET ISSUE TO THE PUBLIC OF 54,45,000 EQUITY SHARES OF RS. 10/- EACH AT A PRICE RS. 70 PER EQUITY SHARE INCLUSIVE OF PREMIUM AGGREGATING RS. 3811.50 LAKHS. THE FACE VALUE OF THE EQUITY SHARE IS RS 10/- AND THE ISSUE PRICE IS 7 TIMES OF THE FACE VALUE. THE NET ISSUE TO THE PUBLIC WOULD CONSTITUTE 43.80% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.**

The Issue is being made in terms of clause 2.2.2 (a) (ii) & (b) (i) of SEBI (DIP) Guidelines, 2000, as amended from time to time, whereby the "Project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the Issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded. In case of delay, if any in refund, Hilton Metal Forging Limited (The Company) shall pay interest on the application money at the rate of 15% per annum for the period of delay.

#### RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of Hilton Metal Forging Limited, there has been no formal market for the securities of the Company. **The face value of the shares is Rs.10/- per share and the issue price is 7 times of the face value.** The issue price (has been determined and justified by the Lead Managers and the issuer company as stated under 'Basis for Issue Price') should not be taken to be indicative of the market price of the Equity Shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

#### GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or the adequacy of this document. **Specific attention of investors is drawn to the statement of Risk Factors beginning from page no viii of this Prospectus.**

#### IPO GRADING

The Company has opted for IPO Grading. The grading has been carried out by ICRA and has been assigned a "IPO Grade 2" to the proposed Initial public offer (IPO) of Hilton Metal Forging Limited vide their letter dated February 12, 2007, which was valid for a period of 6 months. ICRA assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. Please refer page no. 9 of the Prospectus for detailed rationale of the grading.

#### ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects 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 make this Prospectus 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 of the Company are proposed to be listed on the Bombay Stock Exchange Limited (BSE) (the Designated Stock Exchange) and the National Stock Exchange of India Limited (NSE). The Company has received in-principle approvals from BSE and NSE vide their letter no. **List/Smg/sm/2006** dated **October 20, 2006** and letter no. **NSE/LIST/33129-N** dated **November 14, 2006** respectively for listing of the Equity shares being issued in terms of this Prospectus.

#### LEAD MANAGER TO THE ISSUE

**CENTRUM**

**CENTRUM CAPITAL LIMITED**

**SEBI Regn. No.:** INM 000010445

**AMBI Reg No.:** AMBI/087

**UIN No.:** 100016915

Khetan Bhavan, 5th Floor, 198, J. Tata Road

Churchgate, Mumbai- 400 020

**Tel:** +91 -22 - 3028 0400

**Fax:** +91-22 -2204 6096

**Website:** www.centrum.co.in

**Email:** hmfl@centrum.co.in

**Contact Person:** Mr. Alpesh Shah

#### REGISTRAR TO THE ISSUE



**SHAREX DYNAMIC (INDIA) PRIVATE LIMITED**

**SEBI Regn. No.:** INR000002102

**UIN No.:** 100001214

Unit 1, Luthra Ind. Premises, Safed Pool

Andheri - Kurla Road, Andheri (East)

Mumbai - 400 072

**Tel:** + 91- 22 - 2851 5606/ 5644

**Fax:** +91 - 22 - 2851 2885

**Website:** www.sharexindia.com

**Email:** hilton@sharexindia.com

**Contact Person:** Mr. B. S. Baliga

#### ISSUE SCHEDULE

**ISSUE OPENS ON : WEDNESDAY, APRIL 18, 2007**

**ISSUE CLOSSES ON : TUESDAY, APRIL 24, 2007**

## TABLE OF CONTENTS

SECTION	CONTENTS	Page Nos.
<b>I</b>	<b>DEFINITIONS AND ABBREVIATIONS</b>	
I.	Conventional/General Terms	i
II.	Issue-Related Terms	ii
III.	Company/Industry Related Terms	iii
IV.	Abbreviations	iv
<b>II</b>	<b>RISK FACTORS</b>	
I.	Presentation of Financial and Market Data	vi
II.	Forward looking statements	vii
III.	Risk Factors	viii
<b>III</b>	<b>INTRODUCTION</b>	
I.	Summary of the Industry and Business of the Company	1
II.	Issue details in Brief	2
III.	General Information	5
IV.	Capital Structure	15
V.	Objects of the Issue	22
VI.	Basis for Issue Price	33
VII.	Statement of Tax Benefits	36
<b>IV</b>	<b>ABOUT HILTON METAL FORGING LIMITED</b>	
I.	Industry Overview	42
II.	Business Overview	46
III.	History and Corporate Structure of the Company	67
IV.	Management of the Company	70
V.	Promoters of the Company	82
<b>V</b>	<b>FINANCIAL STATEMENTS</b>	
I.	Financial Statements for the Years ended on 31 <sup>st</sup> March 2006	86
II.	Financial Information of Group Companies	106
III.	Management Discussions and Analysis	107
<b>VI</b>	<b>LEGAL AND OTHER INFORMATION</b>	
I.	Outstanding Litigations and Material Developments	112
II.	Government and Other Approvals	113
<b>VII</b>	<b>OTHER REGULATORY AND STATUTORY DISCLOSURES</b>	116
<b>VIII</b>	<b>ISSUE RELATED INFORMATION</b>	
I.	Terms of the Issue	125
II.	Issue Procedure	126
<b>IX</b>	<b>DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION</b>	140
<b>X</b>	<b>OTHER INFORMATION</b>	
I.	Material Contracts and Documents for inspection	180
II.	Declaration	182



## SECTION I - DEFINITIONS AND ABBREVIATIONS

### I. CONVENTIONAL/ GENERAL TERMS

TERM	DESCRIPTION
“Issuer Company”, “the Company”, “HMFL”, “Hilton Metal Forging Limited”, “Hilton,”we”, ”us” and “our”	Refers to Hilton Metal Forging Limited, a Public Limited Company incorporated on 21 <sup>st</sup> July 2005 under The Companies Act, 1956 and having its Registered Office at 60, Whispering Palm Centre, Lokhandwala Township, Kandivali (East), Mumbai-400 101.
Group Companies	Hilton Steel Forgings Private Limited and Delta Cut Tools (Partnership Firm)
Promoters	Shall mean jointly Mr. Yuvraj Malhotra, Mr. Navraj Malhaotra and Mr. Shivcharan Gujral.

TERM	DESCRIPTION
Articles/ Articles of Association/ AoA	Articles of Association of Hilton Metal Forging Limited.
Act	The Companies Act, 1956 as amended from time to time for the time being in force.
AGM	Annual General Meeting
Board of Directors	Board of Directors of Hilton Metal Forging Limited
Depository	A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time for the time being in force.
Depository Participant	A Depository Participant as defined under the Depositories Act, 1996.
EGM	Extra Ordinary General Meeting
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under for the time being in force.
FI	Financial Institution
FII/ Foreign Institutional Investor	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investor) Regulations, 1995) registered with SEBI under applicable laws in India)
Financial Year/ FY/ Fiscal	Period of twelve months ended March 31 <sup>st</sup> .
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
IT Act	The Income Tax Act, 1961, as amended from time to time and for the time being in force
Memorandum/ Memorandum of Association/ MoA	The Memorandum of Association of Hilton Metal Forging Limited.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000



TERM	DESCRIPTION
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000. OCBs are not allowed to participate in this Issue.
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 and for the time being in force
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000 as amended including instructions and clarifications issued by SEBI from time to time

## II. ISSUE RELATED TERMS

TERM	DESCRIPTION
Applicant	Any prospective investor who makes an application for Equity Shares in terms of this Prospectus
Application Form	The Form in terms of which the investors shall apply for Equity Shares
Allotment	Issue or transfer of equity shares pursuant to the issue.
Allottee	The successful applicant to whom the Equity Shares are being / or have been issued.
Banker(s) to the Issue	ICICI Bank, HDFC Bank and UTI Bank
BSE	Bombay Stock Exchange Limited
ECS	Electronic Clearance System
CAGR	Compounded Annual Growth Rate
D/E Ratio	Debt-Equity Ratio
Designated Stock Exchange	Designated Stock Exchange shall mean BSE
DP	Depository Participant
Equity Shares	Equity shares of face value Rs.10/- each of the Company
Equity Shareholders	Persons holding Equity shares of the Company
Face Value	Face Value of equity shares of the Company being Rs. 10/- each
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
INR/ Rs	Indian National Rupee
Issue	Public Issue of 54,50,000 Equity Shares of Rs.10/- each for cash at the Issue Price of Rs.70/- inclusive of premium of Rs. 60/- each aggregating to Rs. 3815 Lakhs in terms of this Prospectus
Issue Closing Date	The date on which the issue closes for subscription i.e. April 24, 2007.



TERM	DESCRIPTION
Issue Opening Date	The date on which the issue opens for subscription i.e. April 18, 2007
Issue Period	The period between the Issue Opening Date and the Issue Closing Date inclusive of both days and during which prospective investors can submit their application
Issue Price	The price at which the equity shares will be issued by the Company in terms of this Prospectus (i.e. Rs. 70 per Share).
ROC	Registrar of Companies, Maharashtra at Mumbai
Registrar / Registrar to the Issue	Registrar to the Issue, in this case being M/s Sharex Dynamic (India) Private Limited, having its Registered Office at Unit 1, Luthra Ind. Premises, Safed Pool, Andheri – Kurla Road, Andheri (East), Mumbai – 400 072
Retail Individual Investor	Means an investor who applies for securities of or for a value of not more than Rs. 1,00,000/-
Stock Exchanges	Bombay Stock Exchange Limited and National Stock Exchange of India Limited

### III. COMPANY/ INDUSTRY-RELATED TERMS

TERM	DESCRIPTION
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Auditors	M/s R.K.Chaudhary & Associates, Chartered Accountants
BFSI	Banking, Financial Services and Insurance
Board of Directors	The Board of Directors of Hilton Metal Forging Limited or a Committee thereof
CENVAT	Central Value Added Tax
Compliance Officer	Compliance Officer of the Company in this case being Mr. Viswanathan Sridhar , the Company Secretary of the Company
Director(s)	Director(s) of the Company
Equity Shareholders	Persons holding Equity Shares of the Company
Face Value	Value of paid-up Equity Capital per Equity Share, in this case Rs. 10/- each.
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
NA/ N.A./ na	Not Applicable
Registered Office of the Company	60, Whispering Palm Centre, Lokhandwala Township, Kandivali (East), Mumbai 400 101

### GLOSSARY OF TECHNICAL AND INDUSTRY TERMS

TERMS	DESCRIPTION
AIFI	Association of Indian Forging Industry
A.N.S.I	American National Standard Institute
A.S.T.M	American Society for Testing of Material



TERMS	DESCRIPTION
B.S	British Standard
CITI	Citi Bank NA
CRN	Canadian Registration Number
DEPB	Duty Entitlement Pass Book
ECS	Electronic Clearance System
EFT	Electronic Fund Transfer
FEA	Far East Asia
ISO 9001:2000	International Standard Organization 9001:2000 Certification Standard
MSEDCL	Maharashtra State Electricity Distribution Company Limited
MSS	Manufacturer's Standardization Society
MT	Metric Tonnes
NEFT	National Electronic Fund Transfer
OEM	Other Equipments Manufacturers
PED	Pressure Equipment Directive.
RTGS	Real Time Gross Settlement
SBH	State Bank of Hyderabad
SCO Bank Ltd	The Sarwaswat Co-op. Bank Limited
SSI	Small scale Industries
UTI	UTI Bank
VMC	Vertical Machining Centre

#### IV. ABBREVIATIONS

TERM	DESCRIPTION
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
AGM	Annual General Meeting
CDSL	Central Depository Services (India) Limited
D/E Ratio	Debt Equity Ratio
EBDITA	Earnings Before Depreciation, Interest, Tax and Amortization
EGM	Extra Ordinary General Meeting
EMD	Earnest Money Deposit
ESOP	Employee Stock Option Plan
ESPS	Employee Stock Purchase Scheme
EPS	Earning Per Share
FCNR Account	Foreign Currency Non Resident Account

TERMS	DESCRIPTION
FEMA	Foreign Exchange Management Act
FII	Foreign Institutional Investor
FIPB	Foreign Investment Promotion Board registered with SEBI under applicable laws
FY/ Fiscal	Financial year ending on March 31 <sup>st</sup>
GIR Number	General Index Registry Number
Gol	Government of India
HRD	Human Resource Development
HUF	Hindu Undivided Family
CRN	Canadian Registration Number
INR/ Rs	Indian Rupees
IPO	Initial Public Offering
MNC	Multi National Company
N.A.	Not Applicable
NRE Account	Non-Resident External Account
NRO Account	Non-Resident Ordinary Account
NSDL	National Securities Depositories Limited
NAV	Net Asset Value being Paid-up Equity Share Capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by number of issued Equity Shares
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Bodies
P/E Ratio	Price/ Earnings Ratio
PAN	Permanent Account Number
P&M	Plant & Machinery
QIB	Qualified Institutional Buyer
RBI	Reserve Bank of India
ROC	Registrar of Companies
RONW	Return on Net Worth
ROCE	Return on Capital Employed
ROE	Return on Equity
USD/\$/US\$	United States Dollar
U.T.	Union Territory

In the section entitled “Main Provisions of Articles of Association of Hilton Metal Forging Limited”, defined terms have the meaning given to such terms in the Articles of Association of the Company.



---

## SECTION II - RISK FACTORS

### I. PRESENTATION OF FINANCIAL AND MARKET DATA

Unless stated otherwise, the financial data in this Prospectus is derived from the financial statements prepared in accordance with Indian GAAP and included in this Prospectus.

The Partnership firm was constituted on 1<sup>st</sup> August 2003, and was converted into Public Limited Company under Part IX of the Companies Act, 1956 with effect from 21<sup>st</sup> July 2005. Hence in accordance with the SEBI requirement, the accounts of the erstwhile partnership firm for the year/period ended 20.07.2005, 31.03.2005, 31.03.2004 as revised and the adequate disclosures are made in the financial statements as required to be made by the companies as per Schedule VI of the Companies Act, 1956. The Accounts for the year ended 31.03.2006 includes operations of the erstwhile partnership firm upto 20.07.2005.

The Fiscal Year commences on April 1 and ends on March 31, so all references to a particular “Fiscal Year” or “Fiscal” are to the Twelve –month’s period ended March 31 of that year, unless otherwise specified. In this Prospectus, any discrepancies between any table and the sums of the amounts listed are due to rounding off.

#### **Market Data**

As stated, Industry/ Market data used throughout this Prospectus has been obtained from internal Company reports, and other Industry publications. Industry publications generally state that 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 we believe that industry/ market data used in this Prospectus is reliable, it has not been independently verified.

For additional definitions, please see the section titled “Definitions and Abbreviations” starting on page i of this Prospectus.





---

## II. FORWARD LOOKING STATEMENTS

All statements contained in this Prospectus that are not statements of historical fact constitute “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “aspire”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue”, “would” or other words or phrases of similar import. Similarly, statements that describe the objectives, plans or goals are also forward-looking statements.

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

- General economic and business conditions in India, and the Asia-Pacific region;
- The ability to successfully implement the strategy, the growth and expansion plans and technological changes;
- The size, timing and profitability of product sales;
- The mix of product revenues;
- The ability to modify and enhance the product offerings based on customer needs and evolving technologies;
- Increasing competition in; and the conditions of the global and Indian forging industry;
- The ability to retain the existing clients and acquire new clients;
- Changes in the pricing policies or those of the competitors;
- Cancellations, contract terminations or deferrals of projects;
- Changes in the value of the Rupee and other currencies;
- Changes in the political and social conditions in India.

For further discussion of factors that could cause Company’s actual results to differ, see the section titled “Risk Factors” on page viii of this Prospectus. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The Company and their respective affiliates do not have any obligation to, and do not intend 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 Lead Managers to the issue 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.

### Currency Of Presentation

In this Prospectus, all references to “Rupees” and “Rs.” are to the legal currency of India; all references to “U.S. Dollars” and “US\$” are to the legal currency of the United States.

Any percentage amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion” and “Analysis of Financial Condition and Results of Operations” and as stated in this Prospectus, , have been calculated on the basis of the financial statements prepared in accordance with Indian GAAP.



---

### III. RISK FACTORS

An investment in Equity shares involves a high degree of risk. Prospective investors should carefully consider all of the information in this prospectus including the risks and uncertainties described below, in addition to other information contained in this prospectus, before making an investment in Equity Shares. Any of the following risks as well as the other risks and uncertainties discussed in this prospectus could have a material adverse effect on our business, financial condition and result of operations and could cause the market price of Equity Shares to decline, which could result in loss of all or part of your investment. Unless specified or quantified in the relevant risk factors below, the Company is not in a position to quantify the financial or other implications of any risks mentioned here under:

#### **Materiality:**

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

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

#### **INTERNAL RISK FACTORS TO THE PROJECT AND TO THE COMPANY**

##### **RISK FACTORS RELATING TO THE PROJECT**

#### **1. ORDERS FOR BULK OF THE MACHINERIES NOT YET PLACED. ANY DELAY IN PLACING THE ORDERS FOR MACHINERIES MAY DELAY SCHEDULE OF IMPLEMENTATION**

The Company is yet to place the order for the plant and machinery amounting to Rs 2565.92 Lakhs, constituting 72.14% of the total cost of plant and machinery, for details please refer page no. 28 of this prospectus.

**MANAGEMENT PROPOSAL:** The Company has already received quotations from the proposed suppliers and detailed negotiations in respect of technical specifications with vendors have been commenced. The orders shall be placed from time to time based on the progress in construction of building for the project so that the delivery of plant and machinery coincides with readiness of the building for installation. For the orders, which are yet to be placed, any increase in prices of these machineries may adversely affect the Company's estimates of the project cost. However, the Company does not foresee any price increase in the immediate future. The Company has also adequate provision for contingencies in the project cost.

#### **2. ORDERS FOR EQUIPMENTS FOR DIE SHOP/TOOL ROOMS ETC, OFFICE EQUIPMENTS AND FURNITURE AND FIXTURES NOT YET PLACED. ANY DELAY IN PLACING THE ORDERS FOR EQUIPMENTS MAY DELAY SCHEDULE OF IMPLEMENTATION.**

The Company is yet to place orders for equipments for die shop/tool rooms of Rs 66 Lakhs constituting 100% of equipments for die shop/tools room, office equipments of Rs 10 Lakhs constituting 100% of office equipments and furniture & fixtures of Rs 60 Lakhs constituting 100% of furniture & fixtures, for the expansion project, for details please refer Page no. 28 of this prospectus

**MANAGEMENT PROPOSAL:** The schedule for placement of orders for equipments for die shop/Tool rooms, office equipment and furniture and fixtures is prepared on a well designed plan for action aimed at realistic time and optimum utilisation of resources. The Company will meet the project implementation schedule by placing orders for equipments at the most appropriate time.

#### **3. SECOND HAND MACHINERY**

The Company, as a part of the Project Cost, is purchasing second hand machinery at a cost of Rs 714.25

Lakhs out of the total plant and machinery cost of Rs 3556.67 Lakhs. The Company may be unable to service the machinery or may not be able to obtain spare parts therefore on a timely basis, which may affect the operational efficiency of the proposed unit.

**MANAGEMENT PROPOSAL:** The Company has appointed Mr P.Venugopalan, Chartered Engineer, BE, MIE for the inspection of the second hand machinery proposed to be purchase for the proposed project and they have certified and checked all material and electrical functions and found them satisfactory and the same is expected to remain competitive over the next 20 years. Further no difficulty is envisaged in availability of spares.

#### **4. COMMON PURSUITS**

The Promoters are having interest in two ventures i.e. Hilton Steel Forgings Private Limited and Delta Cut Tools which are engaged in dealing in Forgings and all types of Metal Product. This may result into conflict of interest.

**MANAGEMENT PROPOSAL:** Hilton Steel Forgings Private Limited does trading activities of Steel Billets whereas Delta Cut Tools does job work for HMFL. The Hilton Steel Forgings Pvt. Ltd. arranges procurement of raw material for HMFL. Delta Cut Tools does rough machining, semi-machining work for HMFL at competitive rates.

#### **5. UNDER UTILISATION OF INSTALLED CAPACITY**

The installed capacity of 16 Ton Hammer is 9600 MTA but the production utilisation of 16 ton Hammer for the FY 2005 and FY 2006 stands at 9.19% and 5.09 % for its own production. The continuous underutilization of capacity may affect the business and profitability of the Company.

**MANAGEMENT PROPOSAL:** The Company has installed 2 Ton Hammer and 16 Ton Hammer. The 2 Ton Hammer makes flanges upto size of 8", whereas 16 Ton Hammer manufactures large size of flanges upto size of 24". Presently, the Company is manufacturing small size of flanges and the Production Capacity of 2 Ton Hammer and 16 Ton Hammer for the FY 2006 is 81.73% and 5.09% respectively. Further, the 16 Ton Hammer is used to undertake the work on job basis. The Capacity utilized for the 16 Ton Hammer on job work basis for the FY 2006 is 2.61%. To manufacture large size of flanges and maximum utilisation of 16 Ton Hammer, the Company is required to set up their own Heat treatment shop and in house die shop/tool room for which the Company has already set up the Heat Treatment shop as a part of expansion project and is proposing to set up in house die shop/tool room through the expansion project. Hence after this expansion project, the Company will be able to make maximum utilisation of 16 Ton Hammer.

#### **6. GOVERNEMENT APPROVALS NOT YET APPLIED FOR THE PROJECT**

The company has not yet received environmental clearance from Maharashtra Pollution Control Board and power supply consent for plot no. 1, 2 & 3 from Maharashtra State Electricity Board for enhancement in Production Capacity under the proposed expansion project. If there is delay in receipt of the permission then it may result in delay in commercial production which would affect the business operations of the Company.

**MANAGEMENT PROPOSAL:** The Company has already applied to Maharashtra pollution Control Board vide letter dated 17.05.2006 and Maharashtra State Electricity Board vide letter dated 1.09. 2006. The Company is in process of obtaining required permission from the appropriate authority.

#### **7. LOGO OF THE COMPANY IS NOT REGISTERED TRADEMARK. ANY MISUSE OF THE SAME MAY RESULT IN LOSS OF BUSINESS OF THE COMPANY.**

The Company has not registered their logo and they do not have a registered trademark. This may subject to risk of imitation and loss of revenue owing to misuse of their logo.



**MANAGEMENT PROPOSAL:** The logo of the Company has not yet been registered and for the same the Company has submitted application with Intellectual Property Office, Trademark Registry Division, Mumbai vide their letter dated 5<sup>th</sup> June 2006 for registration of logo.

**8. DELAY IN SCHEDULE OF IMPLEMENTATION OF THE PROJECT WOULD AFFECT THE PROFITABILITY OF THE COMPANY.**

There has been a delay in implementation schedule of the project. The delay in implementation of the project would affect the profitability proposal of the project.

**MANAGEMENT PROPOSAL:** The Company had envisaged completion of site development and factory building by October 2006 which is now expected to be completed by July 2007. Further the placement of orders for plant & machinery is expected to be completed by June 2007. Due to this subsequent installation and commissioning have also been delayed. For further details please refer “Project Implementation Schedule” appearing on page no 31 of this Prospectus. There will be no significant cost over run due to delay in schedule of implementation.

**9. CERTAIN CRITICAL RISK FACTORS AS PER APPRAISAL REPORT**

Appraiser of the Project, SBH has mentioned the following Critical Risk Factors in its Appraisal Report

**Risk Factor:** Increasing prices of steel fuel and energy constitute a risk for any forging company.

**Mitigating Factor:** Efficient and improving cost profile, enhanced capacities bringing in scale benefits and superior product development skills will keep the company ahead in turnover and profitability.

Apart from oil and gas sector, many new opportunities are expected from the car and vehicle utility segments as more foreign manufacturers are eyeing India as the low cost international hub for some of their operations. This outsourcing by Global-OEMs will definitely result in spurt in demand for auto parts in India. Also, as a result of liberalisation, more MNCs and private players have entered the oil exploration. This has opened up more business opportunities for forging industry.

**Risk Factor:** Company faces competition from other major forging companies like M M Forgings Limited Ahmednagar Forging Limited, H G I Industries Limited etc.

**Mitigating Factor:** Company is mainly engaged in forging specially required by the Oil Companies for lying of the pipelines while the competing units are dealing with the forgings required by automobile sector. Also almost, the entire sales turnover is achieved through exports. Besides few other forging companies, HMFL is the only other Indian forging company which has US Government approval for levy of 0.89% import duty as against anti dumping duty of 160% imposed on other units. This has opened a large opportunity for the company.

**Risk Factor:** Current ratio of 1.19 as on 31.03.2006 indicates that there is pressure on liquidity.

**Mitigating Factor:** Current ratio of the Company has improved from 1.13 on 31.03.2005 to 1.19 as on 31.03.2006. During the year company has repaid entire unsecured loan of Rs.1.77 crores, which was of long term nature, from its own sources. With better cash management and infusion of IPO funds, the Net Working Capital of the company is expected to improve.

**10. WEAKNESS AND THREATS**

As defined by the SBH through their Appraisal Report, the following are the threats and weakness vis-a-vis our Company is as follows:

**WEAKNESS:**

- The company has not placed firm orders for the machineries to be purchased. Any delay in procuring the machineries can lead to delay in implementation of the project resulting in cost overrun.

- Some of Machineries are imported; any fluctuation in foreign exchange will adversely affect the Cost of Project.
- The prices of the major raw materials for the manufacture of stainless steel stubends, forged rings, bonnets, gears, crankshafts, crown wheels etc are susceptible to volatility. Since, these are the main raw material for the Company to manufacture the forgings and other auto components, its own cost will be affected likewise, which may bring about uncertainty in the profitability of the Company.
- Both the plants of the Company are located in Wada, Thane. As a result if there is any localized social unrest, natural disaster or breakdown of services and utilities, it may affect the business of the Company. In addition, continuous addition of industries in and around Wada without commensurate growth of its infrastructure facilities is putting a pressure on the existing infrastructure at Thane, which may affect the business of the Company.
- Technology plays vital role in the forging industry. Failure or inability to incorporate any charge in technology might place competitors at an advantage in terms of costs, efficiency and timely delivery of the final products.
- There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and the deregulation. The rate of economic liberalization could change, and specific laws and policies affecting investment in securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt the Company's business and economic conditions in India.
- Company operates in globally competitive environment, which may force to reduce the price of the products and will have an effect on margins.
- A major part of the revenues of the Company are derived from exports. Fluctuation in the exchange rates may affect the profitability of the Company.
- The Company has to depend on orders from developing countries, and these countries have wider opportunities to procure from competitive countries such as China and Japan.

#### **THREATS:**

- Any change in Government policies and regulations can effect the Company's operations.

#### **11. RESTRICTIVE COVENANTS IN AGREEMENTS WITH LENDERS MAY IMPACT THE COMPANY'S BUSINESS AND THE RIGHTS OF THE SHAREHOLDERS OF THE COMPANY.**

There are restrictive covenants in the agreements for short term and long term borrowings from banks, among other things, which require the Company to obtain the approval of these banks or provide restrictions, namely for scheme of amalgamation or reconstitution, additional borrowings arrangement either secured or unsecured, expansion or acquiring of fixed assets, undertaking guarantee on behalf of any other firm or companies, personal guarantee and declaring dividend at any time. Some of these borrowings also contain financial covenants, which may limit Company's ability to borrow money. The Company cannot assure the shareholders that its lenders will provide it with these approvals in the future.

**MANAGEMENT PROPOSAL:** There are no unusual covenants apart from standard covenants imposed by all institutional lenders in India. The Company views them as agents for ensuring fiscal discipline rather than restrictive covenants hampering operational flexibility.

#### **RISK FACTORS RELATING TO THE COMPANY**

#### **12. PROMOTERS ARE FIRST GENERATION ENTREPRENEURS AND THE INVESTMENTS WILL BE SUBJECTED TO ALL CONSEQUENTIAL RISK ASSOCIATED WITH SUCH VENTURES.**

The Company is promoted by first generation entrepreneurs and this being their first major venture may involve consequential risks inherent in such projects.



**MANAGEMENT PROPOSAL:** Though the promoters are first generation entrepreneurs, they have an experience of more than a decade in the forging industry and are well supported by a key executive team, which has diverse functional experience to manage the growth of the Company. The promoters have a good track record of delivering products to the satisfaction of customers both in the domestic and foreign Market.

### 13. REQUIREMENT OF MACHINERY BASED ON BUSINESS OPPORTUNITY

The requirement of Machineries and expansion plans drawn by the Company are based on business opportunities in these fields. Any deviation in the market conditions could adversely affect the profitability of the Company.

**MANAGEMENT PROPOSAL:** The requirement of Machineries and expansion plans drawn by the Company has been crystallized anticipating the future market conditions. Further, Company's ability to diversify its client profile and easy availability of equipment as per the specific requirement of the project would reduce the adverse effect of any deviation in the market conditions.

### 14. FLUCTUATION IN FOREIGN EXCHANGE MAY HAVE ADVERSE IMPACT ON THE PROFITABILITY OF THE COMPANY.

Some of the machinery i.e. the Bandsaw cutting, Vertical Machine Centre and the Press are to be imported. Fluctuation in the Foreign Exchange rates may lead to an escalation in the Cost of the Project.

**MANAGEMENT PROPOSAL:** The Company does not foresee any change in this in the short run. However the company has already provided for contingencies to the extent of Rs. 189.28 Lakhs in the Project Cost to mitigate any adverse foreign exchange fluctuation.

### 15. REGISTERED OFFICE AND CORPORATE OFFICE ARE ON LEASE

The Registered office of the company is located at rental premises. Any termination of these leases whether to any breach or otherwise, or non-renewal thereof, could adversely affect the business operations of the Company.

**MANAGEMENT PROPOSAL:** The Company has already signed the agreement with Ferani Developers and Nusli Neville Wadia dated 20<sup>th</sup> November 2006 for the new Registered office at Unit No 701, 7<sup>th</sup> Floor, Palm Spring Centre", Malad, Mumbai-400064 and is planning to shift in short span of time.

### 16. CONTINGENT LIABILITIES COULD ADVERSELY AFFECT THE FINANCIAL CONDITION OF THE COMPANY

The Company has not provided for the following as on 31.03.2006 and 31.12.2006

(Rs in Lakhs)

Particulars As On	31.03.06	31.12.2006
Guarantees given by Company/Firm	2.35	5.10
Bond /undertaking given by the Company	34.14	71.28
<b>TOTAL</b>	<b>36.49</b>	<b>76.38</b>

**MANAGEMENT PROPOSAL:** The Bank Guarantee issued by the banker is in normal course of business. The Company maintains 25% margin as Term Deposit. It is normal practice of the auditor to include such liabilities as contingent liabilities as the same depends on happening of some future events.

### 17. UNINTERRUPTED SUPPLY OF POWER COULD ADVERSELY AFFECT THE BUSINESS OF THE COMPANY.

The power required at Wada is sourced from MSEDCL. Thus, any delay in supply of additional power from



MSEDCL may delay the commercial production of the proposed project. The difficulty in getting uninterrupted supply of power could adversely affect the business of the Company.

**MANAGEMENT PROPOSAL:** Presently, the Company has a MSEDCL connection load for 1910 KVA out of which maximum of 999 KW has been used till date. For proposed project, the Company has got sanctioned vide letter no. 02915/SC/VC/Tec/Con dated 28<sup>th</sup> June 2006 for 150 KVA for plot no. 15 and further applied for 1850 KVA vide letter dated 1<sup>st</sup> September 2006 and the Company does not foresee any shortage of power.

#### **18. FLUCTUATION IN RAW MATERIAL PRICES MAY HAVE ADVERSE IMPACT ON THE PRICES OF STAINLESS STEEL.**

The prices of the major raw materials for the manufacture of stainless steel stubends, forged rings, bonnets, gears, crankshafts, crown wheels etc are susceptible to volatility. Since these are the main raw material for the Company to manufacture the forgings and other auto components, its own cost will be affected likewise, which may bring about uncertainty in the profitability of the Company.

**MANAGEMENT PROPOSAL:** The Company is procuring its raw materials from multiple vendors namely Ambica Steel Limited, Ferro Alloys Corporation Limited, ISI Bars Ltd, Remi Gujarat Ltd at competitive prices. Moreover the risk on account of price fluctuation in raw material is reduced to a significant extent by passing incremental raw material cost to the prices of finished products thereby insulating the Company from fluctuation in raw material prices. Only in case of a severe price fluctuation, profitability will depend upon the extent up to which the Company would be able to pass on the burden of rise in the prices of raw material to the consumers.

#### **19. CHANGES IN TECHNOLOGY AND TRENDS IN THE INDUSTRY MAY AFFECT COMPANY'S ABILITY TO COMPETE.**

Technology plays a vital role in the forging industry. Failure or inability to incorporate any change in technology might place competitors at an advantage in terms of costs, efficiency and timely delivery of the final products.

**MANAGEMENT PROPOSAL:** The promoters of the Company are committed to implant the best technology for manufacturing flanges all the time. The Company will keep itself abreast with the changing world of technology and will update its operations accordingly on the continuous basis.

#### **20. IMPROPER HANDLING OF MACHINERIES COULD RESULT IN ACCIDENTS**

Improper handling of machineries used in the business line of the Company can result into accidents and the Company could face liabilities that may adversely affect its profits.

**MANAGEMENT PROPOSAL:** The Company is having sufficient insurance policy cover and undertakes adequate safety measures. The Company has employed skilled manpower to properly handle the machinery and also provides in-house training to its employees for operating the same.

#### **21. DEPENDENCE ON MANAGEMENT TEAM AND THE LOSS OF TEAM MAY ADVERSELY AFFECT ITS BUSINESS.**

The success of the Company depends on its Management team and the loss of team members or inability to attract or retain such persons could may adversely affect its business.

**MANAGEMENT PROPOSAL:** The Company has attracted and retained a strong senior Management in anticipation of challenges in managing growth. The teams of professionals, who are responsible for the day-to-day operations, drive our business growth. The Senior Management team has been with the Company for many years. If one or more members of the Management Team were unable or unwilling to continue in their present positions, the Company would try to replace them by other competent persons or promote the second-line for higher responsibilities to them.



**22. ENTIRE FACILITIES ARE GEOGRAPHICALLY LOCATED IN ONE AREA, DISASTERS MAY DISRUPT THE OPERATION OF THE COMPANY.**

Company's entire facilities are located in Wada, Thane. As a result if there is any localized social unrest, natural disaster or breakdown of services and utilities, it may affect the business of the Company. In addition, continuous addition of industries in and around Wada without commensurate growth of its infrastructure facilities is putting a pressure on the existing infrastructure at Thane, which may affect the business of the Company.

**MANAGEMENT PROPOSAL:** Since the proposed facilities and existing facilities would be situated at one place it will help in smooth management of the operations, effective co-ordination and would result in reduction of costs. The Company is having sufficient insurance policy coverage and also will also take precautions to minimize the risk due to any of the factors mentioned above.

**23. DELAY IN IPO WILL IMPACT THE COMPANY.**

The expansion plan is funded substantially from the IPO. Any delay/failure of the IPO will adversely impact the Company.

**MANAGEMENT PROPOSAL:** The management is in position to make alternate funding arrangements through a right mix of secured/unsecured loans, internal accruals and additional contribution from the promoters, in case there is delay or failure of the proposed IPO.

**24. TIME AND COST OVERRUN**

There is delay in the implementation of the project, it may adversely affect the future profitability of the Company. The increase in the cost of the equipment may result in cost overrun of the project, as they are subject to price variations.

**MANAGEMENT PROPOSAL:** The management of the Company is keen to implement the project in time and has planned that no delay will be caused during the project implementation, which shall result into completion of the project and avoidance of cost overrun. For further details please refer "Project Implementation Schedule" appearing on page no 31 of this Prospectus.

**25. LOSS BY PROMOTER COMPANY**

In the Financial year 2005 Hilton Steel Forgings Private Limited has made a loss of Rs 7313.

**MANAGEMENT PROPOSAL:** Though the Company was incorporated on 13<sup>th</sup> March 2001, there was no activity started by the Company till financial year March 2005. The Loss incurred is on account of statutory expenses incurred by the Company.

**26. FURTHER EQUITY OFFERINGS MAY LEAD TO DILUTION OF SHAREHOLDING OR MAY AFFECT THE MARKET PRICE OF ITS EQUITY SHARES.**

The Company may require further infusion of funds to satisfy its capital needs and future growth plans, which the Company may not be able to procure. Any future equity offerings by the Company may lead to dilution of equity and may affect the market price of the Equity Shares.

**MANAGEMENT PROPOSAL:** The major part of capital requirements of the proposed expansion is being raised through this IPO and balance through Debt. In the near future there are no plans to issue further Equity Shares. In case the Company decides to raise additional funds through the issuance of Equity, the same would be done for further value creation for the shareholders of the Company and after taking adequate consent from them.

**27. DEPLOYMENT OF FUNDS PENDING UTILISATION**

Pending Utilization of funds, the investor may incur opportunity cost for its funds.



**MANAGEMENT PROPOSAL:** Pending utilisation for the purposes described earlier, the Company intends to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposit with banks for necessary duration. The Company may also use the same to fund its working capital requirement on a temporary basis.

## 28. NON-DECLARATION OF DIVIDEND IN PREVIOUS YEAR

The Company has not declared any dividend in previous year. The Company may conserve all its cash for further expansion and business prospects and may not declare dividend in future.

**MANAGEMENT PROPOSAL:** Keeping in view the need to conserve and plough-back the resources to meet the enhanced demand of the Company's operations, the Company has not declared any dividend in the previous years.

## 29. RECRUITMENT OF PERSONNEL FOR ITS PROPOSED EXPANSION

The Company has not started recruitment for its proposed expansion.

**MANAGEMENT PROPOSAL:** The responsibility for preliminary work for the project has been assigned to personnel in other divisions. The Company does not envisage difficulty in recruiting the required manpower for the project at appropriate time when the Project is implemented.

## 30. NEGATIVE CASH FLOW

There has been negative cash flow for the following period:-

(Rs in Lakhs)

Particulars	31 <sup>st</sup> March 2004	31 <sup>st</sup> March 2005	31 <sup>st</sup> March 2006	31, December 2006
Negative Cash flow from operating activities	(206.86)	(483.08)	140.02	(714.88)
Negative Cash flow from Investing activities	(403.66)	(258.44)	(189.81)	(317.75)

**MANAGEMENT PROPOSAL: 31<sup>st</sup> March 2004:** The company's Net Profit for the FY 2004 was Rs. 29.32 Lakhs and Operating Profit was Rs. 76.59 Lakhs. However, the cash flow from operations was negative at Rs. 206.86 Lakhs mainly due to outstanding Debtors and other receivables of Rs. 553.46 Lakhs and Higher inventory of Rs. 422.18 Lakhs. The Company has to allow credit to its customers to maintain sales and has to maintain inventories so that the supply can be made in time. Further realizations of DEPB licenses and Excise duty refund also takes time. The creditors and other payables stood at Rs. 699.70 Lakhs. These resulted in increase in Net Working Capital of Rs. 287.29 Lakhs resulting in Negative Cash Flow from operations of Rs. 206.86. The takeover of Fixed assets, Land and Building and Plants & Machinery stood at Rs. 404.53 resulting in negative cash flow from investing.

**31<sup>st</sup> March 2005:** The company's total income in FY 2005 increased 96.98% to 3217.77 Lakhs compared to previous year. The company's Net Profit stood at Rs. 149.92 Lakhs and operating profit at Rs. 252.84 Lakhs. However company's Debtors and other receivables increased to Rs.843.61 Lakhs from Rs.560.96 Lakhs and also Inventories to Rs. 705.35 Lakhs from Rs. 422.18 Lakhs in previous year; which are the required for growth and justify the growth of 96.98% in sales. These along with decrease in payables resulted in increase in Net Working capital to the extent of Rs. 752.70 Lakhs and thus the Negative cash flow from operation of Rs. 483.08 Lakhs. The company has to pay to creditors in time to get competitive rates on purchases on Raw material. Further realizations of DEPB licenses and Excise duty refunds from government departments also take time. However, it may be noted that company is regularly realizing its debtors in time and there have been no case on bad debts.

To meet the increasing demand the company has to invest in expanding capacities. The company has invested during the year Rs. 261.25 in expanding its capacity by installing additional 16 ton hammer. This resulted in negative cash flows from investing activities of Rs. 258.44 lakhs.



**31<sup>st</sup> March 2006:** The company's cash flow from operations was positive at Rs. 140.02 lakhs during the FY 2006. However, Cash flow from Investing activities was negative at Rs. 189.81 lakhs as the company has bought balancing equipment to enable it to fully utilize its 16 ton hammer capacity and also invested in staff quarters at factory, additional vehicles and other assets.

**Period Ended 31.12.2006:** The company's total income increased about 25% to Rs. 4,270.04 Lakhs in period ended 31.12.2006 on proportionate basis compared to total income of Rs. 4,569.72 Lakhs in FY2006 and Company's net profit stood at Rs. 374.69 Lakhs and operating profit Rs. 502.65 Lakhs for period ended 31.12.2006. However at the same time debtors and receivable increased by Rs. 660.54 Lakhs and inventories by Rs. 873.13 Lakhs while the increase in payable was just Rs. 156.54 Lakhs. This resulted in increase in Net working capital by Rs. 1377.13 Lakhs resulting in negative cash flow of Rs. 617.38 Lakhs from operations.

It may be noted that cash flows from operations are negative due to growth in sales requiring additional working capital. However, there has been no instance of bad debts and company is realizing its debtors regularly in times. Further the Excise duty refunds and DEPB licences are received from Government departments where though there are delays but are fully secured.

#### **EXTERNAL RISK FACTORS TO THE COMPANY:**

##### **1. PERFORMANCE LINKED TO STABILITY OF POLICIES & POLITICAL SITUATION IN INDIA**

There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and the deregulation. The rate of economic liberalization could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt the Company's business and economic conditions in India.

**MANAGEMENT PROPOSAL:** The Government of India has pursued the economic liberalization policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced policies and taken initiatives that support the continued economic liberalization.

##### **2. CHANGES IN THE DOMESTIC TAX LAWS:**

Any changes in the tax laws in India particularly income tax might lead to increased Tax Liability of the Company thereby putting pressures on profitability.

**MANAGEMENT PROPOSAL:** Change in tax laws, particularly income tax, can have an impact on the post-tax profits of the Company.

##### **3. CHANGES IN THE REGULATORY ENVIRONMENT**

Change in the regulatory environment relating to manufacturing and marketing of forged items in and outside the country will significantly impact the business of the Company.

**MANAGEMENT PROPOSAL:** The Company expects that the change in regulatory environment will be in its favour. The Company has its own customer's base abroad and hence negative impact on the regulatory environment, if any, will not affect the business of the Company significantly.

##### **4. FINANCIAL STATEMENTS IN THE PROSPECTUS.**

**MANAGEMENT PROPOSAL:** The financial statements and derived ratios therefrom contained in the prospectus are prepared as per the permissible accounting practices. The investors may make their own adjustments to the same before arriving at an investment decision in the proposed issue.

##### **5. GLOBAL COMPETITIVE MARKET COULD HAVE AN ADVERSE EFFECT ON THE BUSINESS FINANCIAL CONDITION & RESULTS OF OPERATIONS.**

Company operates in globally competitive environment, which may force to reduce the price of the products and will have an effect on margins.

**MANAGEMENT PROPOSAL:** The Company endeavors to increase its scope, volume and value of business in a competitive and risk prone environment. The Company has also an advantage over overseas players on account of their lower operating cost.

#### **6. FLUCTUATION IN EXCHANGE RATES MAY HAVE AN IMPACT ON THE PERFORMANCE OF THE COMPANY.**

A major part of the revenues of the Company are derived from exports. Fluctuation in the exchange rates may affect the profitability of the Company.

**MANAGEMENT PROPOSAL:** Most of the exports are denominated in currencies like Dollar, Euro, Pound etc which are presently favouring exporters and hence the profitability will not be affected.

#### **7. POST-ISSUE VOLATILITY IN PRICES OF THE SCRIPT**

The price of the Company's equity shares in Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- a) Volatility in the Indian and Global securities market;
- b) The results of operations and performance;
- c) Proposals about the Company's future performance or the performance of other Indian companies in the same industry;
- d) Performance of the Company's competitors in the industry and market Proposal of investments in the sector;
- e) Adverse media reports on the Company or on the industry;
- f) Change in the estimates of the Company's performance or recommendations by financial analysts;
- g) Significant development in India's economic liberalization and deregulation policies; and
- h) Significant development in India's fiscal and environmental regulations.

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

**MANAGEMENT PROPOSAL:** There has been no public market for the Company's equity shares till now and the prices of the Company's equity shares may fluctuate after this Issue. There can be no assurance that an active trading market for the equity shares will develop or be sustained after this Issue, or that prices at which the Company's equity shares are initially offered will correspond to the prices at which the Company equity shares will trade in the market subsequent to this Issue. The Company's share price could be volatile and may also decline.

#### **8. VALUATION METHODOLOGY**

There is no standard methodology or accounting practices in the Forging industry. The current valuations may not be sustainable in the future and may also not reflect the future valuation of the Industry.



## NOTES TO THE RISK FACTORS

1. The Pre-Issue Net Worth of the Company as on 31<sup>st</sup> March 2006 is Rs. 947.66 Lakhs and the Book Value per share is Rs 13.85 and as on 31<sup>st</sup> December 2006 the net worth is Rs.1392.51 Lakhs and the Book Value per share is Rs.19.91 as on that date.
2. Size of the Present Issue –54,50,000 Equity Shares of Rs. 10/- each for Cash at a Premium of Rs. 60 per Equity Share aggregating Rs.3815 Lakhs including 5000 equity shares of Rs 10/- each being offered to Centrum Capital Limited on a firm basis at a price of Rs 70/- per equity share inclusive of premium.
3. The average cost of acquisition of Equity Shares of the Promoters: -

Particulars	Number of Shares	Average Cost of Acquisition (Rs)
Mr. Yuvraj Malhotra	57,45,600	10
Mr Navraj Malhotra	1,36,800	10
Mr. Shivcharan Gujral	68,400	10
Hilton Steel Forgings Private Limited.	68,400	10

4. Investors are advised to refer to the paragraph on “Basis for Issue Price” on page 33 of this Prospectus before making an investment in this Issue.
5. As per issue eligibility norms under clause 2.2.2 (a) (ii) of SEBI (Disclosure and Investors Protection) Guidelines 2000, at least 10% of the issue would necessarily be allotted to QIBs, failing which full subscription money will be refunded.
6. The Company has not issued any Bonus Shares.
7. Details of Related Party Transactions are given under the heading “Financial Statements” of the Prospectus on page no. 86.
8. Details of remuneration paid to directors are given in “Managerial Remuneration” at page no. 72 of this Prospectus.
9. For details in relation to Loans and Advances, please refer to page no. 101 of this Prospectus.
10. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in accordance with the SEBI Guidelines and in consultation with Bombay Stock Exchange Limited. (BSE) {Designated Stock Exchange}.
11. Investors may contact the Lead Managers or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue.
12. The Lead Managers and the Company shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports, etc.



---

## SECTION III- INTRODUCTION

### I. SUMMARY OF THE INDUSTRY AND BUSINESS OF THE COMPANY

#### SUMMARY OF THE INDUSTRY:

The Indian Forging Industry has emerged as a major contributor to the manufacturing sector of the Indian Economy.

Briefly, the composition of the Indian forging industry can be categorized into four sectors - large, medium, small and tiny. As is the case world over, a major portion of this industry is made up of small and medium units/enterprises (SMEs).

Only about 5% is made up by the large enterprises in terms of number. Out of the 330 odd units the large sector consists of about 9-10 units, the medium and small sectors consists of about 100 units and under the tiny sector, the units functioning are far too many and the number is difficult to estimate.

The industry was previously more labour intensive (it is estimated that this industry provides direct employment to about 38000 people), but now with increasing globalization it is becoming more capital intensive. The total investment in the large and medium sectors is estimated to be around US\$600 million. The small scale units too are increasing their capital investment to keep pace with the increasing demand especially in the global markets as also broadening the areas of demand for forgings. Many of them are now suppliers to Original Equipment Manufacturers (OEMs) in the automobile sector also, which speaks volumes about efforts at technology and quality upgradation

The year 2005-06 (April-March) was a good year for the Forging industry. The revival which started in October 2002 picked up momentum since last couple of years. Overall production of forgings increased by about 27% to reach about 9, 29,000 tones in the year. Capacity utilization also improved considerably from 40-50 percent in earlier years to 85 per cent of the additional capacity added during the last two years (1.5 Million approx) inclusive of overseas acquisitions. This was largely due to the revival in demand from the automotive sector and particularly the passenger car segment which recorded an excellent performance in both in the domestic market and exports.

While the automotive industry is the main customer for forgings, the industry's continuous efforts in upgrading technologies and diversifying product range have enabled it to expand its base of customers to foreign markets. The Indian forging industry is increasingly addressing opportunities arising out of the growing trend among global automotive OEMs to outsource components from manufacturers in low-cost countries. As a result, Indian forging industry has been making significant contributions to country's growing exports.

The industry's exports recorded a growth of almost 27% in 2005-06 and have reached a level of US\$ 310 million. Technological developments have also contributed to export growth. The industry's major markets are USA, Europe and China. However, only about 30-35 manufacturing units are currently directly engaged in exports. Efforts of AIFI are to attract more manufacturing units to export. This is being done through increased facilitation by way of organizing Training Sessions, Workshops, Trade Fairs I Exhibitions, and Buyer-Seller Meets etc. The technology gap is therefore, being sought to be bridged so that companies are prepared to face challenges of global markets.

Inorganic growth is another strategy being used by Indian companies to expand their global footprint and establish a global presence in some of the world's largest markets. In the past two years companies like Bharat Forge (India's Number 1 forging company, Sundaram Fasteners Ltd.(SFL), Amtek Group, EL Forge Ltd acquired Forging Companies in Europe, USA, China etc. It is expected that Indian companies will continue to aggressively pursue inorganic growth opportunities in future.

*(Source: [www.indianforging.org](http://www.indianforging.org) as viewed on 3.03.2007)*

#### SUMMARY OF THE BUSINESS:

The Promoter of the Company has started the business by setting up of a proprietorship firm on 13<sup>th</sup> September 1997 with an object of Export of pipe fittings i.e., Manufacturers of Stainless Steel products as Merchant Exporter. The Firm started its activities by effecting first shipment in the year January 1998 for Rs. 7.45 Lakhs by outsourcing the forged components and continued its operations by setting up small machining division on lease basis at Vasai Industrial Estate till 1999. However, the Firm was registered as a Small Scale Industrial unit in the year 1999 and it started manufacturing Pipe fitting items like Stainless Steel Flanges & Stub Ends in size range from ½" to 10". On 1<sup>st</sup> August 2003 the Partnership Firm under the name "M/s Hilton Forge" took over the business of the proprietorship firm. Further, the partnership firm was converted into a Public Limited Company under the name Hilton Metal Forging Limited on 21<sup>st</sup>



July 2005 under Part IX of The Companies Act, 1956.

At present the Company has a total installed capacity of 11,100 MT per annum and can execute orders for a wide range of forgings weighing from 0.5 kg (1.10 lbs) to 750 kg (1650 lbs). Company specializes in the manufacture of forged items for the oil & gas sector, petrochemical, pharmaceutical, automobile industries and also planning to manufacture for other Equipment Manufacturers (OEMs). The company has also received quality excellence Certificate from one of the major customer from UK and slowly expanded its activities by including other customers from Europe and other Asian countries.

After having a 17 years experience in the field of Export of forged components to various manufacturers & distributors in USA, UK, European and Middle East countries, the Company has decided to go for expansion in forging capacities by putting up Forging Presses, Ring Rolling to capture the market of Oil and Gas industries. The Company started manufacturing the forged valve bodies and valve components for Oil and Gas Industries and Petrochemical refineries. The Engineering Export Promotion Council has awarded the company's product as quality excellence.

## II. ISSUE DETAILS IN BRIEF:

Equity Shares Offered:	
Total Equity Shares	54,50,000 Equity Shares of Rs 10/- each
Of which:	
Firm Allotment to Centrum Capital Limited	5,000 Equity shares of Rs 10/- each at a issue price of Rs 70/- inclusive of premium of Rs 60/- per share
<b>Net offer to the Public</b>	54, 45,000 Equity Shares of Rs 10/- each at a issue price of Rs 70/- inclusive of premium of Rs 60/- per share.
Qualified Institutional Buyers (10% of the total issue size)	Minimum of 5, 45,000 Equity Shares to be compulsory subscribed and allotted.
Retail Investors (50% of the Net offer to the Public after allocating 10% to QIBs)	At least 24,50,000 Equity Shares of Rs 10/- each (Allocation on Proportionate Basis)
Non-Retail Investors ( 50% of the Net offer to the Public after allocating 10% to QIBs)	Not more than 24,50,000 Equity Shares of Rs 10/- each (Allocation on Proportionate Basis)
In case of Under-subscription in the Qualified Institutional Buyers portion the same shall not be available to other categories and full subscription monies shall be refunded. Under-subscription, if any, in the Non Retail Portion and Retail Portion shall be allowed to be met with spillover from the other categories, at the sole discretion of the Company and Lead Managers.	
Equity Shares prior to the Issue	69,93,000 Equity Shares of Rs 10/- each
<b>Equity Shares after the Issue</b>	1,24,43,000 Equity Shares of Rs 10/- each
Use of Proceeds	Please see section titled "Objects of the Issue" on page no. 33 of this Prospectus.

## SUMMARY FINANCIAL, OPERATING AND OTHER DATA

The following summary financial data has been prepared in accordance with Indian GAAP, The Companies Act, 1956, SEBI Guidelines and restated as described in the Auditor's Report of M/s R.K.Chaudhary & Associates, Chartered Accountants dated 17.02.2007 in the section titled "Financial Information".

The Partnership firm was constituted on 1<sup>st</sup> August 2003 and was converted into Public Limited Company under Part IX of the Companies Act, 1956 with effect from 21<sup>st</sup> July 2005. Hence in accordance with the SEBI requirement, the accounts of the erstwhile partnership firm for the year/period ended 20.07.2005, 31.03.2005, 31.03.2004 are revised and the adequate disclosures are made in the financial statements as required to be made by the companies as per Schedule VI of the Companies Act, 1956. The Accounts for the years ended 31.03.2006 includes operations of the erstwhile partnership firms upto 20.07.2005

You should read this financial data in conjunction with financial statements for each of /period ended upto 31<sup>st</sup> December 2006 and year ended 31<sup>st</sup> March 2006, 31<sup>st</sup> March 2005 and eight months ended 31<sup>st</sup> March 2004 including the Notes thereto and the Reports thereon, which appears under the paragraph on "Auditors Report" in this Prospectus, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 107 of this Prospectus.





## SUMMARY OF PROFIT AND LOSSES AS RESTATED

(Rs. In Lakhs)

Particulars	Eight month ended 31.03.04	Year ended 31.03.05	Year ended 31.03.06	Period ended 31.12.06
<b>Income</b>				
<b>Sales :</b>				
a. Of products manufactured by the Company.	1,252.64	2,502.48	3,488.41	3,416.19
b. Scrap Sale Income	210.47	465.18	772.11	613.75
Other income	170.44	250.11	309.20	240.10
Increase (Decrease) in Inventories	14.49	203.51	214.41	261.21
<b>Total Income</b>	<b>1,648.04</b>	<b>3,421.28</b>	<b>4,784.13</b>	<b>4,531.26</b>
<b>Expenditure</b>				
Raw Materials consumed	1,153.06	2,468.80	3,029.52	2,706.21
Manufacturing Expenses	272.16	464.74	813.00	657.71
Personal Expenses	40.53	63.45	79.03	124.23
Administration & Selling and Distribution Expenses	93.23	136.03	196.59	350.82
<b>Total Expenditure</b>	<b>1,558.98</b>	<b>3,133.02</b>	<b>4,118.14</b>	<b>3,838.96</b>
<b>Profit(Loss) EBITDA</b>	<b>89.06</b>	<b>288.26</b>	<b>665.99</b>	<b>692.29</b>
Interest	24.46	79.14	95.04	105.18
Depreciation & Amortisation	23.93	26.57	37.57	22.82
<b>Profit Before Tax</b>	<b>40.67</b>	<b>182.55</b>	<b>533.38</b>	<b>564.29</b>
Provision for Tax	11.35	32.63	167.49	189.60
<b>Net Profit After Tax before Extraordinary Items</b>	<b>29.32</b>	<b>149.92</b>	<b>365.89</b>	<b>374.69</b>
Extra-ordinary items (net of tax)	-	-	-	-
Prior period Expenses	-	-	-	-
<b>Net Profit after Extraordinary Items</b>	<b>29.32</b>	<b>149.92</b>	<b>365.89</b>	<b>374.69</b>



## SUMMARY OF ASSETS AND LIABILITIES AS RESTATED

(Rs. In Lakhs)

	Particulars	31.03.04	31.03.05	31.03.06	31.12.06
A	<b>Fixed Assets :</b>				
	Gross Block	237.60	665.78	742.88	788.61
	Less Depreciation	23.69	50.02	84.12	106.94
	Net Block	213.91	615.76	658.76	681.67
	Less : Revaluation Reserve	-	-	-	-
	Net Block after adjustment	<b>213.91</b>	<b>615.76</b>	<b>658.76</b>	<b>681.67</b>
	<b>Capital Work In Progress</b>	<b>166.94</b>	<b>-</b>	<b>28.72</b>	<b>300.78</b>
B	<b>Investment</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>
C	<b>Current Assets, Loans and Advances :</b>				
	Inventories	422.18	705.35	1,139.81	2,012.94
	Sundry Debtors	244.08	548.05	459.63	1,012.81
	Cash and Bank Balances	158.08	12.18	90.09	64.94
	Loans and Advances	316.88	295.56	621.28	758.64
	<b>Sub Total</b>	<b>1,141.22</b>	<b>1,561.14</b>	<b>2,310.81</b>	<b>3,849.32</b>
	<b>Total ( A+B+C)</b>	<b>1,522.32</b>	<b>2,177.15</b>	<b>2,998.54</b>	<b>4,832.02</b>
D	<b>Liabilities &amp; Provisions</b>				
	Secured Loan	539.66	1,102.58	1,331.82	2,364.73
	Unsecured Loan	56.50	177.37	-	92.05
	Current Liabilities and Provisions :	699.70	533.75	701.21	955.25
	Deferred Tax Liability	-	-	17.85	27.48
	<b>Total</b>	<b>1,295.86</b>	<b>1,813.70</b>	<b>2,050.88</b>	<b>3,439.51</b>
E	<b>Networth</b>	<b>226.46</b>	<b>363.45</b>	<b>947.66</b>	<b>1,392.51</b>
	<b>Represented by</b>				
	1. Share Capital	198.85	198.85	684.30	699.30
	2. Reserves	29.32	166.06	263.36	728.04
	Less Revaluation Reserve	-	-	-	-
	Less: Misc. Expenses	1.71	1.46	-	34.83
	Reserves (Net of Revaluation Reserves)	27.61	164.60	263.36	693.21
	<b>Total</b>	<b>226.46</b>	<b>363.45</b>	<b>947.66</b>	<b>1,392.51</b>





### III. GENERAL INFORMATION

#### HILTON METAL FORGING LIMITED

The Promoter of the Company Mr. Yuvraj Malhotra has started the business by setting up of a proprietorship firm on 13<sup>th</sup> September 1997. On 1<sup>st</sup> August 2003 the Partnership Firm under the name “M/s Hilton Forge” took over the business of the proprietorship firm. The Company was formed by converting the Partnership Firm under Part IX of Companies Act, 1956 on 21<sup>st</sup> July 2005 and obtained a certificate of incorporation number U28900 MH2005 PLC 154986 from Registrar of Companies, Maharashtra.

#### REGISTERED OFFICE OF THE COMPANY

**Hilton Metal Forging Limited**

60, Whispering Palm Centre,  
Lokhandwala Township,  
Kandivali (East)  
Mumbai 400 101.

**Tel:** +91-22-28863359/ 28846565

**Fax:** +91-22- 28846677

**Website:** www.hmfl.co.in

**Email:** ipo@hmfl.co.in

**CONTACT PERSON:** Mr. Viswanathan Sridhar, Company Secretary & Compliance Officer

**REGISTRATION NUMBER:** U 28900 MH 2005 PLC 154986

#### REGISTERED WITH REGISTRAR OF COMPANIES:

The Company is registered with Registrar of Companies, Maharashtra, situated at 100 Everest, Marine Drive, Mumbai-400 002.

#### AUTHORITY FOR THE ISSUE

The present issue of Equity Shares by the Company has been authorized by the Board of Directors of the Company vide resolution passed at their meeting held on 12<sup>th</sup> April 2006, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81 (1A) of the Companies Act, 1956. Subsequently, the shareholders approved the issue at the Annual General Meeting of the shareholders of the Company held on 8<sup>th</sup> May 2006 at Mumbai.

#### BOARD OF DIRECTORS

The Company is currently managed by the Board of Directors comprising of eight Directors. The Board of Directors comprises of the following:

Sr. No.	Name of the Director	Designation	Status
1	Mr. Yuvraj Malhotra	Chairman & Managing Director	Executive & Non – Independent Director
2	Mr. Navraj Malhotra	Whole Time Director	Executive & Non – Independent Director
3	Mr. Shivcharan Gujral	Whole Time Director	Executive & Non – Independent Director
4	Mr. Navin C. Chokshi	Director	Non – Executive & Independent Director
5	Mr. Manoj Kumar More	Director	Non – Executive & Independent Director
6	Mr. Harmohindar Singh Dhinghra	Director	Non – Executive & Independent Director
7	Mr. Sanjay Jain	Director	Non – Executive & Independent Director
8	Mr. Joseph William McKay	Director	Non-Executive & Non- Independent Director



---

## **BRIEF DETAILS OF THE CHAIRMAN, MANAGING DIRECTOR, WHOLE TIME DIRECTORS ETC OF THE ISSUER COMPANY**

**1) MR. YUVRAJ MALHOTRA**, age 40 years, is one of the main promoters of the Company and has been associated with the Company since inception. He is instrumental in development and growth of the Company. He is an Engineering graduate with specialization in Mechanical Engineering. He has 17 years of experience in Forging Industry and looks after Marketing and day to day affairs of the Company. He started his career from Mukund Iron & Steel Limited as Engineering Trainee for the year 1989 to 1991. From 1991-1993, he worked with Akai Impex Limited (Export House) as a Materials Manager. From 1993-1994 he worked with Garg Forgings Private Limited as a Director. From 1994-1997, he worked with Viraj Forging Limited as a Vice President –Marketing. After resigning from Viraj Forging Limited, in 1997 he started his own proprietorship i.e M/s Hilton Forge by exporting Flanges and other automobiles parts to various countries. He is also a promoter director of Hilton Steel Forgings Private Limited, a Company dealing in forged and other Metal Products and partner in Delta Cut Tools a firm engaged in machining of all types of steel items.

**2) MR. NAVRAJ MALHOTRA**, age 36 years, is Whole Time Director of the Company. He is a Commerce graduate. He looks after the Purchase, Production planning and other commercial aspects such as shipment, liasoning with Government department etc of the company. He has an experience of 9 years in commercial aspects of the industry He is also partner in Delta Cut Tools a firm engaged in machining of all types of steel items.

**3) MR. SHIVCHARAN GUJRAL**, age 39 years, is Whole Time Director of the Company. He holds Diploma in Civil Engineering. . He joined the Company in 2004 and looks after production, project implementation and other technical aspects of the Company. He has an experience of 9 years in the forging industry.

**FOR DETAILS OF OTHER DIRECTORS PLEASE REFER TO THE SECTION TITLED “MANAGEMENT” BEGINNING FROM PAGE 70 OF THIS PROSPECTUS.**

## **COMPANY SECRETARY AND COMPLIANCE OFFICER**

**Mr. Viswanathan Sridhar**  
**Hilton Metal Forging Limited**

60, Whispering Palm Centre,  
Lokhandwala Township,  
Kandivali (East)  
Mumbai- 400 101

**Tel:** +91-22-28863359/ 28846565

**Fax:** +91-22-28865488

**Email:** ipo@hmfl.co.in

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

## **LEAD MANAGER TO THE ISSUE**

**Centrum Capital Limited**

**SEBI Regn. No:** INM 000010445

**UIN No.:** 100016915

Khetan Bhavan, 5th Floor,  
198, J.Tata Road,

Chrchgate, Mumbai – 400 020

**Tel:** +91- 022–30280400

**Fax:** +91-022–22046096

**E-mail:** hmfl@centrum.co.in

**Website:** www.centrum.co.in

**Contact Person:** Mr. Alpesh Shah

## **LEAD MANAGER TO THE ISSUE**

**Srei Capital Markets Limited.**

**SEBI Regn. No.:** INM000003762

**UIN No.:** 100022236

‘Vishwakarma’, 86 C,  
Topsia Road (South),  
Kolkata - 700 046

**Tel:** +91-033-3987 3845/3810

**Fax:** 91-033-3987 3861/63

**Email:** capital@srei.com

**Website:** www.srei.com

**Contact Person:** Mr. Manoj Agarwal



#### **LEGAL ADVISOR TO THE ISSUE**

##### **Arpan M. Rajput & Co.**

Advocates, High Court  
154/21, Rashid Mansion,  
1<sup>st</sup> Floor, Bora Bazaar Street,  
Fort, Mumbai – 400 001  
Telefax: +91-022-2262 2035  
Email: arpanmrajput@rediffmail.com  
Contact Person: Mr. Arpan M. Rajput

#### **FINANCIAL ADVISOR TO THE COMPANY**

##### **Equilink Capital Management Services Limited**

20, Khatau Building,  
2<sup>nd</sup> Floor, 44 Bank Street,  
Fort, Mumbai- 400 023  
**Tel:** +91-022-22650718/19  
**Fax:** +91-022-5637 6044  
**Email:** vcs@equilinkcapital.com  
**Contact Person:** Mr. Chandershekar Iyer

#### **AUDITORS TO THE COMPANY**

##### **M/s R.K.Choudhary & Associates**

Chartered Accountants  
Kamanwala Building, 3<sup>rd</sup> Floor,  
Sir. P.M.Road, Fort, Mumbai 400 001.  
**Tel :** +91- 022 - 56393449/50/51  
**Fax :** +91-022- 56393449/50/51  
**Email:** rkchoudhary@vsnl.net  
**Contact Person:** Mr. R.K.Choudhary

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

##### **Sharex Dynamic (India) Private Limited.**

**SEBI Regna. No.:** INR000002102  
**UIN No.:** 100001214  
Unit 1, Luthra Ind. Premises,  
Safed Pool, Andheri – Kurla Road,  
Andheri (East).Mumbai – 400 072  
**Tel.:** +91-022-2851 5606/ 5644  
**Fax:** +91-022-2851 2885  
**Website:** www.sharexindia.com  
**Email:** hmfl@sharexindia.com  
**Contact Person:** Mr. B. S. Baliga

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

##### **The Saraswat co-op. Bank Limited.**

Kimatrai Building,  
77-79, M.K.Road, Marine Lines  
Mumbai - 400 002.  
**Tel:** +91- 022- 22096014  
**Fax:** +91 –022- 22096019  
**Email:** sarcoob@bom3.vsnl.net.in  
**Contact Person:** Mr. S.R.Chorghe

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

##### **UTI Bank Limited**

Sir P.M.Road, Fort  
Mumbai- 400 001  
**Tel:** +91- 022 -22835788  
**Fax:** +91 –022- 22844113  
**Email:** mumbr@utibank.co.in  
**Contact Person:** Mr. M. Raghuraman

##### **CITI Bank**

Commercial Banking Group  
Citi Tower, 2<sup>nd</sup> Floor,  
61, Dr. S.S.Rao Road,  
Parel, Mumbai- 400 012.  
**Tel:** +91- 022- 24146044  
**Fax:** +91- 022- 24153612  
**Email:** manish.m.kumar@citicorp.com  
**Contact Person:** Mr. Manish Kumar

##### **State Bank of Hyderabad**

Ashok Mahal, 1204,  
Tulloch Marg, Colaba.  
Mumbai-400005  
**Tel :** +91- 022- 22851322  
**Fax :** +91- 022-22851321  
**Email:** sbhovrm@bom5.vsnl.net.in  
**Contact Person:** Mr. Sanjeev Bokil

#### **BANKERS TO THE ISSUE**

##### **ICICI Bank**

Capital Markets Division,  
30, Mumbai Samachar Marg,Mumbai-400 001  
**Tel:** +91-022-22627600  
**Fax:** +91-022-22611138  
**Email:** sidharth.routray@icicibank.com  
**Contact Person:** Mr. Sidharth Sankar Routray

##### **HDFC Bank Limited**

26 A, Narayan Properties  
Off Saki Naka Vihar Road,  
Chandivali, Saki Naka,  
Andheri (E), Mumbai- 400 072  
**Tel:** +91-022-28569009/28474900  
**Fax:** +91-022-28569256  
**Email:** viral.kothari@hdfcbank.com  
**Contact Person:** Mr. Viral Kothari

##### **UTI Bank**

Universal Insurance Building  
Sir P.M. Road, Fort  
Mumbai-400 001  
**Tel:** +91-022-66101029/22835782  
**Fax:** +91-022- 22835785  
**Email:** roshan.mathias@utibank.co.in  
**Contact Person:** Mr. Roshan Mathias



## STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONG LEAD MANAGERS

The following table sets forth, the distribution of the responsibilities and co-ordination for various activities between Lead Managers Centrum Capital Limited and SREI Capital Markets Limited for the Public Issue of Equity shares by M/s. Hilton Metal Forging Limited (HMFL), the Issuer Company and as demarked and submitted to the Board in terms of clause 5.3.2

Activities	Responsibility	Coordinator
Capital Structure with the relative components and formalities such as composition of debt and equity, type of instrument.	Centrum	Centrum
Due Diligence of the Company's operations/management/business /legal etc	Centrum	Centrum
Drafting and design of offer document. Lead Manager shall ensure compliance with the Guidelines for disclosure and Investor protection and other stipulated requirements and completion of prescribed formalities with Stock Exchanges, Registrar of Companies & SEBI.	Centrum	Centrum
Primary coordination with SEBI, ROC and Stock Exchanges up to coordination interface with Lawyers for agreements.	Centrum	Centrum
Drafting and design of offer document. Lead Manager shall ensure compliance with the Guidelines for disclosure and Investor protection and other stipulated requirements and completion of prescribed formalities with Stock Exchanges, Registrar of Companies & SEBI.	Centrum	Centrum
Advertisement & Issue of the Statutory Prospectus Advertisement as per SEBI Guidelines. Advertisement/ Publicity material including brochures and newspaper materials. The designated lead manager shall ensure compliance with the guidelines for the Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchanges, Registrar of Companies & SEBI.	SREI/Centrum	Centrum
Selection of various agencies connected with the issue, namely. 1. Registrar to issue 2. Printers 3. Advertising agencies.	SREI/Centrum	SREI
Marketing of the issue, which will cover, inter-alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of ad media and distribution policy and issue material including application form, prospectus and brochure and deciding on the quantum of the issue material.	Centrum/SREI	SREI
Arrangement for selection of centers for holding press/ broker/ investor conferences.	SREI/Centrum	Centrum
Selection of Bankers to the Issue and follow up with Bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue based on correct figures.	SREI/Centrum	SREI
The post issue activities 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 registrar to the issue, bankers to the issue and the bank handling refund business. Even if many of these activities would be handled by other intermediaries, the designated lead manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	SREI/Centrum	SREI

The selection of various agencies like the bankers to the issue, brokers, advertising agencies, public relation agencies, etc. will be finalised by the company. Even if any of these activities is handled by other intermediaries, the Lead Managers to the Issue shall be responsible for ensuring that these agencies shall fulfill their functions and enable it to discharge these responsibilities through suitable agreements with the Company.

---

## **BROKERS TO THE ISSUE**

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

## **CREDIT RATING**

As this is an Issue of Equity Shares, there is no requirement of credit rating for this Issue.

## **IPO GRADING**

The Company has opted for IPO Grading. The Grading has been carried out by ICRA and has been assigned a 'IPO Grade 2' to the proposed Initial public offer (IPO) of Hilton Metal Forging Limited vide their letter dated February 12, 2007, which was valid for a period of 3 months.

The grading rationale as per the ICRA report is given below:

The ICRA has assigned an IPO Grade 2 indicating below average fundamentals, to the proposed initial public offering of Hilton Metal Forging Limited (HMFL). ICRA assigns IPO gradings on a scale of IPO Grade 5 through IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating weak fundamentals.

An ICRA IPO Grade is a symbolic representation of ICRA's current assessment of the fundamentals of the issuer concerned. The fundamental factors assessed include inter alia industry risks, business and financial position of the entity, project risks, prospects and management quality. Such an assessment involves a comparison both with the peers and with other listed equity securities.

Disclaimer: Notwithstanding anything to the contrary: An ICRA IPO Grade is a statement of current opinion of ICRA. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the Issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied, as to the accuracy, authenticity, timelessness or completeness of any such information. An ICRA IPO Grade is not (a) a comment on the present or future price of the security concerned, (b) a certificate of statutory compliance and/or (c) a credit rating. Further, the ICRA IPO Grade is not a recommendation of any kind including but not limited to recommendation to buy, sell or deal in the securities of such Issuer and ICRA shall not be liable for any losses incurred by users from any use of the grade.

### **Strengths**

- Established track record in the business of manufacturing and sales of stainless steel forged products.
- Strong presence in the export market with business relationships with players in Europe, USA and Canada, which are the largest market for flanges and stub ends.
- Demand for products like flanges and stub ends are likely to remain buoyant on the back of strong growth in end user industries like oil & gas and petrochemicals.

### **Weakness**

- Significantly large project in relation to the existing asset base and cash accruals of the Company.
- The Company is promoted by first generation entrepreneurs and this limits the financial flexibility of the group.
- Managing off take risks on a higher scale of operations and in new business segments.
- Small size of existing operations. Company's profits are sensitive to fluctuations in raw material prices and any possible decline in export incentives.
- High working capital intensity of operations resulted into negative cash flows from business despite operations being profitable so far.
- High dependence on the CMD.

### **Grading Rationale**

The assigned grading takes into account the track record of profitable operations, established relationship with key intermediaries in the export market and buoyant demand outlook for the key end user industries. The grading also takes into consideration promoter's experience and past track record in this business line.



The grading is however constrained by the large size of the proposed project in relation to the existing asset base and accruals of the Company, project implementation risks inherent in a project of this magnitude and the limited financial flexibility available to the promoters to fund any contingencies that may arise. The Company's ability to market the increased volumes of the product after the project is commissioned also remains to be seen, even though the promoter's established relationship in the export markets is a comfort factor. ICRA notes that lack of any backward linkage exposes the Company to volatility inherent in prices of critical raw material like stainless steel. While the Company's operations have been profitable, cash flow from operations have been mostly negative, primarily on account of high working capital. The rating is also constrained by the overriding dependence on the current CMD in the operations of the Company.

### **Company Profile**

Hilton Metal Forgings Limited (HMFL) was promoted by Mr. Yuvraj Malhotra, a first generation entrepreneur, in 1997 with the objective to manufacture and export pipe-fittings. A graduate engineer by training, Mr. Malhotra has work experience of around eight years in companies like Mukand Ltd and Viraj Forgings Limited. The promoter initially started a proprietary firm to trade in flanges/stub ends. Gradually the promoter set up manufacturing facility and converted the operations into a partnership firm in August 2003. The partnership firm was converted into a public limited company in July 2005. The company's forging capacity is located at Wada near Thane, Mumbai. The existing capacities are equipped to produce the entire range of flanges and stub end products in large number of sizes and weight for the oil & gas and petrochemical industry.

In the last four years the promoter has regularly expanded the ancillary capacities to increase the extent of value addition of the products. Capacity expansions so undertaken by HMFL have been primarily funded through debt and internal accruals. The promoters also have two group companies Hilton Steel Forgings Pvt Limited (HSFPL) and Delta Cut Tools (DCT).

### **Group Companies**

**Hilton Metal Forging Private Limited** was incorporated in 2001 with the objective to manufacture and trade in forgings, castings and undertake all kinds of job work. However the company has not started any manufacturing activities and has carried out only one transaction with HMFL in FY 06.

### **Delta Cut Tools**

The Promoter Mr. Yuvraj Malhotra and his brother started a partnership firm Delta Cut Tools (DCT) for setting up a manufacturing unit for machine fabrication and cutting & forging of all types of stainless steel, carbon and alloy steel items. However, a large part of the revenue is derived from job work, which DCT undertakes for HMFL. As per the contract, HMFL supplies semi forged items flanges, stub ends, casting bowl to DCT for trimming & machining and after the completion of the job the material is sent back to HMFL.

### **Operational & Competitive Position**

The Company's product range consists of flanges and stub ends. The key equipment that the Company has includes a 2 MT hammer with a capacity of 1500 TPA and a 16 MT hammer with a capacity of 9600 MTPA. The 2 MT hammer is suitable for small size and low pressure rating flanges as it is most economical and cost efficient to produce flanges with a maximum size of 3"-4" and pressure rating of 300-150 pounds. For size more than 4" the cost of production in 2T hammer is nearly 8-10% higher than cost incurred in large size hammers.

The 16 MT hammer has enabled the company to manufacture the entire range of flanges (with size higher than 6'-12' and weight upto 750 kgs), stub ends, high-pressure valves (5000 PSI- 15000 PSI), crank shaft/axle for trucks, blank gears and spur wheel. However the capacity utilisation has been very low due to inadequate stainless steel (SS) cutting and machining capacity. Recently HMFL has received two new brand saw machines (for cutting SS) and another four machines are likely to be received shortly. This would reduce the raw material bottleneck to some extent and would help in increasing the capacity utilisation of the 16 MT hammer.

Given the strong relationship that the promoters have had with distributors of SS flanges and stub ends in US and European markets, the company has traditionally focused on exports. At present over 90% of sales is derived from exports to European and US markets.



The table below gives the break up of export and domestic sales-

	FY 04		FY 05		FY 06	
	Qty (MT)	Rs Million	Qty (MT)	Rs Million	Qty (MT)	Rs Million
Domestic			2	2.9	102	35.2
Exports	946	125.2	1850	247.4	1379	313.6
Total	946	125.2	1852	250.3	1581	348.8

HMFL main strength over the years has been its strong marketing capabilities based on relationship with the distributors and manufacturers-established during his previous employment. Further, the company's ability to strict quality standards and meeting the timely delivery schedules have helped increase its penetration in the European and US markets.

The table below outlines the key export destinations over the last three years

Country	FY 04	FY 05	FY 06
Germany	48.1	56.6	106.3
Netherland	9.6	42.9	60.6
UK	22.4	98.6	54.9
Other Europe	19.1	10.4	30
USA	8.3	19	36.1
Canada	9.9	2.5	20.6
Others	7.8	20.1	13.4
<b>Total (Rs million)</b>	<b>125.2</b>	<b>250.1</b>	<b>321.9</b>

In a bid to diversify its product base and shift to higher value added products the company is developing high-pressure valves bodies (5000-15000 psi), which have application in oil & gas and petrochemical segments. The Company is in discussion with its distributors for marketing of valve bodies. The product approval process is underway and the management hopes to complete the process over within the next four to six months.

Currently, exports of products manufactured by HMFL to USA attract an Anti Dumping Duty of 0.89%. Since USA accounts for more than 10% of sales, continuance of anti dumping duty at such low level would be important for the company's ability to export in these markets profitably. Both USA and Europe, which are the largest markets flanges and stub ends, are witnessing closure of manufacturing capacities due to stricter environmental regulations and higher labour cost. This has opened up a large market for exports by companies situated in countries like India and China. However, the market is intensely competitive and Chinese players, who are expanding their forging capacities, are more cost competitive than India players. However, currently China has a shortage of stainless steel capacity which is likely to limit the competition for Indian players in the near to medium term. Also SS flanges/sub ends find application in anti corrosive areas in oil & gas and petrochemical segments and the ability to sustain quality and consistency parameters across a wide range of SS grades at competitive prices are important in determining the competitiveness of forging manufacturers including HMFL.

The Company currently operates in low value product segments, which are highly cost sensitive and there is significant competition from a large number of players. Also the company's operations are small in comparison to other global players. Thus in case of any price based competition the company may witness erosion of margins and pressure on liquidity.

Stainless Steel accounts for 75-80% of total cost of production. On an average HMFL books nearly 80-85% of the raw material as and when it receives the order while the balance 15-20% of raw material remains un-hedged. Thus the company is exposed to volatility in stainless steel prices, and its ability to manage the same would be a key determinant of the company's margins.

### Project Details

HMFL is planning to set up a forging unit to manufacture large size flanges and stub ends, which have end applications in oil and gas industry, marine engines, large size automobiles components, railway and heavy industry components. The project involves manufacturing forged components through ring rolling machine and forged press, which would



increase production volumes forged components. Also the components produced would have better dimension and tolerance levels and would achieve lower wastage of stainless steel in the manufacturing process, resulting in savings in costs and reduction in manufacturing time leading to a lower cycle time.

The major production facilities envisaged for the plant are given in the table below:-

Particulars	Capacity (TPA)	Product Manufactured
2 MT Ring Rolling Machine	2400	Flanges(24"-2500 pounds,>24">46" 1500 pounds
3 MT Drop Forging Machine	3600	4"300 pounds,5"-6" 150 pounds
4000 MT Forging Press	3000	1/2- 6" Flanges/Stub end forged round bars up to 400 mm

The projects cost break up during different phases of expansion is outlined in the table below:

Particulars	Total (Rs Million)
Land & Building	17.8
Plant & Machinery	355.7
Misc Fixed Assets	7.6
Furniture & Fixtures	6.00
Prel & pre operative Exp	30.00
Contingencies	18.93
WC margin	45.5
<b>Total</b>	<b>481.5</b>

The new projects would enable the company to target multi product segments and manufacture value added products due to setting up of heat treatment and machining facilities. It is expected that the project, on completion, would enable the company to improve operating efficiencies, improve over all realizations and save on costs and time when compared with outsource products manufacturers. The basic raw material like stainless steel, carbon or alloy steel, together which accounts for nearly 75-82% of the total cost would be procured from existing steel suppliers.

### Funding Status

The total projects, involving an outlay of Rs 481.5 million is planned to funded through a mix of debt and equity ratio of 0.26:1. The detailed break- up on the sources of funding is given below:-

Particulars	Amount (Rs Million)
Debt	100
Equity	
- Proposed IPO	382
<b>Total</b>	<b>481.5</b>

The entire equity contribution is to be brought in through the IPO being graded. The term loan for the project has been sanctioned by State bank of Hyderabad (SBH). The loans carry an interest rate of 9.5% with a moratorium of 1 year and are to be repaid in 20 quarterly installments of Rs 50 lacs each. The promoters have drawn 25 million from the sanctioned loan from SBH. The remaining Rs 75 million can be drawn only after completion of the IPO.

HMFL had started implementation of the projects in August 2006. Although the company has acquired the land, civil and structural work for the new project will commence only after the proceeds of the IPO are available. Out of the disbursed loan of Rs 25 million, HMFL has acquired 3 MT hammer and heat treatment plant, which is estimated to be operational by first week of March. Post IPO, the project is expected to be completed within a period of 9 to 10 months.

The size of the project is large in relation to the existing asset base and cash accruals of the company and significantly increases the overall risk profile. Apart from execution risks in terms of completing the project within time and costs, the company will also face challenges in terms of marketing the enhanced capacity, especially because the company is entering into certain new product segments. This risk is partly mitigated by the established relationship that the company





has with importers in foreign markets as well as the fact the company is in the process of getting its facilities approved by large distributors. ICRA believes that the risk profile is further enhanced by the fact that the project is promoted by first generation entrepreneurs, limiting the company's financial flexibility.

### Financial Performance

Key Financials (Rs Million)	FY 04	FY 05	FY 06 (4 mths)*	FY 06 (8 mths)*
Net Sales	125.2	250.2	101.9	243.5
OI	163.2	321.5	129.5	324.1
OPBDIT	8.8	28.5	17.8	48.4
PAT	4.1	18.2	10.5	26.2
Net Worth	24	10.9	53.4	94.8
OPBDIT/OI	5.4%	8.9%	13.8%	14.9%
PAT/OI	2.5%	5.7%	8.1%	8.1%
ROCE*	15.54%	20.69%	29.55%	33.66%
ROE*	33.66%	55.93%	66.88%	52.92%
EPS*				5.73
ROA*	9.83%	17.01%	9.02%	19.00%
Total Debt/Net Worth	2.47	3.12	2.08	1.65
NWC/OI	0.06	0.20	0.16	0.29

\* Figures have been annualised

Operating income has increased at a CAGR of 40% from Rs 125 million to Rs.453 million in FY 06(including the period when HMFL was operating as a partnership firm). This sharp increase in the sales is on account of both increased volumes as well as increase in SS prices. The growth prospects for the company's operations are favourable, given the increased activity in the oil & gas and petrochemical segments.

Operating profit has significantly jumped from Rs 28.5 million in FY 05 to Rs 66.3 million in FY 06. The major contribution towards the increase in operating profits and margins has been appreciation of Euro against Rupee (appreciated by nearly 10% over the last one year) and inventory gains due to rising SS and nickel prices. The operating profitability was also favourably impacted in FY 06 due to in – house production of higher size flanges/ stub ends as well as economies of scale. The higher production of large size flanges have resulted in a substantial improvement in return on capital employed (ROCE), which improved from 15.5% in FY 04 to 33% in FY 06.

Going forward the company's cost structure may improve further due to higher capacity utilization of 16 MT hammer, reallocation of different sizes to higher capacity machines and focus towards higher value added products. However intense competition in the flanges/stub ends segment and vulnerability to the volatility in raw material prices, which accounts for nearly 75-80% of the total cost, would continue to weigh down on overall margins. Additionally the company is also exposed to the fluctuation in exchange rates as more than 90% of the production is exported.

Given the low level of accruals and high working capital intensity in HMFL's business due to high inventory days and significant increase in raw material prices, the funds from operations have largely been negative. Consequently promoters have infused funds from time to time to meet the increasing working capital requirement in line with an increasing working capital requirement in line with an increasing scale of business. Going forward, contractual obligations seen in conjunction with low accruals, high working capital intensity of operations, coupled with limited ability of the promoters to infuse additional funds aggravate HMFL's business and financial risk profile.

### TRUSTEES

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

### MONITORING AGENCY

There is no Monitoring Agency which will monitor the utilisation of the issue proceeds.

However, the Company has set up Audit Committee comprising of non executive and independent directors who have



been entrusted with the responsibility of monitoring the use of issue proceeds. The Company will disclose the utilization of the proceeds of the issue under a separate head in the Balance Sheet clearly specifying the purpose for which such proceeds have been utilised. It shall also, in its Balance Sheet, provide details, if any, in relation to all such proceeds that have not been utilised thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

#### **APPRAISAL ENTITY**

The project has been appraised by State Bank of Hyderabad. The required details of the Appraising Entity are as under:

##### **State Bank of Hyderabad**

Ashok Mahal, 1204,  
Tulloch Marg, Colaba.  
Mumbai- 400 005

**Tel:** +91- 22- 22851322

**Fax:** +91- 22-22851321

**Email:** sbhovrm@bom5.vsnl.net.in

#### **UNDERWRITING**

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

#### **ISSUE PROGRAMME**

<b>Issue Opens on</b>	<b>:</b>	<b>Wednesday, April 18, 2007</b>
<b>Issue Closes on</b>	<b>:</b>	<b>Tuesday, April 24, 2007</b>

## IV. CAPITAL STRUCTURE

The Capital Structure as on the date of filing of the Prospectus with ROC (before and after the issue) is as follows:

	Particulars	Nominal Value (Rs.)	Total Amount (Rs.)
<b>A</b>	<b>AUTHORISED CAPITAL:</b>		
	1,50,00,000 Equity Shares of Rs.10/-each	15,00,00,000	
<b>B</b>	<b>ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>		
	69,93,000 Equity Shares of Rs. 10/- each	6,99,30,000	7,91,10,000
<b>C</b>	<b>PRESENT PUBLIC ISSUE</b>		
	Issue of 54,50,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. 70 inclusive of premium aggregating to Rs 3815 Lakhs	5,45,00,000	38,15,00,000
	<b>Out of which</b>		
	Firm Allotment of 5,000 Equity Shares of Rs 10/- each at an issue price of Rs 70/- each inclusive of premium of Rs 60/- to the Centrum Capital Limited.	50,000	3,50,000
<b>D</b>	<b>NET OFFER TO THE PUBLIC</b>		
	54,45,000 Equity Shares of Rs.10/- each at a price of Rs 70 inclusive of premium	5,44,50,000	38,11,50,000
	<b>Out of which:</b>		
	5,45,000 Equity shares of Rs 10/- each are compulsorily allotted to QIBs (Constituting 10% of the total issue size)	54,50,000	3,81,50,000
	49,00,000 Equity Shares of Rs 10/- each are to be allotted to all other categories of Public.	4,90,00,000	34,30,00,000
	<ul style="list-style-type: none"> <li>Retail Investors (50% of Net Offer to the Public after allocating 10% to QIBs)- 24,50,000 shares</li> </ul>	2,45,00,000	17,15,00,000
	<ul style="list-style-type: none"> <li>Non-Retail Investors (50% of Net Offer to the Public after allocating 10% to QIBs)- 24,50,000 shares</li> </ul>	2,45,00,000	17,15,00,000
<b>E</b>	<b>PAID UP EQUITY CAPITAL AFTER THE PUBLIC ISSUE</b>		
	1,24,43,000 Equity Shares of Rs. 10/- each	12,44,30,000	46,06,10,000
<b>F</b>	<b>SHARE PREMIUM ACCOUNT</b>		
	Before the Public Issue		91,80,000
	After the Public Issue		33,61,80,000



## DETAILS OF INCREASE IN AUTHORIZED SHARE CAPITAL

Date of Meeting	Increased from		Increased to		Shareholder's Meeting
	Number of shares	Amount (Rs)	Number of shares	Amount (Rs)	
21.07.2005	-	-	1,00,000 Equity Shares of Rs 100/- each	1,00,00,000/-	Incorporation
29.08.2005	10,00,000 Equity shares of Rs 10/- each*	1,00,00,000/-	1,50,00,000 Equity shares of Rs 10/- each	15,00,00,000/-	EGM
<b>Total:</b>				<b>15,00,00,000/-</b>	

\* The Authorized Share Capital of Rs.1,00,00,000/- divided into 1,00,000 Equity Shares of Rs.100/- each was sub-divided into 10,00,000 Equity Share of Rs.10/- each vide approval of the members at Extraordinary General Meeting held on 29<sup>th</sup> August 2005.

## NOTES TO THE CAPITAL STRUCTURE

Share Capital History of the Company is as follows:

Date of Allotment	No of Equity Shares	Face Value (Rs.)	Issue Price (Rs)	No. of shares of face value of Rs 10 per share	Nature of Allotment (Bonus, Rights etc)	Reason for Allotment	Total Paid Up Capital (Rs)	Cumulative Paid-up Capital (Rs)	Share Premium (Rs.)
22.07.2005	*5,000	**100	**100	50,000	Allotment of shares to erstwhile partners on Part IX conversion under the Companies Act, 1956	Allotment to subscribers (erstwhile partners) to Memorandum of Association out of the partners capital account	5,00,000	5,00,000	-
10.10.2005	53,35,000	10	10	53,35,000	Cash	Further Allotment	5,33,50,000	5,38,50,000	-
23.02.2006	14,55,000	10	10	14,55,000	Cash	Further Allotment	1,45,50,000	6,84,00,000	-
23.02.2006	3,000	10	70	3000	Cash	Further Allotment	30,000	6,84,30,000	1,80,000
30.05.2006	1,50,000	10	70	1,50,000	Cash	Further Allotment	15,00,000	6,99,30,000	90,00,000
<b>Total</b>				<b>69,93,000</b>			<b>6,99,30,000</b>		

Note:

\* The initial capital of 5000 shares on subscription to the memorandum on conversion of partnership firm "M/s Hilton Forge" to "Hilton Metal Forging Limited" on 21<sup>st</sup> July 2005 under part IX of the Companies Act, 1956 was issued at Rs 100/- per share.

\*\*There was sub-division of paid up capital of the Company from face value of Rs 100 each to Rs 10 each vide special resolution passed at EGM dated 29<sup>th</sup> August 2005.

## 1. PROMOTERS CONTRIBUTION AND LOCK IN REQUIREMENTS

### a) Allotment to Promoters

Name of the Promoter	Date on which Equity Shares were allotted and made fully paid-up	Nature of payment or consideration (Cash, Bonus, kind etc)	Number of Equity Shares	Face value (Rs)	Issue Price (Rs)	No. of Shares face value of Rs 10 per share	% of Paid Capital		Lock in period in years
							Pre Issue	Post Issue	
<b>Mr. Yuvraj Malhotra</b>	22.07.05	Allotment to subscribers (erstwhile partners) to Memorandum of Association out of the partners capital account	4,200	100	100	42,000	0.60	0.34	1
	10.10.05	Cash	3,348,970	10	10	3348970	47.89	26.91	1
	10.10.05	Cash	1,121,440	10	10	1,121,440	16.04	9.01	3
	23.02.06	Cash	1,233,190	10	10	1,233,190	17.63	9.91	3
						<b>5,745,600</b>	<b>82.16</b>	<b>46.18</b>	
<b>Mr Navraj Malhotra</b>	22.07.05	Allotment to subscribers (erstwhile partners) to Memorandum of Association out of the partners capital account	100	100	100	1,000	0.01	0.01	1
	10.10.05	Cash	74,330	10	10	74,330	1.06	0.55	1
	23.02.06	Cash	61,470	10	10	61,470	0.88	0.49	3
						<b>136,800</b>	<b>1.96</b>	<b>1.10</b>	
<b>Mr Shivcharan Gujral</b>	22.07.05	Allotment to subscribers (erstwhile partners) to Memorandum of Association out of the partners capital account	50	100	100	500	0.01	0.01	1
	10.10.05	Cash	60,630	10	10	60,630	0.86	0.49	1
	23.02.06	Cash	7,270	10	10	7,270	0.10	0.06	3
					<b>68,400</b>	<b>0.98</b>	<b>0.55</b>		
<b>Hilton Steel Forgings Pvt Ltd.</b>	22.07.05	Allotment to subscribers (erstwhile partners) to Memorandum of Association out of the partners capital account							
			50	100	100	500	0.01	0.00	1
	10.10.05	Cash	2,670	10	10	2,670	0.04	0.02	1
	23.02.06	Cash	65,230	10	10	65,230	0.93	0.52	3
						<b>68,400</b>	<b>0.98</b>	<b>0.55</b>	

\* As per Clause 4.6.3 of SEBI (DIP) Guidelines, in respect of Companies formed by conversion of partnership firms,



where the partners of the erstwhile partnership firm and the promoters of the converted Company are the same and there is no change in management, the shares allotted to the promoters during previous one year out of the funds brought in during that period shall not be considered eligible for computation of promoters contribution unless such shares have been issued at the same price at which the public offer is made.

**Provided that** if the partner's capital existed in the firm for a period of more than one year on a continuous basis, the shares allotted to promoters against such capital shall be considered eligible.

The Company has allotted 5000 Equity Shares to promoters against partners' capital existed in the firm for a period of more than one year on a continuous basis. Therefore, as per the clause 4.6.3 of SEBI guidelines, these shares are eligible for promoter's contribution.

**b) Minimum Promoters Contribution locked-in for a period of three years as under:**

Name of the Promoter	Date on which Equity Shares were allotted and made fully paid-up	Nature of payment or consideration	Number of Equity Shares	Face value	% of Post Issue Capital	Lock in period in years
Mr. Yuvraj Malhotra	10.10.05	Cash	1,121,440	10	9.01	3
	23.02.06	Cash	1,233,190	10	9.91	3
			<b>2,354,630</b>		<b>18.92</b>	
Mr Navraj Malhotra	23.02.06	Cash	61,470	10	0.49	3
			<b>61,470</b>		<b>0.49</b>	
Mr Shivcharan Gujral	23.02.06	Cash	7,270	10	0.06	3
			<b>7,270</b>		<b>0.06</b>	
Hilton Steel Forgings Pvt Ltd.	23.02.06	Cash	65,230	10	0.52	3
			<b>65,230</b>		<b>0.52</b>	
<b>GRAND TOTAL</b>			<b>24,88,600</b>		<b>20.00</b>	

- The promoters have given their consent vided letter dated 31<sup>st</sup> July 2006 for lock in as stated above. The shares acquired last have been locked in first and the lock- in period shall commence from the date of allotment of Equity Shares in the present issue and the last date of the lock-in shall be reckoned as three years from the date of commercial production or date of allotment of shares in the public issue, whichever is later.
- The promoter's contribution has been brought in to the extent of not less than the specified minimum lot and from persons defined as promoters under the Guidelines.
- The entire pre issue Equity Share Capital other than the minimum promoter's contribution shall be locked-in for a period of 1 year from the date of allotment in the present issue.
- Locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institution.
- In terms of clause 4.16 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters prior to the issue may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.
- As per Clause 4.16 (b) of the SEBI Guidelines, the Equity Shares may be transferred among the Promoters/ 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 Takeovers) Regulations, 1997 as applicable.
- Securities issued on firm allotment basis shall be locked –in for a period of one year from the date of allotment in the Public Issue.

10. 5,000 Equity Shares will be allotted on firm basis to the Lead Manager i.e. Centrum Capital Limited. No further application for subscription to the public issue from such person shall be entertained. The Lead Manager to whom firm allotment is proposed to be made if withdraws partially or fully from the issue made to him after filing prospectus with the ROC, the extent of shares proposed to be allotted shall be taken up by the promoters and the subscription amount shall be brought in atleast one day prior to issue opening date. Securities issued on firm allotment basis shall be locked in for a period of one year from the date of allotment in the public issue. In the event that the promoters have to take/acquire the shares as above, such shares will be locked-in for a period of 3 years.
11. No payment direct or indirect in nature of discount, commission allowance or otherwise shall be made either by the issuer Company or the promoters in any public issue to the persons who received firm allotment in such public issue.
12. The Securities which are subject to lock-in shall carry inscription 'non-transferable' along with the duration of specified non-transferable period mentioned in the face of the security certificate.

**13. EQUITY SHARES HELD BY TOP TEN SHAREHOLDERS:**

**a) Top ten shareholders as on the date of filing of the Prospectus with ROC are as follows:**

Sr. No.	Name of the shareholder	No of Equity Shares	% of Holding
1	Mr. Yuvraj Malhotra	57,45,600	82.16
2	Mrs. Diksha Malhotra	6,84,000	9.78
3	Evenort Limited	1,50,000	2.15
4	Mr. Navraj Malhotra	1,36,800	1.96
5	Mr. Shivcharan Gujral	68,400	0.98
6	Mrs. Seema S. Gujral	68,400	0.98
7	Hilton Steel Forgings Private Limited	68,400	0.98
8	Yuvraj Malhotra (H.U.F.)	68,400	0.98
9	Ms. Uma Chaudhary	1500	0.02
10	Mr. Haresh Sanghvi	750	0.01
11	Ms. Mita Sanghvi	750	0.01
	<b>TOTAL</b>	<b>69,93,000</b>	<b>100.00</b>

**b) Top ten shareholders ten days prior to the date of filing this Prospectus with ROC.**

Sr. No.	Name of the shareholder	No of Equity Shares	% of Holding
1	Mr. Yuvraj Malhotra	57,45,600	82.16
2	Mrs. Diksha Malhotra	6,84,000	9.78
3	Evenort Limited	1,50,000	2.15
4	Mr. Navraj Malhotra	1,36,800	1.96
5	Mr. Shivcharan Gujral	68,400	0.98
6	Mrs. Seema S. Gujral	68,400	0.98
7	Hilton Steel Forgings Private Limited.	68,400	0.98
8	Yuvraj Malhotra (H.U.F.)	68,400	0.98
9	Ms. Uma Chaudhary	1500	0.02
10	Mr. Haresh Sanghvi	750	0.01
11	Ms. Mita Sanghvi	750	0.01
	<b>TOTAL</b>	<b>69,93,000</b>	<b>100.00</b>



**c) Particulars of top ten shareholders two years prior to the date of filing this Prospectus with ROC**

The Company was formed on 21<sup>st</sup> July 2005 by conversion of Partnership firm into Company under Part-IX of the Companies Act, 1956. The date of incorporation is less than two years prior to filing of the Prospectus. As on 21<sup>st</sup> July 2005, the following were the top list of shareholders of the Company:

Sr. No.	Name of the shareholder	No of Equity Shares (face value of Rs 100 each)	% of Holding
1	Mr. Yuvraj Malhotra	4200	84.00
2	Mrs. Diksha Malhotra	500	10.00
3	Mr. Navraj Malhotra	100	2.00
4	Mr. Shivcharan Gujral	50	1.00
5	Yuvraj Malhotra (H.U.F)	50	1.00
6	Mrs. Seema Gujral	50	1.00
7	Hilton Steel Forgings Private. Limited.	50	1.00
	<b>TOTAL</b>	<b>5000</b>	<b>100.00</b>

**14. SHAREHOLDING PATTERN**

The Pre-issue and Post-issue share holding pattern of the Promoters and Promoter group is as under:-

Category	Pre Issue		Post Issue	
	No. of Shares of Rs 10 each	% Holding	No. of Shares of Rs 10 each	% Holding
<b>Promoters Holding</b>				
Mr Yuvraj Malhotra	57,45,600	82.16	57,45,600	46.18
Mr Navraj Malhotra	1,36,800	1.95	1,36,800	1.10
Mr. Shivcharan Gujral	68,400	0.98	68,400	0.55
Hilton Steel Forgings Pvt Ltd.	68,400	0.98	68,400	0.55
<b>Sub Total (A)</b>	<b>60,19,200</b>	<b>86.07</b>	<b>60,19,200</b>	<b>48.37</b>
<b>Promoter Group</b>				
Mrs. Diksha Malhotra	6,84,000	9.78	6,84,000	5.50
Mrs. Seema Gujral	68,400	0.98	68,400	0.55
Yuvraj Malhotra (HUF)	68,400	0.98	68,400	0.55
<b>Sub Total (B)</b>	<b>8,20,800</b>	<b>11.74</b>	<b>8,20,800</b>	<b>6.60</b>
<b>Total Promoter Group Holding (A+B)</b>	<b>68,40,000</b>	<b>97.81</b>	<b>68,40,000</b>	<b>54.97</b>
<b>Non- Promoter Holding</b>				
Evenort Limited	1,50,000	2.15	1,50,000	1.21
Ms. Uma Chaudhary	1500	0.02	1500	0.01
Mr. Harish Sanghvi	750	0.01	750	0.01
Ms. Mita Sanghvi	750	0.01	750	0.01
<b>Sub Total (C )</b>	<b>1,53,000</b>	<b>2.19</b>	<b>1,53,000</b>	<b>1.23</b>
<b>Sub Total (A+B+C)</b>	<b>69,93,000</b>	<b>100.00</b>	<b>69,93,000</b>	<b>56.20</b>
<b>Others (D)</b>				
<b>Public</b>	<b>-</b>	<b>-</b>	<b>54,50,000</b>	<b>43.80</b>
<b>GRAND TOTAL</b>	<b>69,93,000</b>	<b>100.00</b>	<b>1,24,43,000</b>	<b>100.00</b>





**Shares held by the Directors of Hilton Steel Forgings Private Limited is as follows:-**

Sr. No.	Name of Directors	Number of Equity Shares
1	Mr. Yuvraj Malhotra	5000
2	Mrs. Diksha Malhotra	5000
	<b>Total</b>	<b>10,000</b>

15. This issue is being made in terms of clause 2.2.2 (a) (ii) and (b) (i) of SEBI (DIP) Guidelines, 2000 as amended from time to time, wherein the project has atleast 15% participation by financial institutions/ scheduled commercial banks, of which atleast 10% comes from the appraiser. In addition at least 10% of the Issue size is to be allotted to QIBs, failing which the subscription monies shall be refunded.
16. Further, spill over from QIBs category, shall at the sole discretion of the Company in consultation with the Lead Managers, be allowed to meet under-subscription, if any, in categories for Non-Retail Investors and Retail Individual Investors. Also, unsubscribed portion in either of Non-Retail Investors or Retail Individual Investors category shall be added to the other category interchangeably.
17. In case of under-subscription in the QIBs portion (i.e. subscription less than 10% mandatory of the total issue size), the same shall not be available to other categories and full subscription monies shall be refunded.
18. There has been no sale or purchase of Equity Shares of the Company by the Directors / Promoters and Promoter Group, during the period of six months preceding the date on which the Prospectus is filed with ROC.
19. The Company, it's Promoters, Directors or the Lead Managers have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company from any person.
20. An over-subscription to the extent of 10% of the Issue Size can be retained for the purpose of rounding off to the nearest integer subject to a minimum allotment of 80 Equity Shares (which is the minimum application size in this issue), while finalizing the allotment.
21. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in Para on "Basis of Allotment" on page no. 135 of this Prospectus.
22. The Company has not raised any bridge loan against the proceeds of the Issue.
23. The Equity Shares offered through this Public Issue will be fully paid-up.
24. As of the date of the Prospectus, there are no outstanding financial instruments or warrants or any other right that would entitle the existing Promoter or Shareholders, or any other person any option to receive Equity Shares after the offering.
25. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
26. The Company presently do not intend or propose to alter its capital structure for a period of six months from the date of opening of the Issue, either by way of split or consolidation of the Equity Shares or by way of further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, the Company may issue equity shares to finance an acquisition, merger or joint venture by the Company or as consideration for such acquisition, merger or joint venture or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by the Board in the interest of the Company.
27. The Company shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, right issue or public issue or in any other manner, during the period commencing from the submission of Prospectus to SEBI until the equity shares referred in the prospectus have been listed or application moneys refunded on account of failure of issue.
28. The total numbers of members of the Company as on 01.03.2007 are 11.
29. No shares have been allotted through a public issue in the last two years nor has the Company bought back its equity shares in the last six months.
30. The Company has not issued any shares for consideration other than cash.
31. The Company has not issued any Bonus Shares, since its inception.
32. The Company has not issued any Equity Shares out of revaluation reserves.
33. The Company has not granted any options or shares of the Company under any scheme of Employee Stock Options or Employee Stock Purchase to its employees.



---

## V. OBJECTS OF THE ISSUE

The primary objects of the issue are to achieve the benefits of listing of the equity shares and raise capital to capture growth opportunities in the business. The Issue is being made to raise funds for the following purposes:

1. Expansion of its existing capacity from 11,100 MTA to 24,900 MTA by installing additional Plant & Machinery at plot no 1 & 2 situated at Village Gonsai, Taluka wada, Dist Thane in order to augment the existing manufacturing facilities.
2. Setting up new building at plot no. 3 & 15 situated at Village Gonsai, Taluka wada, Dist Thane, for house die shop/tool rooms, heat treatment shop and Laboratory to manufacture the large size components like front axle beam, Forged Valves, Bodies, multithrough crank shaft large size connecting rod & cam shaft for marine diesel engine.
3. To meet the Working Capital Margin Requirement
4. To meet the Public Issue expenses
5. To list the equity shares of the Company on the Stock Exchanges.

The main object clause and object incidental or ancillary to the main object of Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through present issue, the Company further confirm that the activities of the Company carried out until now are in accordance with the object of the Memorandum of Association.

## APPRAISAL

The expansion project of the Company has been appraised by State Bank of Hyderabad (SBH) vide their appraisal note dated 16<sup>th</sup> May 2006 for the purpose of proposed Project as mentioned in the Prospectus as well as for availing Term Loan to the extent of Rs 1000 Lakhs from Bank.

### *Disclaimer by State Bank of Hyderabad*

This Appraisal cum Information Memorandum (AIM) has been prepared by State Bank of Hyderabad (SBH) at the request of Hilton Metal Forging Limited (HMFL) for the purpose of expansion & diversification project which will involve an expenditure estimated at Rs.48.15 Crores

While the information herein is believed to be accurate, no representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by State Bank of Hyderabad as to, or in relation to the accuracy or adequacy of information contained in this report.

HMFL accepts full responsibility for all the data and information passed down by it for the preparation of the AIM and states that the same is true and correct to the best of its knowledge and belief and confirms that no material information that is vital for arriving at a decision for making investment in its project has been suppressed or misstated while providing the data / information to State Bank of Hyderabad.

This report has been prepared to provide general information on HMFL to banks / financial institutions interested in taking a decision on financial participation and are based on the present economic and Government policies. Any change in economic scenario and government policies may have an impact on the financial projections.

While the AIM has attempted to cover all risk aspects relating to the proposed project, prospective financial participant may evaluate the project based on the perception of the risks associated with the same.

This information is made available to potential participants in the project on the strict understanding that it is confidential. No recipient of the information shall be entitled to disclose any information contained in it to any person or entity not previously approved in writing by us.

Recipients shall not be entitled to use any of the information otherwise, than for the purpose of deciding whether or not to participate in the project.

## FUNDS REQUIREMENT

The estimated cost of the project as appraised by SBH is Rs. 4815 Lakhs. The break up of the estimated project cost

as mentioned in the appraisal report of SBH is given in the following table: -

Particulars	Amount (Rs. in Lakhs)
Land	20.00
Site Development of Plot No. 1, 2, 3 & 15	5.00
Construction of Factory Building	153.05
Plant & Machineries	3556.67
Balancing Equipements	66.00
Office Equipements	10.00
Furniture & Fixtures	60.00
Contingences	189.28
Preliminary & pre-operative expenses	300.00
Margin For Working Capital	455.00
<b>Total Project Cost</b>	<b>4815.00</b>

**Note: The Company proposes to acquire Net Tangible Assets amounting to Rs 3870.72 Lakhs, which represents 80.39% of the project cost.**

The break up of the above cost of project as taken on record by SBH vide the Company's letter dated 22.02.2007 is as under:

Sr. No.	Particulars	Amount (Rs in Lakhs)
1	<b>Expansion of existing capacity from 11,100 MTA to 24,900 MTA by installing additional Plant &amp; Machineries at plot no. 1 &amp; 2</b>	
i	Land	8.55
ii	Site Development	2.50
iii	Construction of Factory Building	64.03
iv	Plant & Machineries	3489.90
2	<b>Setting up New Building for die shop and heat treatment shop at plot no.3 &amp; 15</b>	
i	Land	11.45
ii	Site Development	2.50
iii	Construction of Factory Building	89.02
iv	Plant & Machineries	66.77
v	Equipments for Die Shop ,Tool Rooms and Laboratory	66.00
vi	Office Equipments	10.00
vii	Furniture & Fixtures	60.00
3	Contingencies	189.28
4	Preliminary & pre-operative expenses	300.00
5	Margin For Working Capital	455.00
	<b>Total Project Cost</b>	<b>4815.00</b>



## MEANS OF FINANCE

The details of the proposed means of finance for the project as per the Appraisal Report of SBH are as follows: -

Particulars	Amount (Rs in Lakhs)
Net Proceeds from Public Issue	3815.00
Term Loan from State Bank of Hyderabad	1000.00
<b>Total Funds To be Raised</b>	<b>4815.00</b>

## DETAILS REGARDING TERM LOAN

The Company has received sanction letter no. F/OSB/ADV dated 22<sup>nd</sup> June 2006 from State Bank of Hyderabad, Mumbai 400 023

The Details regarding the term Loan is as mentioned below.

Name of the Borrower	Hilton Metal Forging Limited
Amount of Loan	Rs 1000 Lakhs
Purpose	To construct factory building and purchase of balancing equipments with capacity expansion as per the project detail
Rate of Interest	9.50 % per annum
Period	6 Year Including 1 year Moratorium Period
Repayment	20 Quarterly Installment of Rs. 50.00 Lakhs each
Primary Security	1 <sup>st</sup> pari-passu charge on the Company's fixed assets to be shared with Saraswat Co-op. Bank Limited. (net block Rs. 6.58 crores as on 31.03.2006 likely to become Rs.42.54 crores after expansion)
Collateral Security	1 <sup>st</sup> pari-passu charge on residential flat no 9/D , 504, Alica Nagar, Lokhandwala complex Kandivili (W) Mumbai 400101 owned by Shri. Yuvaraj Malhotra and Smt. Diksha Malhotra estimated market value Rs.50.00 Lakhs. 2 <sup>nd</sup> pari passu charge on Company's current assets.
Guarantee	1. Mr. Yuvraj Malhotra personal worth Rs 5. 56 crores
	2. Mrs. Diksha Malhotra personal worth Rs 0.94 crores

## TERMS AND CONDITIONS FOR TERM LOAN

- Insurance:** The building, plant and machinery and other assets created out of term loan to be insured for 110% of their value to cover the risk of loss due to earthquake, strikes, fire, riots and civil commotion etc.
- Disbursal:** Direct to suppliers for machinery. For building, based on approved architects certification. Company to raise capital by way of IPO before disbursal of the term loan except Rs 287 lakhs which will be disbursed prior to IPO for purchase of machineries and other expenses.
- Prepayment Clause:** Prepayment will attract penalty of 1% of prepaid amount.

Thus the Company has made firm arrangement through verifiable means towards 75% of the stated means of finance excluding the amount to be raised through public issue.

The net proceeds of the issue and term loan after meeting the issue expenses of Rs. 300 Lakhs will be used for expansion project at Wada, Thane. Any shortfall will be met through Company's internal accruals. In case of any surplus the same will be used for business purpose.

No parts of issue proceeds will be paid as consideration to promoters, directors, key managerial personnel or any associates.

The other object of the issue is to achieve the benefits of listing and to provide liquidity to the existing shareholders.



## BRIEF DETAIL ABOUT THE PROJECT

The brief details about the project are as per the Appraisal Report of SBH dated 16<sup>th</sup> May 2006.

### Project Description

The manufacturing facilities of HMFL are located at Plot No. 21, 25, 26, 28, 29 & 30 Shah & Mehta Industrial Estate, Village Ghonsai, Taluka Wada and Dist. Thane. The Company proposes to install additional Plant and Machinery in order to augment the existing manufacturing facilities.

At present the Company has a capacity of 11,100 MT per annum. In view of the increasing volume of operations the Company proposes to expand its existing capacity to 24,900 MT per annum by setting up additional unit adjacent to the existing unit. The capital expenditure programme will be by way of augmentation of capacity in the existing unit. The total cost of the project is Rs.4815 Lakhs out of which Company proposes to bring in Rs.3815 Lakhs through public issue and for remaining term loan of Rs.1000 Lakhs.

### 1) LAND AND SITE DEVELOPMENT

The Company has already purchased the freehold non-agricultural land situated at Village Ghonsai, Taluka Wada, Dist. Thane bearing plot no. 1,2,3 & 15 in the registration district of Thane and sub –district registration of Bhiwandi admeasuring 3452.72 per square meters from Shri Jtiendra Rasiklal Mehta for sum of Rs 20 Lakhs. The Company has already spent Rs.5.00 Lakhs towards the Site Development.

### 2) FACTORY BUILDING

The Company proposes to build 642.19 sq. meters of machine shop shed at plot no. 1 & 2 in order to increase the existing capacity and 858 sq. meters of new factory building at plot no 3 & 15 for heat treatment plant shed and die shop shed to accommodate the entire expansion project. The cost of erection of the structures is estimated at Rs.153.05 Lakhs. The Company has already set up the Heat treatment shop at plot no.15, for which the Company has incurred Rs 33.33 Lakhs.

For civil construction of factory building the Company has appointed M/s R.K. Associates Civil Engineering & Consultants, 101 Shweta Apartments, Kasar Ali, Bhiwandi, Dist Thane and also received the quotation number TP/STR Engr/150 dated 05.04.2006.

Sr. No.	Item	Area in Sq. Meters	Rate per Sq. Mtrs	Amount (Rs in Lakhs)
<b>I</b>	<b>Details of Plot No.1</b>			
	Machine Shop Shed			
	Gut No.-216,217,218	314.61	9701	30.52
<b>II</b>	<b>Details of Plot No.2</b>			
	Machine Shop Shed			
	Gut No.-216,217,218	327.58	10232	33.51
<b>III</b>	<b>Details of Plot No.3</b>			
	Die Shop Shed			
	Gut No.-216,217,218	520.89	10691	55.69
<b>IV</b>	<b>Details of Plot No.15</b>			
	Heat Treatment Plant Shed			
	Gut No.-216,217,218	337.11	9886	33.33
	<b>Total</b>	<b>1500.19</b>		<b>153.05</b>



### 3) PLANT & MACHINERY

The Company proposes to acquire the Plant & Machineries aggregating to Rs 3556.67 Lakhs, out of which Plant & Machineries aggregating Rs 620.17 Lakhs is imported and the balance Plant & Machineries aggregating Rs. 2936.37 Lakhs is indigenous

#### IMPORTED MACHINERY

The following are the Machineries for which orders have not been placed but quotations have been received:-

Machinery	Quantity	Supplier's Name	Quotation No.	Date	Amount (US \$ in Thousand)	Amount (Rs in Lakhs)
4000 MT Forging Press	1	Dalal Machine Tools Agency Pvt Ltd	KA 8546/02.07	22.02.2007	585.00	381.44
Bandsaw Machine – 250 mm	8	Amada Cutting Co. Ltd.	No.07-22401	24.02.2007	136.00	85.74
<b>TOTAL</b>					<b>721.00</b>	<b>467.18</b>

The following is the Machinery for which orders have been placed and quotations have been received:-

Machinery	Quantity	Supplier's Name	Quotation No.	Date	Amount (US \$ in Thousand)	Amount (Rs in Lakhs)
Vertical Machining Center 2x2x1 mtr	1	Electronica Machine Tools	HMFL 10/ FA-09	08.02.2007	173.00	106.89
<b>TOTAL</b>					<b>173.00</b>	<b>106.89</b>

#### Note:

The Company estimated Conversion Rate of 1 USD Dollar = Rs 45/-.

The above amount inclusive of Custom Duty @ 37.3% and VAT @ 12.5% and Freight and other levies.

The following is the Machinery, which is already purchased: -

(Rs. in Lakhs)

Machinery	Quantity	Supplier's Name	Invoice No.	Date	Amount
Band saw Machine 250MM	2	AMADA Co. Ltd.	1936	20.12.2006	15.42
Band saw Machine 250 MM	2	AMADA Co. Ltd.	2007	06.02.2007	15.38
Band saw Machine 250MM	2	Bala Enterprises Pte Ltd	200605047	01.09.2006	15.30
<b>TOTAL</b>					<b>46.10</b>

#### Note:

The Company estimated Conversion Rate of 1 USD Dollar = Rs 45/-.

The above amount inclusive of Custom Duty @ 37.3% and VAT @ 12.5% and Freight and other levies.



## INDIGENOUS MACHINERY

The following is the Machinery, which is already purchased: -

(Rs. in Lakhs)

Machinery	Quantity	Supplier's Name	Invoice No.	Date	Amount
Vertical Machine Centre	1	TAL Manufacturing Solutions Ltd	7300001652	29.03.2006	23.23
Bandsaw Machine 250MM	1	SKM Steels Ltd.	283	30-06-2006	8.69
Oil fired Continuous Heat Treatment Plant	1	Himalaya Trading Co.	1,3,6,14	06.04.2006	39.08
3 MT Drop Forging Hammer	1	N.K.Forging & Rolling	84	22.12.2006	48.99
Electrification like cable, transformer & fedder		S.R. Electricals	SRE/HFL/Qtn/01/06-07/R0		1.74
MSEB Security deposit 2500 KVA & Installation		S.R. Electricals	SRE/HFL/Qtn/01/06-07/R0		1.65
<b>TOTAL</b>					<b>123.38</b>

## SECOND HAND MACHINERY

The following is the Second Hand Machinery for which orders have not been placed but quotations have been received:-

(Rs in Lakhs)

Machinery	Quantity	Year of Manufacturing	Balance Estimated Life	Supplier's Name	Quotation No.	Date	Amount
2 Mt.Ring Rolling Machine	1	1996	20 years	USAV Forging Pvt. Ltd.	UFL/06-07/MACH/SALE	20.02.2007	714.25

**Note:** The Company has received Technical Report from P Venugopalan , Chartered Engineer BE, MIE, E-1/5, Jalnidhi CHS Ltd, Bangurnagar, Goregoan (W), Mumbai-400090 vide letter dated 1<sup>st</sup> August 2006

## NEW MACHINERY

The following are the Machineries for which orders have not been placed but quotations have been received:-

(Rs in Lakhs)

Machinery	Quantity	Supplier's Name	Quotation No.	Date	Amount
300 MT Trimming Press	1	NKH International Pvt. Ltd	NIL	22.02.2007	11.85
500 MT Trimming Press	1	NKH International Pvt. Ltd	NIL	22.02.2007	26.13
Plano Miller 12' Bed	1	Pritam Machine Tools	PMT:SL/662/06-07	23.02.2007	17.54
Lathe Machine 12' badx15' center ht.	10	Pritam Machine Tools	PMT:SL:661/06	23.02.2007	42.94
Lathe Machine 8' badx24'center ht.	30	Pritam Machine Tools	PMT:SL:661/06	23.02.2007	59.81
CNC Turning Machine - LMW	25	LMW Machine Tool Division	MTD/LMW/VK/2K6/252	14.02.2007	713.15
CNC Turning Machine - ACE	15	ACE Designers Ltd.	PI/0322	17.02.2007	378.45
CNC Turning Machine - JYOTI	15	Jyoti CNC Automation Pvt. Ltd.	JCAPL/QUT/06-07/02-883	10.02.2007	400.22
Pusher Furnace - 2 Mt per hour	2	Encon Furnaces (P) Ltd.	EF/BO/191/2007	19.02.2007	53.06





Machinery	Quantity	Supplier's Name	Quotation No.	Date	Amount
Air Compressor - 1000 cfm	4	Techno Power Products	TPP/345/06-07	12.02.2007	100.75
Oil Fired Continuous Heat treatment Plant	2	Encon Furnaces Pvt. Ltd.	EF/BO/191/2007	19.02.2007	32.84
Air Compressor - 500 cfm	1	Techno Power Products	TPP/345/06-07	12.02.2007	13.74
Air Tank Receiver Fittings with Acc & valves		Techno Power Products	TPP/346-348/06-07	12.02.2007	30.22
Electrucal Vertical Panel for Ind. Motor	5	Techno Power Products	TPP/344/06-07	12.02.2007	6.68
Electrification like Cable, transformer & Fedder	Lump sum	S.R. Electricals	SRE/HFL/Qtn/01/06-07/R0		198.01
MSEB Security deposit 2500 KVA & Installation		S.R. Electricals	SRE/HFL/Qtn/01/06-07/R0		13.35
<b>TOTAL</b>					<b>2098.74</b>

**Note:** The above amount inclusive of VAT @ 12.5%, Freight and other levies.

**SUMMARY:**

(Rs in lakhs)

Sr. No	Particulars	P.O. Price / Quotation Price / Budgeted Price
1	Machinery already purchased	169.48
2	Second Hand Machinery for which orders have not been placed but quotations have been received	714.25
3	Machineries for which orders have not been placed but quotations have been received	2565.92
4	Machineries for which orders have been placed and also quotations have been received	106.89
	<b>Total</b>	<b>3556.67</b>

**3) EQUIPMENT FOR DIE SHOP, TOOL ROOM AND LABORATORY**

The Company has estimated Rs 66 Lakhs for equipments for die shop, tool room and laboratory. The Company has not placed any order nor has received any quotations for the equipments:-

Sr. No.	Description	Qty.	Rate (p.u) (Rs. In Lakhs)	Amount
<b>I</b>	<b>Tool Room</b>			
1	Drilling Machine	1	2.50	2.50
2	Lathe Machine	1	1.50	1.50
3	Grinder	4	0.25	1.00
4	Shaper	1	1.75	1.75
5	Measuring Instrument	1	1.00	1.00
	<b>Total (I)</b>			<b>7.75</b>

Sr. No.	Description	Qty.	Rate (p.u) (Rs. In Lakhs)	Amount
<b>II</b>	<b>Overhead Cranes</b>			
	Capacity			
1	10 Tons	1	15.00	15.00
2	5 Tons	1	7.00	7.00
	<b>Total (II)</b>			<b>22.00</b>
<b>III</b>	<b>Lab Equipments</b>			
1	Universal Testing Machine	1	3.50	3.50
2	Microscope	1	0.25	0.25
3	Heat Analysis Apparatus	1	1.75	1.75
4	Impact Testing Machine	1	1.00	1.00
5	Physical Balance	1	0.10	0.10
6	Spectro Meter	1	29.65	29.65
	<b>Total (III)</b>			<b>36.25</b>
	<b>Total (I+II+III)</b>			<b>66.00</b>

#### 4) OFFICE EQUIPMENTS

The company has not placed any order nor has received any quotations for the following equipments:-

Sr. No.	Description	Amount (Rs. in Lakhs)
1	Computers, Printers, U.P.S	5.00
2	System Software for CNC Machine	5.00
	<b>Total</b>	<b>10.00</b>

#### 5) FURNITURE AND FIXTURES

The company has not placed any order nor has received any quotations for the following equipments:-

Sr. No.	Description	Amount (Rs. in Lakhs)
1	Furniture's at Works	15.00
2	Furniture at Office	45.00
	<b>Total</b>	<b>60.00</b>

#### 6) CONTINGENCIES

Contingencies are estimated at Rs 189.28 Lakhs, which is about 5% of cost of Plant & Machinery and Factory Building, Equipments for die shop/tool rooms, heat treatment shop and laboratory and Office Equipments.

#### 7) PRELIMINARY & PRE-OPERATIVE EXPENSES

Preliminary and pre-operative expenses estimated at Rs 300 Lakhs comprise of public issue expenses, interest during construction period and other miscellaneous expenses.

Sr. No.	Particulars	Amount (Rs in Lakhs)
1	Public Issue Expenses	250.00
2	Interest and Other Miscellaneous Expenses	50.00
	<b>Total</b>	<b>300.00</b>



## PUBLIC ISSUE EXPENSES

Sr. No.	Description	Amount (Rs in Lakhs)	% of the Total Issue Expenses	% of the Total Issue Size
1	Lead Manager's Fees, Registrar, Legal Advisor & Auditor's Fees	88.50	35.40	2.32
2	Advertising & Marketing Expenses	50.00	20.00	1.31
3	Printing, stationery ,Distribution & Postage	30.00	12.00	0.79
4	Brokerage & Selling Commission	57.00	22.80	1.50
5	Other Expenses (Listing fees, Depository Charges etc)	24.50	9.80	0.64
	<b>Total</b>	<b>250.00</b>	<b>100.00</b>	<b>6.56</b>

## 8) WORKING CAPITAL MARGIN

The working capital to be funded out of the proposed issue has been computed as follows

Working Capital		Base	
Raw Material, Stores, Packing Materials, etc.	45	DAYS	Cost of Raw Materials, Stores, etc. consumption
Work in Progress	45	DAYS	Cost of Production
Finished Goods	45	DAYS	Cost of Sales
Debtors	75	DAYS	Gross Sales
Creditors for Raw Materials, stores, packing materials, etc.	30	DAYS	Cost of Raw Materials, Stores, etc. consumption

(Rs in Lakhs)

Particulars	2006-07	2007-08
Raw Materials	878	1400
Work in progress	917	1463
Finished Goods	866	1381
Receivables – Local	150	350
Export	1214	1826
Other Current Assets	275	312
<b>TOTAL CURRENT ASSETS (A)</b>	<b>4300</b>	<b>6732</b>
<b>TOTAL CURRENT ASSETS (Excluding Export Receivables)</b>	<b>3086</b>	<b>4906</b>
Short Term Borrowings from others	Nil	Nil
Creditors	593	945
Other Current Liabilities	30	39
<b>TOTAL CURRENT LIABILITES (B)</b>	<b>623</b>	<b>984</b>
<b>Working Capital Gap</b>	<b>3677</b>	<b>5748</b>
<b>25% of Current Assets( Excluding Export Receivables)</b>		<b>455.00</b>

## SCHEDULE OF IMPLEMENTATION

The following schedule of implementation of the project was as per the Project Appraisal Report of SBH dated 16<sup>th</sup> May 2006

Activity	Commencement	Completion
Acquisition of Land	Already Purchased	-
Factory Building	July 2006	October 2006
Placement of orders for Plant & Machineries	June 2006	December 2006
Electrical Installation	November 2006	December 2006
Installation of Plant & Machineries	December 2006	June 2007
Commissioning & Trial Run	July 2007	July 2007
Commercial Production		August 2007

## REVISED SCHEDULE OF IMPLEMENTATION

The revised Schedule of implementation of the Project is as under:-

Activity	Commencement	Completion
Acquisition of Land	Already purchased	
Factory Building	May 2007	July 2007
Placement of orders for Plant & Machineries	May 2007	June 2007
Electrical Installation	July 2007	September 2007
Installation of Plant & Machineries	October 2007	December 2007
Commissioning & Trial Run	December 2007	January 2008
Commercial Production	-	February 2008

## FUNDS DEPLOYED

M/s R K Chaudhary and Associates, Chartered Accountants vide letter dated 5.03.2007 have given a Certificate detailing the funds deployed as on 28.02.07. The Company has already deployed Rs.259.14 Lakhs upto 28.02.2007 towards the proposed project as envisaged in the present issue. The details of funds already deployed are as under:

Particulars	Amount (Rs in Lakhs)
Purchase of Land (Plot no.1,2,3 & 15)	20.00
Site Development of plot no 15	1.50
Construction of factory Building at plot no 15	33.33
Purchased Plant & Machineries	169.48
Public Issue expenses	34.83
<b>Total</b>	<b>259.14</b>

## SOURCES OF FINANCING OF FUNDS ALREADY DEPLOYED

The Company has deployed Rs.259.14 Lakhs on the projects till 28.02.2007 M/s R K Chaudhary and Associates, Chartered Accountants vide letter dated 5.03.2007 have given a Certificate detailing the sources of financing.

Sr. No.	Particulars	Amount (Rs in Lakhs)
1	Loan sanctioned from SBH	112.54
2	Internal Accrual*	146.60
	<b>Total</b>	<b>259.14</b>



\*The Company has deployed the funds for proposed project through internal accruals but the same is envisaged after the disbursement of the Term Loan from the State Bank of Hyderabad.

#### DETAILS OF BALANCE FUND DEPLOYMENT

The balance amount of Rs 4555.86 Lakhs is proposed to be incurred by the Company in the fiscal 2007 and 2008. The quarter wise break-up of the fund deployment is as follows:

(Rs in Lakhs)

Description	Already Incurred	Fiscal 2006-2007	Fiscal 2007-2008				Total
		Jan – March	Apr – June	July – Sept	Oct – Dec	Jan – March	
Land	20.00	-	-	-	-	-	20.00
Site Development	1.50	-	3.50	-	-	-	5.00
Construction of Factory Building	33.33	-	98.72	21.00	-	-	153.05
Plant & Machinery	169.48	-	176.18	2,311.84	711.33	187.84	3,556.67
Balancing Equipments	-	-	-	-	66.00	-	66.00
Furniture & Fixtures	-	-	45.00	15.00	-	-	60.00
Office Equipments	-	-	-	10.00	-	-	10.00
Working Capital Margin	-	-	-	-	-	-	455.00
Preliminary & Pre-Operative Expenses	34.83	215.17	-	-	-	50.00	300.00
Contingencies	-	-	-	-	-	189.28	189.28
<b>TOTAL</b>	<b>259.14</b>	<b>215.17</b>	<b>323.40</b>	<b>2,357.84</b>	<b>777.33</b>	<b>427.12</b>	<b>4,815.00</b>

#### INTERIM USE OF FUNDS

Pending utilization of funds as stated above, the Company intends to keep the proceeds of the issue in fixed deposits with any of the Scheduled Commercial Bank for the necessary duration.

#### MONITORING OF UTILISATION OF FUNDS

The Board will monitor the utilization the proceeds of the issue. The Company has set up Audit Committee comprising of non executive and independent directors who have been entrusted with the responsibility of monitoring the use of issue proceeds. The Company will disclose the utilization of the proceeds of the issue under a separate head in the Balance Sheet clearly specifying the purpose for which such proceeds have been utilised. It shall also, in its Balance Sheet, provide details, if any, in relation to all such proceeds have not been utilised thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

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

## VI. BASIS FOR ISSUE PRICE

### Basic Terms of the Issue

The Equity shares proposed to be issued are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this Prospectus, application form and other documents /certificates that may be executed in respect of the issue. The Equity shares shall also be subjected 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 issue and to the extent applicable.

### Basis for Issue Price

Investors should read the following summary with Risk Factors included from vii to xvii and the details about the Company and its financial statements included in this Prospectus.

### QUALITATIVE FACTORS

1. Existing profit making Company.
2. The Company has order in hand to the tune of Rs. 30.62 crores as on 01.03.2007.
3. Company is managed by a team of professionally qualified people. All the three promoters are having hands on experience in the Forging industry.
4. A major portion of the turnover constitutes exports.
5. Company has obtained the following quality certificate :-
  - (i) TUV CERT/RWTUV certification for having established and maintained a quality system for manufacture and sale of closed die steel forgings, flanges and forged stub ends according to ISO 9001:2000 vide certification registration no. 0410021868.
  - (ii) TUV CERT/RWTUV Certification for Quality-System for Material Manufacture according to Directive 97/23/EG vide certification no. 04202 2 440 02 10024 for PED.
  - (iii) TUV CERT/RWTUV Certification for having provided verification of compliance with the conditions in accordance with AD-2000-MERKBLATT WO vides certification registration no. 04202 W1300200035 dated 22/08/2002.
6. The Company has received Certificate of Export Excellence Award for achieving highest export performance during 2003-04 amongst the SSI Exporters Steel Pipes, Tubes and Fitting and Export Gold Trophy received from Engineering Export Promotion Council for the year 2004-05.

### QUANTITATIVE FACTORS

The Partnership firm was constituted on 1<sup>st</sup> August 2003 and was converted into Public Limited Company under Part IX of the Companies Act, 1956 with effect from 21<sup>st</sup> July 2005. Hence in accordance with the SEBI requirement, the accounts of the erstwhile partnership firm for the year/period ended 20.07.2005, 31.03.2005, 31.03.2004 as revised or otherwise and the adequate disclosures are made in the financial statements as required to be made by the Companies as per Schedule VI of the Companies Act, 1956. The Accounts for the years ended 31.03.2006 includes operations of the erstwhile partnership firms upto 20.07.2005.

#### a. Earnings Per Share (Face value Rs. 10/- per share)

Year	EPS (Rs.)	Weights
8 months ended 31 <sup>st</sup> March 2004	1.47	1
12 months ended 31 <sup>st</sup> March 2005	7.54	2
12 months ended 31 <sup>st</sup> March 2006	6.82	3
<b>Weighted Average</b>	<b>6.17</b>	



The EPS of the first 9 months of the current financial year (annualised) for the period ended December 31, 2006 is Rs 7.18

**b. Price Earning Ratio (P/E Ratio) in relation to the Issue Price of Rs. 70 per share**

Issue Price of Rs. 70 per share		
(a)	Based EPS of 12 month ended 31 <sup>st</sup> March 2006	10.26
	P/E based on Weighted Average EPS	11.34
(b)	P/E multiple of Casting & Forgings	
	Highest	32.1
	Lowest	4.3
	Average	20.5

Source: Capital Market Volume XXI/ 26, dated Feb 26- Mar 11, 2007; Category – Castings & Forgings

**c. Return on Net Worth**

Year	RONW (%)	Weights
8 months ended 31 <sup>st</sup> March 2004	12.95	1
12 months ended 31 <sup>st</sup> March 2005	41.25	2
12 months ended 31 <sup>st</sup> March 2006	38.61	3
<b>Weighted Average</b>	<b>35.21</b>	

The Return on Net Worth for first 9 months of the current financial year (annualised) for the period ended December 31, 2006 is Rs. 35.88%

**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 material adjustments/regroupings pertaining to earlier years.

**d. Minimum Return on Total Networkth after Issue needed to maintain pre-issue EPS of Rs. 6.82 is 14.85%**

**e. Net Asset Value (NAV) per share (Rs.):**

As on 31 <sup>st</sup> March 2004 (8 months)	11.39
As on 31 <sup>st</sup> March 2005	18.28
As on 31 <sup>st</sup> March 2006	13.85
After Issue	39.12
Issue Price	70

The Net Asset Value for first 9 months of the current financial year (audited account) for the period ended December 31, 2006 is Rs. 19.91

**f. Comparison with Peer Group**

The company is in the business of forging products. The accounting ratio of companies in the industry Group (Castings & Forgings) is as follows:

Name of the company	EPS (Rs)	NAV (Rs)	P/E Ratio	RONW(%)
Hilton Metal Forging Limited (as on 31 <sup>st</sup> March 2006)	6.82	13.85	-	38.61
Bharat Forge	8.8	52.4	32.1	26.1
Shree Ganesh Forging Limited	3.6	23.0	8.9	24.2
Ramakrishna Forging Limited	5.7	39.7	20.1	15.9

Source: Capital Market Volume XX/ 26, dated Feb 26- Mar 11, 2007; Category: Castings & Forgings.

The Face value of shares is Rs.10/- per share and the issue price is 7 times of the face value





---

The Lead Managers believes that the Issue Price of Rs.70 is justified in view of the above qualitative and quantitative parameters. The investors may want to pursue the risk factors beginning from page no.viii of the Prospectus and the financials of the Company including important profitability and return ratios, as set out in the Auditors' Report beginning from page no. 86 of the Prospectus to have a more informed view of the investment proposition.



## VII. STATEMENT OF TAX BENEFITS

The Auditors of the company M/s R.K. Chaudhary & Associates, Chartered Accountants who vide their letter dated 31<sup>st</sup> July 2006 have stated the possible tax benefits available to Hilton Metal Forging Limited ("the Company") and its shareholders under the current tax laws presently in force in India. They have stated that several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

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

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

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

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will interalia be available to M/s Hilton Metal Forging Limited and its Shareholders.

### ANNEXURE TO THE CERTIFICATE DATED 31.07.2006

#### A. To the Company – Under the Income Tax Act, 1961

- By virtue of Section 10(34) of the Act, dividend income referred to in Section 115-O of the Act, are exempt from tax in the hands of the company.
- By virtue of section 10(38) of the Act, long term capital gains arising from the transfer of equity shares in a company or a unit of a equity oriented funds shall be exempt in the hands of the company provided that
  - a) the sale transaction is entered into on or after the provisions for Securities Transaction Tax (STT) come into force and
  - b) such transaction is chargeable to STT.

#### For this purpose equity oriented fund means a fund –

- a) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than 51% of the total proceeds of such funds; and
- b) which has set up under a scheme of Mutual Fund specified under Section 10 (23D)

Further, the percentage of the equity shareholding of such funds should be computed with reference to the annual average of the monthly averages of the opening and closing figures.

- The Company is entitled to claim deduction under Section 35AC in respect of amounts paid to a public sector company, local authority or to an approved association or institution, for carrying out any eligible project or scheme.
- In accordance with and subject to the provisions of Section 35DDA, the company is entitled to deduction of expenditure incurred by payment to an employee at the time of his voluntary retirement in five equal annual installments beginning from the year in which the expenditure is incurred.
- Under Section 48 of the Act, if any shares are sold by the company after being held for not less than twelve months the gains (in cases not covered under section 10(36) and 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.

- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) and 10(38) of the Act) arising on the transfer of shares by the company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by –
  - (1) National Bank for Agriculture and Rural Development establishment under section 3 of the National Bank for Agriculture and Rural Development Act, 1981.
  - (2) National Highway Authority of India Constituted under section 3 of the National Highway Authority of India Act, 1988;
  - (3) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
  - (4) National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987 and
  - (5) Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989;
- Under Section 54ED of the Act, and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) and 10(38) of the Act) on the transfer of listed securities 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.
- As per the provision of section 111A, short term capital gains arising on transfer of equity shares in the company or units of an equity oriented fund i.e. the equity shares/units are held for a period of less than twelve months, such that the sale transaction is entered on or after the date on which the STT provisions come into force and such transaction is chargeable to securities transaction tax, then tax on such short term capital gains would be payable @ 10% (plus surcharge and education cess).
- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under section 10(36) and 10(38) of the Act) arising on transfer of shares in the company, i.e. if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to section 48 (indexation not available if investments made in foreign currency as per the first proviso of Section 48) or at 10% (plus applicable surcharge and education cess) without indexation at the option of the Company.
- Under section 115JAA(2A) of the Act tax credit shall be allowed in respect of any tax paid (MAT) under section 115JB of the Act for any assessment year of commencing on or after 1<sup>st</sup> April, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act, such MAT credit shall not be available for set off beyond seven years immediately succeeding the year in which the MAT credit initially arose.

## **B. To the Members of the company – Under the Income Tax Act, 1961**

### **B.1 Resident Members**

- 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.
- Under section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64 (1A) of the Act, will be exempt from tax to the extent of Rs.1500 per minor child.
- By virtue of section 10(34) of the Act, dividend income referred to in section 115-O of the Act is exempt from tax in the hands of shareholders of the company.



- By virtue of section 10(38) of the Act, long term capital gain arising from the transfer of equity shares in a company shall be exempt in the hands of the company provided that –
  - (a) the sale transaction is entered into on or after the provisions of Securities Transaction Tax (STT) come into force and
  - (b) such transaction is chargeable to STT
- 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 cases not covered under section 10(36) and 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.
- Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) and 10(38) of the Act) arising on the transfer of shares by the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by –
  - (1) National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981.
  - (2) National Highway Authority of India constituted under Section 3 of the National Highway Authority of India Act, 1988;
  - (3) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.
  - (4) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987 and
  - (5) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989;
- Under Section 54ED of the Act, and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) and 10(38) of the Act) on the transfer of listed securities, will be exempt from capital gains tax, if the capital gain are invested in shares of an Indian Company forming part of 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 followings 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.
- As per the provision of Section 111A, short term capital gains arising on transfer of equity shares in the company or units of an equity oriented fund i.e. the equity shares/units are held for a period of less than twelve months, such that the sale transaction is entered on or after the date on which the STT provisions come into force and such transaction is chargeable to securities transaction tax, then tax on such short term capital gains would be payable @ 10% (plus surcharge and education cess).
- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under section 10(36) and 10(38) of the Act) arising on transfer of shares in the company, i.e. if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to section 48 (indexation not available if investments made in foreign currency as per the first proviso of Section 48) or at 10% (plus applicable surcharge and education cess) without indexation, at the option of the Company.

## **B.2. Non-Residents/Non-Residents Members (Other than FIIs and Foreign Venture Capital Investors)**

- Under section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs.1500 per minor child.
- By Virtue of Section 10(34) of the Act, dividend income referred to in Section 115-O of the Act is exempt from tax in the hands of the shareholders of the company.

- Under section 48 of the Act, if any shares are sold by the company after being held for not less than twelve months the gains (in cases not covered under section 10(36) and 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.
- Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) and 10(38) of the Act) arising on the transfer of shares by the company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by:
  - (1) National Bank for Agriculture and Rural Development established under section 3 of the National Bank for Agriculture and Rural Development Act, 1981.
  - (2) National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988;
  - (3) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.
  - (4) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987 and
  - (5) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989;
- Under Section 54ED of the Act, and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) and 10(38) of the Act) on the transfer of listed securities, will be exempt from capital gains tax, if the capital gain are invested in shares of an Indian Company forming part of 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 followings 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.
- Under section 54F of the Act long term capital gains (not covered under section 10(36) and 10(38) of the Act) on the transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two years after the date of which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- As per the provision of Section 111A, short term capital gains arising on transfer of equity shares in the company or units of an equity oriented fund i.e. the equity shares/units are held for a period of less than twelve months, such that the sale transaction is entered on or after the date on which the STT provisions come into force and such transaction is chargeable to securities transaction tax, then tax on such short term capital gains would be payable @ 10% (plus surcharge and education cess).
- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under section 10(36) and 10(38) of the Act) arising on transfer of shares in the company, i.e. if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to section 48 (indexation not available if investments made in foreign currency as per the first proviso of section 48) or at 10% (Plus applicable surcharge and education cess without indexation, at the option of the company).
- A non-resident Indian (i.e. an individual being a citizen of India or person of Indian origin) has an option to be governed by the provisions of Chapter XII-A of the Act viz. “Special Provisions relating to Certain Incomes of Non Residents.”
- Under Section 115E of the Act, where shares in the company are subscribed for in convertible Foreign Exchange by an Non Resident Indian, Capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under Sections 10(36) and 10(38) of the Act) be concessionally taxed at the flat rate of 10% (without indexation benefit but with protection against foreign exchange fluctuation) plus applicable surcharge and education cess.



- Under provisions of section 115F of the Act long term capital gains (not covered under Sections 10(36) and 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 shall be exempt from income tax, if the net consideration is invested 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 within three years from the date of their acquisition.
- 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 only source of income is 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

### **B.3. Foreign Institutional Investors (FIIs)**

- By Virtue of Section 10(34) of the Act, dividend income referred to in section 115-O of the Act is exempt from Tax in the hands of the shareholders of the Company.
- By Virtue of Section 10(38) of the Act, long term capital gain arising from the transfer of equity shares in a company shall be exempt in the hands of the company provided that –
  - (a) the sale transaction is entered into on or after the provisions of Securities Transaction Tax (STT) come into force and
  - (b) such transaction is chargeable to STT.
- Under Section 54 EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) and 10(38) of the Act,) arising on the transfer of shares by the Company will be exempt from Capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by-
  - (1) National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981.
  - (2) National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988;
  - (3) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.
  - (4) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987 and
  - (5) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989;
- Under Section 54ED of the Act, and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) and 10(38) of the Act) on the transfer of listed securities, 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 followings 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.
- The Income by way of short term capital gains or long term capital gains (not covered under Section 10(36) and 10(38) of the Act) realized by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the Act –
  - Short term capital gains – 30% (plus applicable surcharge and education cess) without cost indexation and protection against foreign exchange fluctuation)

- Short term capital gains (referred to in Section 111A of the Act) – 10% (plus applicable surcharge and education cess) without cost indexation and protection against foreign exchange fluctuation)
- Long term capital gains – 10% (plus applicable surcharge and education cess) (without cost indexation and protection against foreign exchange fluctuation)

(shares held in a company would be consideration as a long term capital asset provided they are held for a period exceeding 12 months).

#### **B.4. Venture Capital Companies/Funds**

- In terms of Section 10 (23FB) of the Act all Venture capital companies/funds/undertaking 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 Income from Dividend.

#### **BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957**

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares of the Company held by the shareholders would not be liable to wealth tax.

#### **BENEFITS AVAILABLE UNDER THE GIFT-TAX ACT**

Gift tax is not leviable in respect of any gifts made on or after 1 October, 1998. Therefore, any gift of shares of the Company will not attract Gift tax.

#### **Notes:**

- The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares;
- The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws;
- 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, 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;
- 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 Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and
- The stated benefits will be available only to the sole/first named holder in case the shares are held by joint shareholders.





---

## SECTION IV: ABOUT HILTON METAL FORGING LIMITED

### I. INDUSTRY OVERVIEW

The Indian Forging Industry has emerged as a major contributor to the manufacturing sector of the Indian Economy.

Briefly, the composition of the Indian forging industry can be categorized into four sectors - large, medium, small and tiny. As is the case world over, a major portion of this industry is made up of small and medium units/enterprises (SMEs).

Only about 5% is made up by the large enterprises in terms of number. Out of the 330 odd units the large sector consists of about 9-10 units, the medium and small sectors consists of about 100 units and under the tiny sector, the units functioning are far too many and the number is difficult to estimate.

The industry was previously more labour intensive (it is estimated that this industry provides direct employment to about 38000 people), but now with increasing globalization it is becoming more capital intensive. The total investment in the large and medium sectors is estimated to be around US\$600 million. The small scale units too are increasing their capital investment to keep pace with the increasing demand especially in the global markets as also broadening the areas of demand for forgings. Many of them are now suppliers to Original Equipment Manufacturers (OEMs) in the automobile sector also, which speaks volumes about efforts at technology and quality upgradation.

*(Source: - [www.indianforging.org](http://www.indianforging.org) as viewed on 3.03.2007 )*

### DOMESTIC AND EXPORT PERFORMANCE OF THE INDIAN FORGING INDUSTRY DURING THE YEAR 2005-06

The year 2005-06 (April-March) was a good year for the Forging industry. The revival which started in October 2002 picked up momentum since last couple of years. Overall production of forgings increased by about 27% to reach about 9, 29,000 tonnes in the year. Capacity utilization also improved considerably from 40-50 percent in earlier years to 85 per cent of the additional capacity added during the last two years (1.5 Million approx) inclusive of overseas acquisitions. This was largely due to the revival in demand from the automotive sector and particularly the passenger car segment which recorded an excellent performance in both in the domestic market and exports.

While the automotive industry is the main customer for forgings, the industry's continuous efforts in upgrading technologies and diversifying product range have enabled it to expand its base of customers to foreign markets. The Indian forging industry is increasingly addressing opportunities arising out of the growing trend among global automotive OEMs to outsource components from manufacturers in low-cost countries. As a result, Indian forging industry has been making significant contributions to country's growing exports.

The industry's exports recorded a growth of almost 27% in 2005-06 and have reached a level of US\$ 310 million. Technological developments have also contributed to export growth. The industry's major markets are USA, Europe and China. However, only about 30-35 manufacturing units are currently directly engaged in exports. Efforts of AIFI are to attract more manufacturing units to export. This is being done through increased facilitation by way of organizing Training Sessions, Workshops, Trade Fairs Exhibitions, and Buyer-Seller Meets etc. The technology gap is therefore, being sought to be bridged so that companies are prepared to face challenges of global markets.

Inorganic growth is another strategy being used by Indian companies to expand their global footprint and establish a global presence in some of the world's largest markets. In the past two years companies like Bharat Forge (India's Number 1 forging company, Sundaram Fasteners Ltd.(SFL), Amtek Group, EL Forge Ltd acquired Forging Companies in Europe, USA, China etc. It is expected that Indian companies will continue to aggressively pursue inorganic growth opportunities in future.

On the domestic front too many Indian forging companies (most of whom are AIFI members) have posted excellent results in 2005-06.

Many large and medium forging companies also took important initiatives in capacity expansion, modernization, cost rationalization etc. Notwithstanding this, the industry had also to contend with its share of problems. It had to bear the brunt of acute shortages and steep and frequent increases in the cost of major inputs like power and fuel, forging quality steel etc. For a major part of the year, the industry has grappled with this issue and managed to keep floating under these adverse circumstances.

User industries are also reluctant to increase prices across the board. The industry is not fully compensated for increase in conversion cost on account of steep increases in power, fuel etc.

In addition, increasing cost of other inputs like petroleum products, power, implementation of stringent environment pollution norms etc., are challenges that the industry had to face.

*(Source: - [www.indianforging.org](http://www.indianforging.org) as viewed on 3.03.2007)*

## **MAJOR CHALLENGES / KEY ISSUES**

Major challenges on domestic and export fronts that the forging industry is facing are as follows.

### **Domestic:**

- Volatile international and domestic prices of forging quality steel
  - Inefficient economies of scale.
  - Compliance with stringent environment norms.
  - Inadequate backward/forward linkages.
  - Difficulties associated with consolidation of capacities.
- Availability of trained man power at shop floor and managerial level.
- High attrition rate, especially at the senior management level.

### **Exports:**

- Impact of the volatile foreign exchange rates.
- Reluctance of the overseas buyers to compensate for the increased in put cost in India which were around 1 to 1.5 times more than international prices.
- Inadequate investment in technology upgradation.
- inadequate R&D and training for coping with the demands of the export market.
- Inadequate testing and validation facilities for smaller forging companies.
- Inadequate overseas marketing support facilities.
- Cost competitiveness adversely affected due to constant cost escalation.



## Indian Forging Industry - 2005-2006 (Statistics)

<b>NUMBER OF UNITS</b>	330
<b>INVESTMENT</b>	US \$700 million approx
<b>EMPLOYMENT</b>	38,000
<b>CAPACITY</b>	1.5 Million M Tonnes / year*
<b>PRODUCTION (in '000 tonnes)</b>	1996 - 1997 - 476
	1997 - 1998 - 465
	1998 - 1999 - 441
	1999 - 2000 - 497
	2000 - 2001 - 435
	2001 - 2002 - 382
	2002 - 2003 - 440
	2003 - 2004 - 600
	2004 - 2005 - 732
	2005 - 2006 - 929**
<b>EXPORT (Amount in US \$)</b>	1996 - 1997 - 50
	1997 - 1998 - 55
	1998 - 1999 - 61
	1999 - 2000 - 80
	2000 - 2001 - 90
	2001 - 2002 - 110
	2002 - 2003 - 145
	2003 - 2004 - 178
	2004 - 2005 - 250
	2005 - 2006 - 310**
<b>EQUIPMENT'S INSTALLED</b>	Close Die Hammers (upto 16 T),
	Presses (upto 16,000 T),
	Up setters (upto 20 cms)
	Open Die Presses (upto 3000 T)
<b>PRODUCTION RANGE</b>	Close Die Forgings (upto 600 kg.)
	Open Die Forgings (upto 13,000 kg.)
	Upset Forgings (Upto 260 mm dia.)
	Ring rolling (upto 3 mtr.)
	Disc & Tube Sheets (upto 3 T SP)
<b>CAPABILITY</b>	Closed Forging, Open Forging, Upset Forging, Cold Forging, Roll Forging, Warm Forging, Ring Rolling, Machining, Shell Forging, Axial Close Die Forging
<b>MATERIALS HANDLED</b>	Alloy Steel, Carbon Steel, Stainless Steel, Special Steel, Aluminiums, Non-ferrous, Titanium, Super Alloy.

\* Excluding captive and tiny units

\*\* Closely estimated

(Source: - [www.indianforging.org](http://www.indianforging.org) as viewed on 3.03. 2007)

---

## OUTLOOK

Changes in existing major markets (such as automotive, aerospace, power generation, railroad, marine, construction and off-highway, industrial, etc.) will significantly affect customer demand and opportunity for use of forgings. The forging industry's future success will be shaped by the kinds of products its customers will be producing and the metal components that will be required.

The trend toward globalization of the marketplace will continue to escalate, resulting in competitive challenges and market opportunities. As a whole, the industry must identify and evaluate the variables and indicators that will allow it to make realistic projections for the use of forgings. This process must accurately identify and assess:

- existing customers whose future needs will offer increased opportunities for the forging industry, as well as those whose demand for forgings will decrease;
- new target products and markets for forgings;
- new or improved services that add to the value of forgings for the customer;
- existing competitive materials (metal matrix composites, ceramics, plastics)
- existing competitive processes (powder metallurgy, casting, stamping, fabricating)
- emerging technologies, such as semi-solid forming
- Competitive global market opportunities.

Many new opportunities is expected from the car and vehicle utility segments as more foreign manufacturers are eyeing India as the low cost international hub for some of their operations. The outsourcing by Global-OEMs will definitely spurt the demand for auto parts in India. The reduction in excise duty on small cars cut to 16% from 24% in Budget 2006, will provide a kicker to the domestic passenger car industry, thereby increasing the demand for auto forged components. Further greater thrust on farm sector by providing easy credit will trigger demand from tractor manufacturing companies. Government focus on farm reforms by bringing more land under irrigation will also augment the demand for the industry. The reduction in duty on alloy steel, and primary and secondary non-ferrous metals from 10% to 7.5% and ferro-alloys at 7.5% will make industry more cost competitive in global market. Thrust on infrastructure projects such as roads, ports, airports, power, etc will also benefit the forging industry as a supplier of components to Engineering and capital good industry. Continued focus on the oil and gas sector particularly on the exploration, refining and pipeline distribution augurs well for forging industry supplying valve and fitting.

However, Sustained rise in steel prices, high and rising crude oil prices and adverse forex fluctuations have the potential to dampen the industry's margins. Likewise, the growth in demand for auto industry will be impacted, if rural incomes do not improve. Also, the surge in crude oil prices may also dampen the global auto industry. Nevertheless, efficient and improving cost profile, enhanced capacities bringing in scale benefits and superior product development skills will keep atleast the front line players at an accelerated momentum both in terms of growth in turnover and profitability.

(Source: [www.indianforging.org](http://www.indianforging.org))



## II. BUSINESS OVERVIEW

### Brief Overview

The Promoter of the Company Mr. Yuvraj Malhotra has started the business by setting up a proprietorship firm on 13<sup>th</sup> September 1997 with the object of Export of pipe fittings i.e, Manufacturers of Stainless Steel products as Merchant Exporter. The Firm started its activities by effecting its first shipment in the year January 1998 for Rs. 7.45 Lakhs by outsourcing the forging components and continued its operations by setting up small machining division on lease basis at Vasai Industrial Estate till 1999. The Firm was registered as a Small Scale Industrial unit in the year 1999 and it started manufacturing Pipe fitting items like Stainless Steel Flanges & Stub Ends in size ranging from ½" to 10". On 1<sup>st</sup> August 2003 a Partnership Firm was formed under the name "M/s Hilton Forge" who took over the business of the proprietorship firm. Further, the partnership firm was converted into a Public Limited Company under the name Hilton Metal Forging Limited on 21<sup>st</sup> July 2005 under Part IX of Companies Act, 1956.

### PRESENT BUSINESS OF THE COMPANY

HMFL has a total installed capacity of 11,100 MT per annum and can execute orders for a wide range of forging items weighing from 0.5 kg (1.10 lbs) to 750 kg (1650 lbs). for the oil and gas sector, petrochemical, pharmaceutical, automobile industries and is entering into the field of other Original Equipment Manufacturers (OEMs).

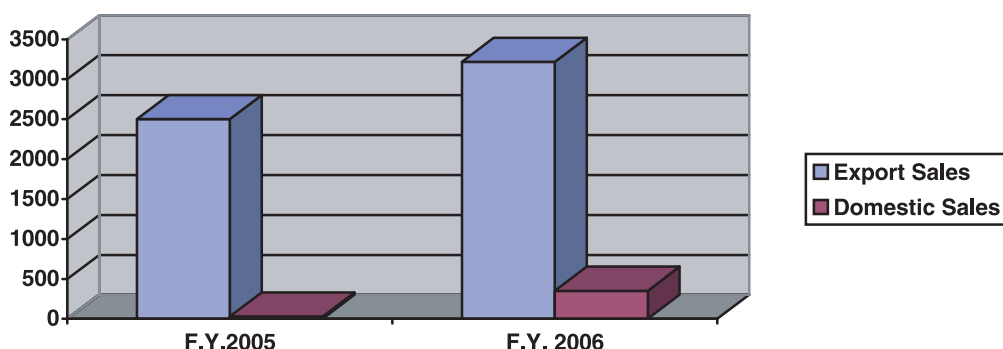
### SALES OF EXPORT & DOMESTIC SEGMENT

(Rs. in Lakhs)

Particulars	F.Y.2005	F.Y.2006
Export Sales	2501.19	3219.51
Domestic Sales	0.92	249.50

The Country wise exports sales for the year ended March 2005 and March 2006 are as follows:-

Country	2004-05 (Rs. in lakhs)	%	2005-06 (Rs. in lakhs)	%
Australia	-	-	57.18	1.78
Canada	25.49	1.02	205.74	6.39
Dubai	-	-	1.63	0.05
Germany	565.77	22.62	1063.43	32.93
Belgium	-	-	199.2	6.17
Italy	27.56	1.10	38.5	1.19
Israel	64.37	2.57	-	-
Korea	123.53	4.94	31.35	0.97
Spain	76.87	3.07		
Netherlands	428.57	17.13	606.13	18.83
Turkey	-	-	62.30	1.94
U.A.E	12.63	0.50	43.99	1.36
U.K	985.75	39.41	549.14	17.31
U.S.A.	190.65	7.62	360.92	11.17
<b>Total</b>	<b>2501.19</b>	<b>100</b>	<b>3219.51</b>	<b>100</b>



## SWOT ANALYSIS

As per the Appraisal Report of State Bank of Hyderabad, following is the SWOT Analysis

### STRENGTHS

- Existing Profit making company with experienced Promoters who have an understanding of the Forging industry.
- Established business relationships with leading buyers from Europe and U.S.A
- Large manufacturing capacity with most modern infrastructure facilities for economic scale of operations.
- Catering 95% to Oil and Gas sectors which is most profitable as compare to automobile sectors.
- Certifications are very critical to the industry as very high pressures are to be handled by flanges. Apart from ISO certifications, the company has received certifications from respective standardization agencies of various countries like U.K., U.S.A., Holland and Canada. This has increased acceptability of its products and company has become an "Assured Supplier" to various reputed distributors and original equipment manufacturers.
- The Promoters are experienced in the forgings business and have achieved major milestones and are operating in a niche market catering mainly to the Oil and Gas sectors. They enjoy good reputation with their suppliers as well as their buyer. Company has recently received award for excellence from EEPC for the year 2005.
- The company is one of the two Indian Forging Companies have US approval for 0.89% import duty as against anti dumping duty of 160% imposed on other units. This has opened a very big market for the company.

### WEAKNESS

- The company has not placed firm orders for the machineries to be purchased. Any delay in procuring the machineries can lead to delay in implementation of the project resulting in cost overrun.
- Some of Machineries are imported; any fluctuation in foreign exchange will adversely affect the Cost of Project.
- The prices of the major raw materials for the manufacture of stainless steel subends, forged rings, bonnets, gears, crankshafts, crown wheels etc are susceptible to volatility. Since, these are the main raw material for the Company to manufacture the forgings and other auto components, its own cost will be affected likewise, which may bring about uncertainty in the profitability of the Company.
- Both the plants of the Company are located in Wada, Thane. As a result if there is any localized social unrest, natural disaster or breakdown of services and utilities, it may affect the business of the Company. In addition, continuous addition of industries in and around Wada without commensurate growth of its infrastructure facilities is putting a pressure on the existing infrastructure at Thane, which may affect the business of the Company.
- Technology plays vital role in the forging industry. Failure or inability to incorporate any charge in technology might place competitors at an advantage in terms of costs, efficiency and timely delivery of the final products.
- There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and the deregulation. The rate of economic liberalization could change, and specific laws and policies affecting investment in securities could change as



well. A significant change in India's economic liberalization and deregulation policies could disrupt the Company's business and economic conditions in India.

- Company operates in globally competitive environment, which may force to reduce the price of the products and will have an effect on margins.
- A major part of the revenues of the Company are derived from exports. Fluctuation in the exchange rates may affect the profitability of the Company.
- The Company has to depend on orders from developing countries, and these countries have wider opportunities to procure from competitive countries such as China and Japan.

#### OPPORTUNITIES

- Since the company intend to expand for Oil and Gas sector, the demand for these sectors are rapidly increasing in developed countries such as Netherlands, U.K., Canada, U.S.A. and Germany, therefore the company's product will have greater demand world wide.
- The Company is multi product segment and it is not depending on few products therefore the companies have opportunity for continuous growth.

#### THREATS

- Any change in Government policies and regulations can effect the Company's operations.

#### LOCATION OF THE PROJECT

The Company proposes to set up facilities at plot no 1, 2, 3 & 15, Village: Ghonsai, Taluka Wada, Dist. Thane, Mumbai. The existing plant is situated at plot no 21, 25, 2, 28, 29 & 30, Village: Ghonsai, Taluka Wada, Dist: Thane, Mumbai.

#### PLANT, MACHINERY, TECHNOLOGY, PROCESS ETC.

##### PLANT AND MACHINERIES

The Company proposes to acquire the Plant & Machineries aggregating to Rs 3556.67 Lakhs, out of which Plant & Machineries aggregating Rs. 620.17.Lakhs is imported and the balance Plant & Machineries aggregating Rs 2936.37 Lakhs is indigenous

##### IMPORTED MACHINERY

The following are the Machineries for which orders have not been placed but quotations have been received:-

Machinery	Quantity	Supplier's Name	Quotation No.	Date	Amount (US \$ in Thousand)	Amount (Rs in Lakhs)
4000 MT Forging Press	1	Dalal Machine Tools Agency Pvt Ltd	KA 8546/02.07	22.02.2007	585.00	381.44
Bandsaw Machine – 250 mm	8	Amada Cutting Co. Ltd.	No.07-22401	24.02.2007	136.00	85.74
<b>TOTAL</b>					<b>721.00</b>	<b>467.18</b>

The following is the Machinery for which orders have been placed and quotations have been received:-

Machinery	Quantity	Supplier's Name	Quotation No.	Date	Amount (US \$ in Thousand)	Amount (Rs in Lakhs)
Vertical Machining Center 2x2x1 mtr	1	Electronica Machine Tools	HMFL 10/FA-09	08.02.2007	173.00	106.89
<b>TOTAL</b>					<b>173.00</b>	<b>106.89</b>



**Note:**

The Company estimated Conversion Rate of 1 USD Dollar = Rs 45/-.

The above amount inclusive of Custom Duty @ 37.3% and VAT @ 12.5% and Freight and other levies.

The following is the Machinery, which is already purchased: -

(Rs. in Lakhs)

Machinery	Quantity	Supplier's Name	Invoice No.	Date	Amount
Band saw Machine 250MM	2	AMADA Co. Ltd.	1936	20.12.2006	15.42
Band saw Machine 250MM	2	AMADA Co. Ltd.	2007	06.02.2007	15.38
Band saw Machine 250MM	2	Bala Enterprises Pte Ltd	200605047	01.09.2006	15.30
<b>TOTAL</b>					<b>46.10</b>

**Note:**

The Company estimated Conversion Rate of 1 USD Dollar = Rs 45/-.

The above amount inclusive of Custom Duty @ 37.3% and VAT @ 12.5% and Freight and other levies.

**INDIGENOUS MACHINERY**

The following is the Machinery, which is already purchased: -

(Rs. in Lakhs)

Machinery	Quantity	Supplier's Name	Invoice No.	Date	Amount
Vertical Machine Centre	1	TAL Manufacturing Solutions Ltd	7300001652	29.03.2006	23.23
Band shaw Machine 250MM	1	SKM Steels Ltd.	283	30-06-2006	8.69
Oil fired Continuous Heat Treatment Plant	1	Himalaya Trading Co.	1,3,6,14	06.04.2006	39.08
3 MT Drop Forging Hammer	1	N.K.Forging & Rolling	84	22.12.2006	48.99
Electrification like cable, transformer & fedder		S.R. Electricals	SRE/HFL/Qtn/01/06-07/R0		1.74
MSEB Security deposit 2500 KVA & Installation		S.R. Electricals	SRE/HFL/Qtn/01/06-07/R0		1.65
				<b>TOTAL</b>	<b>123.38</b>

**SECOND HAND MACHINERY**

The following is the Second Hand Machinery for which orders have not been placed but quotations have been received:-

(Rs in Lakhs)

Machinery	Quantity	Year of Manufacturing	Balance Estimated Life	Supplier's Name	Quotation No.	Date	Amount
2 Mt.Ring Rolling Machine	1	1996	20 years	USAV Forging Pvt. Ltd.	UFL/06-07/MACH/SALE	20.02.2007	714.25

**Note :** The Company has received Technical Report from P Venugopalan , Chartered Engineer BE, MIE, E-1/5, Jainidhi CHS Ltd, Bangurnagar, Goregoan (W), Mumbai-40090 vide letter dated 1<sup>st</sup> August 2006



## NEW MACHINERY

The following are the Machineries for which orders have not been placed but quotations have been received:-

(Rs in Lakhs)

Machinery	Quantity	Supplier's Name	Quotation No.	Date	Amount
300 MT Trimming Press	1	NKH International Pvt. Ltd	NIL	22.02.2007	11.85
500 MT Trimming Press	1	NKH International Pvt. Ltd	NIL	22.02.2007	26.13
Plano Miller 12' Bed	1	Pritam Machine Tools	PMT:SL/662/06-07	23.02.2007	17.54
Lathe Machine 12' badx15' center ht.	10	Pritam Machine Tools	PMT:SL:661/06	23.02.2007	42.94
Lathe Machine 8' badx24"center ht.	30	Pritam Machine Tools	PMT:SL:661/06	23.02.2007	59.81
CNC Turning Machine - LMW	25	LMW Machine Tool Division	MTD/LMW/VK/2K6/252	14.02.2007	713.15
Machinery	Quantity	Supplier's Name	Quotation No.	Date	Amount
CNC Turning Machine - ACE	15	ACE Designers Ltd.	PI/0322	17.02.2007	378.45
CNC Turning Machine - JYOTI	15	Jyoti CNC Automation Pvt. Ltd.	JCAPL/QUT/06-07/02-883	10.02.2007	400.22
Pusher Furnace - 2 Mt per hour	2	Encon Furnaces (P) Ltd.	EF/BO/191/2007	19.02.2007	53.06
Air Compressor - 1000 cfm	4	Techno Power Products	TPP/345/06-07	12.02.2007	100.75
Oil Fired Continuous Heat treatment Plant	2	Encon Furnaces Pvt. Ltd.	EF/BO/191/2007	19.02.2007	32.84
Air Compressor - 500 cfm	1	Techno Power Products	TPP/345/06-07	12.02.2007	13.74
Air Tank Receiver Fittings with Acc & valves		Techno Power Products	TPP/346-348/06-07	12.02.2007	30.22
Electrual Vertical Panel for Ind. Motor	5	Techno Power Products	TPP/344/06-07	12.02.2007	6.68
Electrification like Cable, transformer & Fedder	Lump sum	S.R. Electricals	SRE/HFL/Qtn/01/06-07/R0		198.01
MSEB Security deposit 2500 KVA & Installation		S.R. Electricals	SRE/HFL/Qtn/01/06-07/R0		13.35
<b>TOTAL</b>					<b>2098.74</b>

**Note:** The above amount inclusive of VAT @ 12.5%, Freight and other levies.

## SUMMARY:

(Rs in lakhs)

Sr. No	Particulars	P.O. Price / Quotation Price / Budgeted Price
1	Machinery already purchased	169.48
2	Second Hand Machinery for which orders have not been placed but quotations have been received	714.25
3	Machineries for which orders have not been placed but quotations have been received	2565.92
4	Machineries for which orders have been placed and also quotations have been received	106.89
	<b>Total</b>	<b>3556.67</b>

## EQUIPMENT FOR DIE SHOP, TOOL ROOM AND LABORATORY

The Company has estimated Rs 66 lakhs for equipments for die shop, tool room and Laboratory. The Company has not placed any order nor has received any quotations for the equipments:-

Sr. No.	Description	Qty.	Rate (p.u) (Rs. In Lakhs)	Amount
<b>I</b>	<b>Tool Room</b>			
1	Drilling Machine	1	2.50	2.50
2	Lathe Machine	1	1.50	1.50
3	Grinder	4	0.25	1.00
4	Shaper	1	1.75	1.75
5	Measuring Instrument	1	1.00	1.00
	<b>Total (I)</b>			<b>7.75</b>
<b>II</b>	<b>Overhead Cranes</b>			
	Capacity			
1	10 Tons	1	15.00	15.00
2	5 Tons	1	7.00	7.00
	<b>Total (II)</b>			<b>22.00</b>
<b>III</b>	<b>Lab Equipments</b>			
1	Universal Testing Machine	1	3.50	3.50
2	Microscope	1	0.25	0.25
3	Heat Analysis Apparatus	1	1.75	1.75
4	Impact Testing Machine	1	1.00	1.00
5	Physical Balance	1	0.10	0.10
6	Spectro Meter	1	29.65	29.65
	<b>Total (III)</b>			<b>36.25</b>
	<b>Total (I+II+III)</b>			<b>66.00</b>

## TECHNOLOGY

Company had decided to increase the production capacities by bringing in automation with latest technology.

### 1. CUTTING

The Company has installed 12 Nos. Bi-Metallic Automatic machine to cut Stainless Steel Billets not only in shorter time but also with consistency in weight. This reduces the cut loss and weight loss of the forging products.

### 2. FORGING

The Company has installed a 2-Ton Automatic Hammer to make flanges upto 8" in size . The Company has also installed additional higher capacity 16 Ton Russian Hammer to produce flanges in house upto 24" in size. This is the maximum capacity hammer available in India and has capacity to produce all types of closed die forgings up to 750 kgs per piece. With this addition of hammer, Company is planning to diversify its products substantially in Oil and Gas industries for supply of high-pressure Valve bodies, bonnets and products for head casings. With the addition of this high capacity hammer, the Company has reduced the cost of production, inventories and transportation and above all shall be able to meet the timely deliveries. The Company is well equipped with forging capacity up to size 750 kgs. The Company has installed fully automatic CNC machine to increase the production capacity with consistent quality. The Company has 13= nos. CNC machines and capacity to machine flanges upto 16" size. Machined flanges on CNC machines have been very well acceptable in the US market.



### **3. DRILLING**

The Company has installed VMC (Vertical Machining Centre) machine to make holes in the flanges. This has helped in reducing the production time significantly, thereby reducing the cost of production and various other expenses like Zings & Fixtures, which are mainly required on these machines to drill the flanges .

### **4. PACKING**

Company is strictly following the packaging instruction as per international standard norms. It helps the customers to load and unload the pallots according to their requirement

### **5. QUALITY CONTROL AND INSPECTION**

HMFL has complete in-house quality control and inspection facilities. It has all the required equipments to check forging , on various parameters including physical, chemical and impact tests, which ensure delivery of quality products.

## **MANUFACTURING PROCESS**

### **CUTTING PROCESS**

The Raw material which is in shape of bars/rods/ingots is being subject to the cutting process with diameter ranging from 25 mm to 280 mm and length ranging up to 18 inches. This cutting process is being done by Band Saw, Hacksaw and shear machine. The length and diameter of the material to be cut depends on components of the forgings to be manufactured and in accordance with the drawing provided by the design departments.

### **FORGING PROCESS**

Forging changes the size and shape, but not the volume, of a part. The change is made by force applied to the material so that it stretches beyond the yield point. The force must be strong enough to make the material deform. The yield point is reached when the material will reform into a new shape. The point at which the material would be gets destroyed is called the fracture point. In forging, a block of metal is deformed under impact or pressure to form the desired shape. Most metals are hot forged; for example, steel is forged at temperatures between 2,100°F and 2,300°F (1,150°C to 1,260°C).

### **DIE FORGING**

Open and closed die operations can be used in forging. In open-die forging, the dies are either flat or rounded. Large forgings can be formed by successive applications of force on different parts of the material. Hydraulic presses and forging machines are both employed in closed die forging. In closed-die forging, the metal is trapped in recessed impressions, which are machined into the top and bottom dies. As the dies press together, the material is forced to fill the impressions. Flash, or excess metal, is squeezed out between the dies. Closed-die forging can produce parts with more complex shapes than open-die forging. Die forging is the best method, as far as tolerances that can be met and also results in a finished part that is completely filled out and is produced with the least amount of flashing. The final shape and the improvement in metallurgical properties are dependent on the skill of the operator. Closer dimensional tolerances can be held with closed die forgings than with open die forgings and the operator requires less skill. During forging, the structure of the metal changes in two diametrically opposite directions, and becomes fibrous. The grains of steel are drawn out in the direction in which the metal flows and changes from a coarse-grained to a fine-grained structure. The formation of new grain structure is called recrystallisation. This occurs at fairly high temperatures for steel. Also, higher the forging temperature, greater will be the growth of these grains. Consequently, steel should be completed at temperatures, which foster recrystallisation and should be completed at temperatures at which grain growth no longer occurs. This will ensure fine-grained forgings, possessing good mechanical properties.

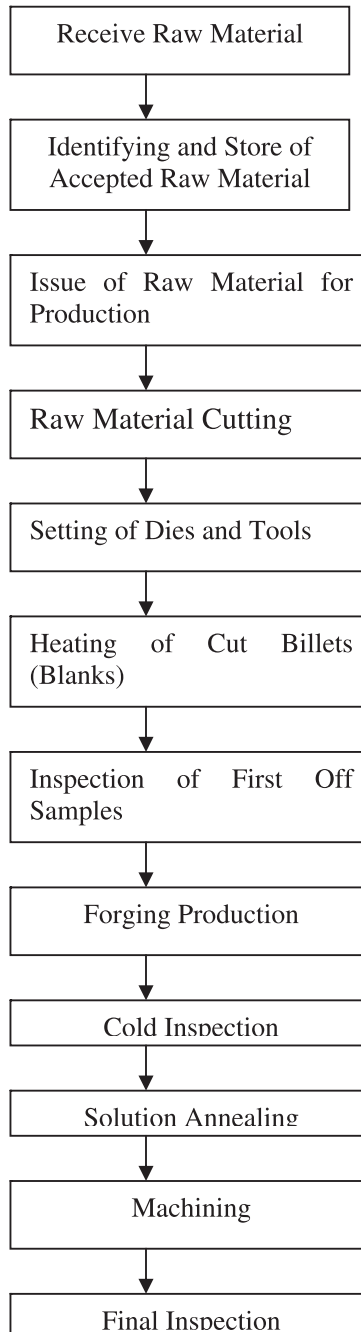
### **HEAT TREATMENT PROCESS**

Materials can be improved before or after manufacturing by different heat treatment processes. Forging is usually performed to hot metals, allowing for smoother flow and easier deformation. Steel is heated to varying temperatures, usually between 1700°F to 2000°F but can reach as high as 2400°F, depending on the carbon content and customer's requirement. Depending on the amount of work required to the piece, it may be necessary to reheat the piece one or more times. The temperature of the metal when completely forged is called the finishing temperature. After forging, the material must be cooled uniformly and protected from moisture or cold air.

- 
- (1) **Preheating:** Preheating of materials is done to help prevent cracking or distortion of the material. This is done by placing the metal in a series of furnaces of increasing temperatures instead of throwing it directly into the furnace used to heat the metal for forging, annealing, normalizing or hardening. Another way to achieve this is to start in a cold furnace and slowly bring it to temperature.
  - (2) **Annealing:** Annealing should follow forging as soon as possible whenever machining is required. Annealing is the heating and then cooling of metal to make the metal less brittle, or more malleable and ductile. This will soften the steel that was previously hardened and reduce internal stresses. Annealing is done by heating the metal to a temperature beyond the critical temperature and holding it there for a period of time. The metal is then cooled with the furnace and not removed until the furnace is cold. It can also be cooled to a temperature within the furnace that is known to be below the lower critical temperature, at which the annealing is complete.
  - (3) **Normalizing:** Normalizing is done to improve the crystalline structure of the steel, thus obtaining superior properties. Heating the forged part just beyond the critical temperature and then allowing it to air-cool completes normalizing. This allows the grain-size to be refined and, if not held at that temperature too long, will result in a newly formed crystalline structure. The internal stresses, if any, will be relieved, hardened steels will be softened, overheated steels will have a more favorable, normal fine-grained structure, and structural distortion will be removed.



(4) **Hardening:** Hardening of steels can also be done after forging. The work piece is heated slowly, to obtain the



finest grain-sizes, to its hardening temperature - much higher than annealing temperatures. The metal is kept at this temperature only until uniform heat distribution and completion of the thermal transformation. Prolonged exposure at these elevated temperatures will result in increased grain growth and surface decarburization, if no protection from oxidation is provided. Oxidation can be avoided by surrounding the metal with some material that will use up the oxygen that is present in the furnace. Once the metal has been uniformly heated to temperature, it is removed from the furnace and placed directly into a quenching tank. This rapidly cools the metal and the metal retains its new qualities.

## **MACHINING**

The forged parts require machining in accordance with the requirement of the customers. CNC machines do machining before the components are delivered. After heat treatment, the rough forged products are machined by means of chipping Removal machines, lathes and CNC machines. After Machining goods are dispatched.

## **MANUFACTURING PROCESS CHART**

## **COLLABORATIONS/JOINT VENTURES**

The Company has not entered into any foreign collaboration or Indian collaboration for technical know-how.

## **INFRASTRUCTURE FACILITIES**

## **RAW MATERIAL**

The quality of forged products depends on the quality of the steel used as raw material. Steel has been and is the key input metal for the Company. Since most of the forged products form critical parts of the oil and gas components, quality of steel is of paramount importance to the Company and also to its clients. Most of the customers inspect and approve the quality of steel we procure. Also in terms of the percentage of the total cost of input, steel is the major raw material for the Company.

For the production of 1 ton of finished product the raw material required is around 1.5 ton to 1.75 ton. Depending on the finished product, the Company requires stainless steel or Carbon or alloy. The Company is procuring its raw materials from the following vendors for existing requirement:

- a) Ambica Steel Limited
- b) Ferro Alloys Corporation Limited
- c) ISI Bars Limited
- d) Remi Gujarat Limited
- e) Parerhat Steel Limited

For the proposed project, the raw material is steel. The Company will be procuring its raw materials from the existing suppliers. The Company is not finding any difficulty to get the raw materials, as it is easily available in the market.

## **POWER**

Presently, the Company has a MSEDCL connection load for 1910 KVA out of which maximum of 999KW has been used till date. For proposed project, the Company has initially applied for 150 KVA which got sanctioned vide letter no. 02915/SC/VC/Tec/Con dated 28<sup>th</sup> June 2006 and has further applied for 1850 KVA vide letter dated 1<sup>st</sup> September 2006.

	<b>EXISTING</b>	<b>PROPOSED</b>	<b>TOTAL</b>
<b>Own Generation</b>	Nil	Nil	Nil
Stand By Arrangements	Nil	Nil	Nil
Maharashtra State Electricity Distribution Company Ltd			
Total Connected Load (KVA)	1910	2000	3910
Maximum Demand (KW)	999	Nil	955



## WATER

The total water requirement for the plant is 10,000 liters per day. Water requirement is met through existing bore wells within the plant boundary.

	EXISTING	PROPOSED	TOTAL
Circulating	10, 000 Liters	30,000 Liters	40,000 Liters
Drinking	3000 Liters	5000 Liters	8000 Liters
Cooling			
Sources Of Water Arrangements Present	Bore well	Water Tankers	-
Water Charges Payable	NIL	350/- Per Tank	-
Capacities Of Tanks	40,000 Liters	60,000 Liters	1,00,000 Liters

## MAN POWER

The strength of the Company is its qualified experienced team of Engineers, Executives and Skilled Work Force.

The present strength of the Company is 160 employees as on 1.03.2007

Category	Nos.
Managerial	8
Supervisory	7
Skilled	55
Semi skilled	43
Unskilled	40
Clerical	7
<b>Total</b>	<b>160</b>

### Proposed Manpower Requirement

Category	Nos.
Managerial	5
Supervisory	10
Skilled	180
Semi skilled	50
Unskilled	70
Clerical	15
<b>Total</b>	<b>330</b>

For recruiting personnel, regular process of selection is carried out like short listing of CV's (received through available databank or advertisement or placement agency), interviews, fixation of suitable salary structure etc.





---

## PRODUCTS/SERVICES OF THE COMPANY

### Flanges (ASTM)

- 1) Weld Neck Flange: Size 1/2" to 24" (150 & 300 Class)  
Size 1/2" to 12" (600 Classes)  
Size 1/2" to 8" (900 & 1500 Class)  
Size 1/2" to 4" (2500 Class)
- 2) Slip On: Size 1/2" to 24" (150 & 300 Class)  
Size 1/2" to 12" (600 Classes)  
Size 1/2" to 6" (900 & 1500 Class)  
Size 1/2" to 4" (2500 Class)
- 3) Blind Flange: Size 1/2" to 24" (150 & 300 Class)  
Size 1/2" to 12" (600 Classes)  
Size 1/2" to 8" (900 & 1500 Class)  
Size 1/2" to 4" (2500 Class)
- 4) Lap Joint: Size 1/2" to 24" (150 & 300 Class)  
Size 1/2" to 12" (600 Classes)  
Size 1/2" to 8" (900 & 1500 Class)  
Size 1/2" to 8" (2500 Class)
- 5) Screwed Flange: Size 1/2" to 8" (150/300/600/900 Class)  
Size 1/2" to 21/2" (1500 & 2500 Class)
- 6) Socket Weld: Size 1/2" to 8" (150/300 & 600 Class)

### DIN FLANGES (3.1B - /ADW2/W9/W10)

1. DIN 2633 PN 16 / Size 1/2" to 24"
2. DIN 2635 PN 40/ Size 1/2" to 12"
3. DIN 2576 PN 10 / Size 1/2" to 24"
4. DIN 2642 PN 10 / Size 1/2" to 24"
5. DIN 2527 PN 16/ Size 1/2" to 24"
6. DIN 2527 PN 14/ Size 1/2" to 16"
7. DIN 2632 PN 10/ Size 8" to 24"

### STAINLESS STEEL STUBENDS

From Size 1/2 " to 24" as per A 403 / SA403 WP – S ANSI B 16.9 OR MSS- 43 OF SCHEDULE 10 / 40 / 80 SEAMLESS TYPE A & TYPE C

Flanges of rating from 900 Lbs, 1500 Lbs and 2500 Lbs and also fitting items mentioned above can only be manufactured and supplied upon receiving firm orders for larger quantities (minimum 100 Pieces each) as per Standards and Specifications.



---

## **OIL FIELD COMPONENTS**

Forged Valves, bodies, bonnets, Casing Bowl, Slip Bowl, Base Plate, and Forged Rings:

Sizes ¼" to 6" (Higher pressure ratings)

## **AUTOMOTIVE COMPONENTS**

HMFL manufactures a wide range and different types of Hot Forged Components such as Gears, Shafts, Crankshafts, Crown wheels and Pinions, Connecting Roads, Steering Knuckle arms etc for different type of vehicles & Diesel Generator Sets for Steamers. All of these items are for direct and indirect export market.

## **APPROACH TO MARKETING AND PROPOSED MARKETING SET-UP**

The Company's marketing team strives to increase the Company's share of business with its existing clients and also endeavors to expand the Company's client base. The Company has marketing tie-up through its representatives in Europe, Asia & Middle East who are competent enough to negotiate and sell the existing product & are geared up to identify the customer's base for new product.

The approach which the Company adopts to locate the customers is

- Exhibiting at Trade Fairs worldwide.
- Communicating with different Chambers of Commerce and approaching potential companies looking at diversifying business.

The Company proposes to increase its client base set up by

- Participating in trade fair organized at international level.
- Appointing a local agent in foreign countries for marketing the products of the Company.

## **COMPETITION, KEY PLAYERS AND MARKET SHARE**

### **COMPETITORS**

The global forgings industry is highly competitive and dynamic. The Company competes with a variety of organizations that offer services similar to those that the Company's offers. The Company's Competitors include: -

- Shree Ganesh Forgings Limited
- Echjay Industries Limited
- Ramkrishna Forgings Limited
- Bharat Forge
- EL Forge
- Amtek Forgings Limited

The lower wage cost in India as compared to companies in the U.S and Europe has historically provided a significant competitive advantage. Though the wage cost in India is increasing at a faster rate as compared to the United States and Europe, the Company expects the wage cost differential to remain significant in the foreseeable future. Simultaneously, the traditional disadvantages faced by India such as paucity of capital and high interest cost are progressively disappearing, which give good manufacturing companies a significant competitive advantage compared to the past. The principal competitive factors that will impact their ability to compete include: -

- Ability to supply range of products and scalability
- Product quality and perceived value addition
- Scope of services
- Timely deliver of products, and
- Sustained ability to offer competitive prices.



## KEY PLAYERS

Bharat Forge is the largest player in the organized segment with the market share of around 25%. The other leading players are Amtek Auto, Super Forging, Amforge, Ahmednagar Forgings, E L Forge, India Forge, M M Forgings etc.

## MARKET SHARE

The Company's major revenue is from exports. The global demand for the products is immense and the same is constantly increasing. Thus the global demand cannot be quantified and the hence the market share enjoyed by the Company cannot be assessed.

## EXPORT POSSIBILITIES AND EXPORT OBLIGATIONS

### COUNTRY WISE EXPORTS

(Rs. in Lakhs)

Country	31.03.04	31.03.05	31.03.06	31.12.06
Australia	-	-	57.18	112.94
Canada	99.11	25.49	205.74	160.14
Dubai	-	-	1.63	-
Germany	481.07	565.77	1063.43	526.52
Belgium	173.61	-	199.2	96.43
Iran	-	-	-	3.49
Italy	-	27.56	38.5	166.37
Israel	9.63	64.37	-	-
Korea	45.45	123.53	31.35	-
Kuwait	-	-	-	2.56
Spain	17.89	76.87	-	105.86
Mexico	-	-	-	9.63
Netherlands	96.17	428.57	606.13	397.77
Turkey	-	-	62.3	-
U.A.E.	22.75	12.63	43.99	153.57
U.K	223.68	985.75	549.14	614.91
U.S.A	82.74	190.65	360.92	956.52
<b>Total</b>	<b>1252.1</b>	<b>2501.19</b>	<b>3219.51</b>	<b>3306.70</b>

## EXPORT OBLIGATIONS

At present the Company has no export obligation.

## BUSINESS STRATEGY

The Company's strategy is to build up on its competitive strength and business opportunity, to become a leading forge manufacturer especially in oil and gas sector catering to Europe, North America and Gulf Countries. The Company has already pursued suitable opportunity, mostly in some of the European countries like Netherlands, Spain, Italy, Belgium and UK. The company has in the recent years also pursued suitable opportunities in Canada and Gulf Countries where the products pertaining to oil and gas sector are in tremendous demand.

### 1) Capture the high growth opportunity in the Europe and Gulf countries especially in Oil and Gas Sector

The demand for the product especially in oil and gas sector will be the component for the success of forging industries. This belief is based on the rapid development in oil and gas sector especially in Europe, Gulf Countries, North America and Canada. The Company believes that demonstration of expertise & experience in operation and management of high skill productivity as well as established reputation in the oil and gas sector of the forging industry will be significant in pursuing opportunity in the said fast growing sector.



## 2) Identify new Investment opportunities

The Company is planning to manufacture of various products for Oil & Gas sector such as Valves, stubends, flanges in the closed dies mechanism. The Company has also obtained various certificates such as TUV Certificate, RWTUV Certificate to maintain quality system for manufacturer and approach their products. The Company has also obtained ANSI Certificate for dimension standard which is regarded as an international applied system is put to use through out the world, particularly North America and Europe. The Company has obtained new European Standards. The Company will continue To Invest in the opportunities that are strategically aligned and compliment to Company's existing business and can be benefited from expertise by pursuing these objectives, the Company intends to maintain a balance between the generation of stable cash flow & strong growth opportunities to maximize term profits.

## 3) Build upon existing relationship

The Company is currently working with various global players such as Evenort Limited UK (Shareholder of the Company), Norca Corporation Limited USA, Noxon Stainless Steel Netherlands pinnacle Stainless Steel in Canada . Zaap, Germany. The Company has good relationship with these Companies who have very good foot hold in gulf countries and in Canada. The Company has also participated in various exhibitions conducted at European countries, USA and Canada thereby establishing the demand of their products.

## 4) Continue to enhance Training and Development

Qualified Management personnel and employees are key to their success therefore the Company seeks to attract and retain most talented individuals in the industry and improve their skills, productivity and career development opportunity through advance resources management systems. In addition to on the job training the Company will send their selected employees to leading institutions both in India and Abroad for advance training.

## SALES AND MARKETING

The Company has developed designing, technical & engineering skills over a period of time for enhancing customer base. Being global is not just only being in exports but is also requires having design, engineering, manufacturing, testing & validation capabilities to be carried out in different key products so that Company can be in close proximity to its customers.

The Company's target customers are primarily OE manufacturers and they contract their sales on direct sales basis, both in domestic and international market. Having already established strong relationship with the OE manufacturers in India and abroad, the Company's focus is to further strengthen this relationship and further penetrate to meet their existing and new demand for forging products. Their sales and marketing efforts are targeted in this direction.

The Company manufactures forging products which are custom made to meet the specific requirements of the end customer. As such the marketing is done on the basis of the strengths in the areas of technology, manufacturing, processes, product superiority and accreditations in the form of ISO and QS certifications.

Top Ten Customers for the nine months ended 31.12.2006

Sr. No.	Name of the Customer	Sales during the period (Rs in Lakhs)	%age of Total Sales
1	Norca Industrial Co. LLC., U.S.A	953.52	28.84
2	Evenort Limited, U.K*	604.91	18.29
3	Arcus Staal B V , The Netherlands	344.32	10.41
4	Presch Edelstahl , Germany	319.55	9.66
5	IMP Piping, Genova	136.44	4.13
6	Proflange Limited, Canada	122.78	3.71
7	Zapp Flanschenfabrik, Germany	113.38	3.43
8	Prochem Pipeline Product, Australia	112.94	3.42
9	Al Sarahvi Oil Field Equipment Co., Dubai	107.91	3.26
10	Tubos Indoxigadatsl	105.86	3.20
	<b>Total</b>	<b>2964.05</b>	<b>88.32</b>

\* Evenort Limited is a shareholder of the Company

## COMPETITIVE STRENGTH

### DEEP MARKET PENETRATION

By virtue of being in the business for more than 17 years, the Company has achieved deep market penetration with a large clientele and wide geographical coverage. It has acquired presence in varied industries with their existing clientele.

### LOW MARKETING COST

The Company is in this business for a long period and over a period of time they had achieved a large size of clientele. The Company has developed relations with large buyers for their product from whom they get repeat business. They account for consumption of majority of their turnover. Hence, they do not have to incur extra marketing cost to achieve the required turnover, which has been increasing year on year. This reduces their marketing cost, as the same distribution and service channel is utilized to sell their products.

### COST EFFICIENCY

The policy of the Company is to produce the right product using required mix at the optimum cost translating into value for money. The Company has manufacturing facilities in Wada having sales tax exemption, low electrical tariffs and proximity to two leading ports i.e, JNPT and Nava Sheva.

### QUALITY STANDARD AND CERTIFICATION

The Company believes that the quality of products and processes are integral to their ability to retain and attract customers. Improvement in the quality processes enables their clients to benefit from reduced costs, on-time delivery, increased productivity and greater reliability. The entire process systems and manufacturing facilities of HMFL has been surveyed and certified by TUVCRT/- RWTUV, Germany which is a certification body of international repute for forging products in line with ISO 9001/2000 certification.

### QUALITY CONTROL AND INSPECTION

HMFL has complete in-house quality control and inspection facilities. It has all the required equipment to check forging products, on various parameters including physical, chemical and impact tests, which ensure delivery of quality products.

### CAPACITY AND CAPACITY UTILISATION

#### EXISTING CAPACITY UTILISATION

Installed Capacities and Capacity utilisation during last 3 years

Particulars	2003-04			2004-05			2005-06		
Machines	Installed Capacity	Utilized Capacity	%	Installed Capacity	Utilized Capacity	%	Installed Capacity	Utilized Capacity	%
2 Ton Hammer	1500	912	60.80	1500	1050	70.00	1500	1226	81.73
16 Ton Hammer	-	-	-	9600	882	9.19	9600	489	5.09
Total	1500	912		11100	1932		11100	1715	

#### REASON FOR UNDER UTILISATION OF 16 TON HAMMER:

The Company installed 16 Ton Hammer in March 2005. It is a Russian Hammer with a falling part of 16 M.T. by weight and runs with the help of compressed air at a pressure of 5 - 7 Kg/sq. cm. So it gives higher blow energy at the time of striking the job due to its own weight & due to kinetic energy generated by the Compressed Air. Energy available at the time of striking the job is approximately 40,000 Kg-mtr at 5 kg/sq. cm air pressure and is able to make a closed die steel forging upto 850 mm dia or upto 850 mm wide X .1700 mm long size of forging and by weight it may be upto 750 kg single piece weight.

The 16 Ton Hammer manufactures large size automobiles components, railway components, components for heavy industries, marine engines, oil field components & large size flanges & fittings. The 16 Ton Hammer is used to undertake the work on job basis.



In order to make maximum utilisation of this hammer, the Company proposes to expand the following facilities during the expansion project:-

1. In house die shop/tool room,
2. Heat treatment shop &
3. Laboratory to check chemical & physical properties of raw material.

After putting up of their own heat treatment shop and die shop, the Company will be able to produce large size components like front axle beam, multithrough crank shaft large size connecting rod & cam shaft for marine diesel engine. The Company has already set up the Heat Treatment Shop.

#### PROPOSED CAPACITY

Particulars	Existing Capacity	Proposed Capacity	Total Capacity
	(MT)	(MT)	(MT)
2 MT Hammer	1500	NIL	1500
16 MT Hammer	9600	NIL	9600
2 MT Ring Rolling Machine	NIL	2400	2400
3 MT Drop Forging Hammer	NIL	3600	3600
300 MT Trimming Press	NIL	1800	1800
4000 MT Forging Press	NIL	3000	3000
500 MT Trimming Press	NIL	3000	3000
<b>TOTAL</b>	<b>11100</b>	<b>13800</b>	<b>24900</b>

#### INSURANCE

Sr. No.	COMPANY NAME	POLICY TYPE	POLICY NO.	FROM	TO	AMOUNT (Rs. in Lakhs)
1	Bajaj Allianz General Insurance Company Ltd	Standard Fire & Special Perils Policy- Engineering Workshop	OG-06-1904-4001-00000940	26.08.2006	25.08.2007	702.00
2	Bajaj Allianz General Insurance Company Ltd	Standard Fire & Special Perils Policy- Engineering Workshop	OG-07-1901-4001-00001899	08.07.2006	07.07.2007	247.00
3	Bajaj Allianz General Insurance Company Ltd	Standard Fire & Special Perils Policy -Engineering Workshop	OG-05-1904-4001-00002888	07.02.2007	06.02.2008	1400

**PROPERTY:**

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

Sr. No.	Particulars of Property with address	Area in Sq. mtrs/ft	Leased or Owned	Residential /Commercial	Lease Amount/ Agreement value	Date of the agreement	Name of the Lessor /Vendor
1	Residential Flat"GAURI KUNJ CO.OP.HSG. SOCIETY LTD. "Survey No.130,Hissa No.2 Flat No.005, Ground Floor, Ambadi Village, Talluka Bhiwandi, Thane Dist.Maharashtra.	456 Sq ft.	Owned	Residential	Rs.3,07,800/-	9 <sup>th</sup> November 2005	Smt.Snehal Adesh Patil.
2	Residential Flat "GAURI KUNJ CO.OP. HSG.SOCIETY LTD. "Survey No.130, Hissa No.2 Flat No.006, Ground Floor,Ambadi Village,Talluka Bhiwandi, Thane-Dist.Maharashtra.	485 sq ft.	Owned	Residential	Rs.3,27,375/-	9 <sup>th</sup> November 2005	Smt.Snehal Adesh Patil.
3	Residential Flat "GAURI KUNJ CO.OP. HSG.SOCIETY LTD. "Survey No.130, Hissa No.2 Flat No.204, 2ndFloor,Ambadi Village, Talluka Bhiwandi, Thane-Dist.Maharashtra.	574 sq ft.	Owned	Residential	Rs.3,58,750/-	18 <sup>th</sup> August 2005.	Smt.Snehal Adesh Patil.
4	Residential Flat "GAURI KUNJ CO.OP. HSG.SOCIETY LTD. "Survey No.130, Hissa No.2 Flat No.104, 1stFloor,Ambadi Village, Talluka Bhiwandi, Thane-Dist.Maharashtra.	574 sq ft.	Owned	Residential	Rs.3,58,750/-	18 <sup>th</sup> August 2005.	Smt.Snehal Adesh Patil.
5	Residential Flat "GAURI KUNJ CO.OP. HSG.SOCIETY LTD. "Survey No.130, Hissa No.2 Flat No.107, 1stFloor,Ambadi Village, Talluka Bhiwandi, Thane-Dist.Maharashtra.	575 sq ft.	Owned	Residential	Rs.3,88,125/-	9 <sup>th</sup> November 2005.	Smt.Snehal Adesh Patil.
6	Residential Flat "GAURI KUNJ CO.OP. HSG.SOCIETY LTD. "Survey No.130, Hissa No.2 Flat No.001, 1stFloor,Ambadi Village, Talluka Bhiwandi, Thane-Dist.Maharashtra	-	Owned	Residential	Rs.2,98,400/-	26th December 2005	Smt.Snehal Adesh Patil.



Sr. No.	Particulars of Property with address	Area in Sq. mtrs/ft	Leased or Owned	Residential/ Commercial	Lease Amount/ Agreement value	Date of the agreement	Name of the Lessor /Vendor
7	Plot no 21 *Village Ghonsai,Taluka wada, Dist. Thane	990.00 sq mtrs	Owned	Commercial	Rs 3,37,500/-	15 <sup>th</sup> July 2003	Shri Jitendra Kumar Rasiklal Mehta & 4 others
8	Plot no 25 *Village Ghonsai,Taluka wada, Dist. Thane	1014.75 sq. mtrs	Owned	Commercial	Rs 3,37,500/-	15th July 2003	Shri Jitendra Kumar Rasiklal Mehta & 4 others
9	Plot no 26 *Village Ghonsai,Taluka wada, Dist. Thane	711.00 sq. mtrs	Owned	Commercial	Rs 2,71,000/-	21st January 2004	Shri Jitendra Kumar Rasiklal Mehta & 4 others
10	Plot no 28 *Village Ghonsai,Taluka wada, Dist. Thane	630.00 sq mtrs	Owned	Commercial	Rs 2,99,250/-	10 <sup>th</sup> August 1999	Shri Jitendra Kumar Rasiklal Mehta & 4 others & M/S Bhoomi Enterprises
11	Plot no 29 *Village Ghonsai,Taluka Wada, Dist. Thane	1023.00 sq. mtrs	Owned	Commercial	Rs 4,85,925/-	27 <sup>th</sup> September 1999	Shri Jitendra Kumar Rasiklal Mehta & 4 others & M/S Bhoomi Enterprises
12	Plot no 30 *Village Ghonsai,Taluka wada, Dist. Thane	816.50 sq. mtrs	Owned	Commercial	Rs 3,00,000/-	21st January 2004	Shri Jitendra Kumar Rasiklal Mehta & 4 others
13	Plot No.1 *Village Ghonsai,Taluka Wada, Dist. Thane	745.00 sq. mtrs	Owned	Commercial	Rs. 15,00,000/-	12 <sup>th</sup> April 2006	Shri Jitendra Kumar Rasiklal Mehta & 4 others
14	Plot No.2 *Village Ghonsai,Taluka Wada, Dist. Thane	757.00 sq. mtrs	Owned	Commercial		12 <sup>th</sup> April 2006	Shri Jitendra Kumar Rasiklal Mehta & 4 others
15	Plot No.3 *Village Ghonsai,Taluka Wada, Dist. Thane	1167.00 sq mtrs	Owned	Commercial		12 <sup>th</sup> April 2006	Shri Jitendra Kumar Rasiklal Mehta & 4 others



Sr. No.	Particulars of Property with address	Area in Sq. mtrs/ft	Leased or Owned	Residential/ Commercial	Lease Amount/ Agreement value	Date of the agreement	Name of the Lessor /Vendor
16	Plot No.15 *Village Ghonsai,Taluka Wada, Dist. Thane	783.75 sq. mtrs	Owned	Commercial	Rs 5,00,000/-	7 <sup>th</sup> April 2006	Shri Jitendra Kumar Rasiklal Mehta & 4 others
17	Shop No.53 Whispering Palms Shopping Centre, Lokhandwala Township, Akurli Road, Kandivli(E), Mumbai-400 101		Leased	Commercial	First 11 months Rs.5,250 per month and next 11 months Rs.5,500 per month	1 <sup>st</sup> June 2005	Mrs. Bhavna Manohar Lalwani
18	Shop No.58 Whispering Palms Shopping Centre, Lokhandwala Township, Akurli Road, Kandivli(E), Mumbai-400 101.		Leased	Commercial	Rs. 6000/- per month	24 <sup>th</sup> January 2006	Ms. Shivani choudhary
19	Shop No.60 Whispering Palms Shopping Centre, Lokhandwala Township, Akurli Road, Kandivli(E), Mumbai-400 101		Leased	Commercial	First 11 months Rs.6,000 per month and next other 11 months License Fee shall increase by 10% of existing License Fee	31 <sup>st</sup> March 2005	Mr.Abad Ahmed Badruddin (through his Constituted Attorney) Mr.Suresh Keswani
20	Shop No.61, WHISPERING Palms Shopping Centre, LOKHANDWALA Township, AKURLI Road, Kandivli(E), Mumbai-400 101		Leased	Commercial	First 22 months Rs.5,000 per month and +5% (5,000) ie: Rs.5,250 per month for next 11 months.	28 <sup>th</sup> November 2003	Mr. Shyam .N.Babani
21	OfficeUnit No 701, 7 <sup>th</sup> Floor, Palm Spring Centre", Malad, Mumbai-400064	2925 sq. feet	Owned	Commercial	Rs.77.98 Lakhs	20 <sup>th</sup> November 2006	Ferani Developers and Nusli Neville Wadia

**\* The above properties have been mortgaged with Saraswat Co-op Bank and State Bank of Hyderabad.**

There is no property acquired by the Company or proposed to be purchased or acquired by the Company or proposed to be purchased or acquired, which is to be paid wholly or partly out of the proceeds of this issue, or the purchase or acquisition of which has not been completed as on the date of filing this Prospectus with ROC, other than property:

- the contract for the purchase or acquisition whereof was entered into in the ordinary course of the business, the contract not being made in contemplation of this issue, nor this issue in contemplation of the contract; or
- in respect of which the purchase money is not material.



# FINANCIAL INDEBTEDNESS AS ON 31<sup>ST</sup> DECEMBER 2006

Name of the Bank	Nature of Loan (Rs in Lakhs)	Loan sanctioned (Rs in Lakhs)	Outstanding as on 31-12-06	Rate of interest	Repayment schedule
<b>A. Term Loan</b>					
Saraswat Co Op Bank Limited	Term Loan	160.00	102.11	PLR+2%p.a.	20 quarterly installment
- do -	Term Loan	60.00	19.25	-do -	-do-
State Bank of Hyderabad	Term Loan	1000.00	39.64	PLR- 2%	20 quarterly installments after a moratorium of one year.
<b>Total</b>		<b>1220.00</b>	<b>161.00</b>		
<b>B. Working Capital Loan</b>					
State Bank of Hyderabad	Export Packing CreditPost shipment	550.00	325.04	As applicable to export finance	Through export proceeds
State Bank of Hyderabad	Pre ship- ment	550.00	459.30	As applicable to export finance	Through export proceeds
Saraswat Co-op. Bank Ltd.	Export Packing CreditPost shipment	775	463.01	9% p.a.	Through export proceeds
The Saraswat Co-op. Bank Ltd.	Pre ship- ment (Sub Limit)	(300)	325.00	9% p.a.	Through export proceeds
CITI Bank	Export bill discounting	600	111.75	Libor + service charge	Through export proceeds
CITI Bank	Pre shipment – sub limit	(300)	319.61	Libor + service charge	-do
UTI Bank Limited	Export Packing Credit	250	200.00	8% p.a.	- do -
<b>Total</b>		<b>2,725.00</b>	<b>2,203.71</b>		

Securities: for

**Term Loan** :Mortgage of land & factory shed and plant and machinery, 1<sup>st</sup> charge shared by State Bank of Hyderabad and The Saraswat Co Operative bank Limited and residential flat of CMD at Kandivali.

**Working Capital**: 1<sup>st</sup> charges shared among State Bank of Hyderabad, The Saraswat Co Operative Bank Limited, CITI Bank NA and UTI Bank Limited, on hypothecation of stocks, book debts and other current assets and 2<sup>nd</sup> Pari Passu Charges on Fixed assets and movables of the company and residential flat of CMD at Kandivali.



### III. HISTORY AND CORPORATE STRUCTURE OF THE COMPANY

#### HISTORY OF THE COMPANY

The Promoter of the Company, Mr. Yuvraj Malhotra has started the business by setting up of the proprietorship firm on 13<sup>th</sup> September 1997. The Firm started its activities by effecting first shipment in the year January 1998 for Rs. 7.45 Lakhs by outsourcing the forging components and continued its operations by setting up small machining division on lease basis at Vasai Industrial Estate till 1999. The Firm was registered as a Small Scale Industrial unit in the year 1999 and it started manufacturing Pipe fitting items like Stainless Steel Flanges & Stub Ends in various size ranging from ½” to 10”. On 1<sup>st</sup> August 2003 the Partnership Firm under the name “M/s Hilton Forge” who took over the business of the proprietorship firm. Further, the partnership firm was converted into a Public Limited Company under the name Hilton Metal Forging Limited on 21<sup>st</sup> July 2005 under Part IX of Company Act, 1956.

At present the Company has a total installed capacity of 11,100 MT per annum and can execute orders for a wide range of forgings weighing from 0.5 kg (1.10 lbs) to 750 kg (1650 lbs). The Company specializes in the manufacture of forgings for the oil, petrochemical, pharmaceutical and automobile industries and is also planning to manufacture for other Original Equipment Manufacturers (OEMs). The Company has also received quality excellence Certificate from one of the major customer from UK and slowly expanded its activities by including other customers from Europe and other Asian countries.

After having a 17 years experience in the field of Export of forging components to various manufacturers & distributors in USA, UK, European and Middle East countries, the Company has decided to go for expansion in forging capacity by putting up Forging Presses, Ring Rolling Machine to capture the market of Oil and Gas industries.

#### MAJOR EVENTS IN THE HISTORY OF THE COMPANY

Year	Major Events
1997	Successful in getting the first Export Order in the month of October 1997 and the same was executed in the month of December 1997. Started its export business with a turnover of Rs. 7.45 Lakhs in 1997
1998	Installed one Cutting machine alongwith three drilling machines for cutting and drilling of flanges and achieved a turnover of Rs. 48.00 Lakhs.
1999	Started manufacturing activity at a very small scale with addition of couple of Lathes and achieved turnover of Rs. 179.00 Lakhs.
2000	Created own manufacturing base at Wada by investing Rs. 85 Lakhs and achieved turnover of Rs. 289.00 Lakhs.
2001	Installation of CNC Machines to increase the production capacity and timely deliveries. and achieved turn over of Rs. 510.00 Lakhs.
2002	Received ISO 9001 Certification for manufacture and sale of closed die Forgings, flanges and fittings in various stainless steels grades, alloy steel and carbon steels. Also fulfilled the requirement of AD 2000 – Merkblatt W 0 and got right to issue test certificates 3.1 B according to EN 10204. Achieved turnover of Rs. 905.00 Lakhs.
2003	Obtained Canadian Registration and Pressure Equipment Directive (PED) Certificate. Also increased the installed capacity by adding Balancing equipment for post forging operation and achieved turnover of Rs. 1359.53 Lakhs.
2004	Invested Rs. 450.00 Lakhs towards major expansion by installing 16 MT Hammer thereby the installed capacity has increased to 10,000 tons per annum. Achieved turnover of Rs. 2185.19 Lakhs.
2005	Converted the partnership firm into Company under Part IX of The Companies Act, 1956 and received a certificate of incorporation from Registrar of Companies, Maharashtra, Mumbai



Year	Major Events
2005	The Company was successful to get a marginal Anti dumping duty of 0.89 % on the export of Stainless Steel forging flanges to US market. The Company was also conferred with an Export Excellence Certificate for the year 2003-2004. Commenced the commercial production on 16 ton Hammer from September 2004 .The Company achieved a turnover of Rs. 3421.29 Lakhs.
2006	The Engineering Export Promotion Council has awarded the Company's product as quality excellence. The Company has also received Certificate of Export Excellence Award for achieving highest export performance during 2003-04 amongst the SSI Exporters Steel Pipes, Tubes and Fitting.

## MAIN OBJECTS OF THE COMPANY

The main Objects of the Company as given in Memorandum of Association of the Company are reproduced below as per the Memorandum of Association and Articles of Association of the Company:

1. To carry on in India or elsewhere the business to manufacture, produce, process, treat, alter, convert, shape, improve, manipulate, press, hammer, cut, slit, trim, design, edge, grind, mill, machine, and to act as agent, broker, importer, exporter, buyer, seller, trader, foundry-man, consultant, engineer, metallurgist, stockiest, distributor, job-worker, vendor or otherwise to deal in all shapes, sizes, descriptions, specifications, capacities and varieties of forging items of iron, steels and their alloys used in automobiles, railways, waterworks, defence, power plants, oil wells, mines, agriculture, public utilities, constructions, transmissions and for other commercial, domestic and industrial purposes and otherwise to deal in ferrous and non ferrous forging in all its branches including precision forging, continuous forging, grey iron forging, chilled and malleable forging, special alloy forging, steel forging, ductile-iron forging, mile- forging, aluminum forging, brass forging, copper forging, gun-metal forging, forging of any ferrous and non ferrous metal and its alloys ,cast sections and other allied items used in industries, transportation, water supply, machine tools, railways, navy, agriculture, aviation, defence
2. To carry on in India or elsewhere the business of manufacturing, producing, processing, melting, converting, manipulating, treating and to act as agent, broker, buyer, seller, trader, importer, exporter, distributor, stockiest, metallurgist, engineer, consultant, foundry-man, job-worker, supplier contractor or otherwise to deal in Ferro alloys of all grades and forms including powder form such as Ferro silicon, Ferro chrome, silica manganese, silica calcium, silica chrome, Ferro molybdenum, Ferro vanadium, Ferro tungsten, ferrosilicon magnesium, Ferro manganese, Ferro columbium, Ferro niobium, Ferro titanium or other Ferro alloys present or future and other allied items .
3. To establish and carry on in India and abroad the business of manufacturing, buying, selling, reselling, trading, importing, exporting, exchanging, hiring, distribution, supplying, subcontracting, altering, improving, assembling, cleaning, servicing, cutting, shaping, milling, rolling, re-rolling, forging, stamping, casting, laminating, reconditioning, renovating, designing, developing, modifying, finishing and to act as stockists, franchisers, agent, brokers, lesser, warehouse, wholesalers, retailers, job workers or otherwise to deal in all types, varieties, models, shapes, sizes, specifications, descriptions, applications, and uses of replacement parts, spare parts, systems, assemblies, accessories, tools, implements, motors, power units, transmission & propulsion systems, chassis, bodies, substances, equipments, dies, jigs, structures, mould, gauges, beams and other allied goods, articles & things for motor cars, trawler, trucks, tankers, buses, cycle, cars, race cars, defence vehicles, ambulances, tempos, tractors, motor lorries, heavy and light commercial vehicles, motorcycles, omnibuses, vans, jeeps, scooters, locomotives, tanks, mopeds, three wheelers and other vehicles of all kinds and descriptions used for defence and transporting, passengers, goods and animals, Railways parts components, parts and products used by and for machineries and other industrial and consumer products.
4. To carry on in India or elsewhere the business to manufacture, produce, process, treat, assemble, alter, convert, commercialize, roll, re-roll, melt, mould, design, develop, fabricate, galvanize, machine, cut, trim, turn to account and to act as agent, broker, stockiest, distributor, importer, exporter, trader, buyer, seller, vendor, engineers, metallurgist, consultant, job worker, or otherwise to deal in all shapes, sizes, uses, capacities, specifications, descriptions and varieties of products whether made of iron and steel or in combination with any ferrous and non ferrous materials such as plants, machineries, tools, jigs, dies, moulds, reciprocals, equipments, instruments, apparatus, utensils, accessories, fittings, hardware's, sanitary, fixtures, pipes, ducting, packing materials, engineering goods used in any industry, trade, commerce, public welfare, transport, vessels, defence, agriculture, construction,

power, transmission, pollution or in any other field

## **CHANGES IN MEMORANDUM OF ASSOCIATION OF THE COMPANY**

Since incorporation of the Company, the following changes have been incorporated in the Memorandum: -

<b>Date of Amendment</b>	<b>Amendments</b>
29.08.2005	Sub-division of Equity Shares of the Company from face value of Rs. 100/- to Rs. 10/- and Increase in Authorised Capital from 10,00,000 Equity Shares of Rs 10/- each aggregating Rs 1,00,00,000 to 1,50,00,000 Equity Shares of Rs 10/- each aggregating Rs 15,00,00,000

For details of the Capital raised are given in the section “Capital Structure” on page 15 of this Prospectus.

## **SUBSIDIARIES OF THE ISSUER COMPANY AND THEIR BUSINESS**

The Company does not have any subsidiary.

## **SHAREHOLDERS’ AGREEMENT**

There are no subsisting shareholders agreements that the Company is aware of.

## **OTHER AGREEMENTS**

Except for the Agreements/Contracts entered into the ordinary course of business carried on or intended to be carried by the Company the Company has not entered into any other Agreement / Contract.

## **STRATEGIC PARTNERS**

At present, the Company does not have any strategic partners.

## **FINANCIAL PARTNERS**

At present, the Company does not have any financial partners.



#### IV. MANAGEMENT OF THE COMPANY

The Company is a professionally managed by Board of Directors. The day-to-day affairs are looked after by qualified key personnel.

Name, Father's Name, Age, Address, Designation and Occupation	Qualification	Date of Appointment	Other Directorship	Remuneration (Rs) 2005-06
<b>Mr. Yuvraj Malhotra</b> S/o Mr. Hiralal Malhotra <b>Age:</b> 40 years 504, 9/D Alica Nagar Lokhandwala Township Akurli Road, Kandivli (E) Mumbai - 400101. <b>Designation:</b> Chairman & Managing Director <b>Occupation:</b> Business	B Sc., B.E. Mech.	21.07.2005	Hilton Steel Forgings Pvt. Ltd.	15,00,000/-
<b>Mr. Navraj Malhotra</b> S/o Mr. Hiralal Malhotra <b>Age:</b> 36 years H/703, Krishna Building, Vasant Sagar Thakur Village, Kandivali (E) Mumbai – 400 101. <b>Designation:</b> Whole Time Director <b>Occupation:</b> Business	B Com.	21.07.2005	Nil	7,20,000/-
<b>Mr. Shivcharan Gujral</b> S/o Mr. Joginder Mohan Gujral <b>Age:</b> 39 years 2404, 4 Challenger, Thakur Village Kandivali (E), Mumbai - 400 101. <b>Designation:</b> Whole Time Director <b>Occupation:</b> Business	Diploma in Civil Engineering	21.07.2005	Nil	4,80,000/-
<b>Mr. Navin C. Chokshi</b> S/o Mr. Chandrakant Choksi <b>Age:</b> 52 years D-7 / Shanthi Society, Mogul Lane Mahim, Mumbai – 400 016. <b>Designation:</b> Non-Executive & Independent Director <b>Occupation:</b> Service	B.Com, A.C.A	29.03.2006	• Gloria Technocost Ltd. • Glory Polyfilms Ltd.	Nil
<b>Mr. Manoj Kumar More</b> S/o Mr. Jagdish Prasad More <b>Age:</b> 34 years A/202, Sangeet Complex, Bldg No 11 Jesal Park, Bhayander (E), Thane 401 105 <b>Designation:</b> Non-Executive & Independent Director <b>Occupation:</b> Professional	B.Com; F.C.A	29.03.2006	• Ken Financial Services Ltd. • Acquirer Financial Services Pvt Ltd.	Nil

Name, Father's Name, Age, Address, Designation and Occupation	Qualification	Date of Appointment	Other Directorship	Remuneration (Rs) 2005-06
<b>Mr. Harmohindar Singh Dhingra</b> S/o Mr. Sarmukh Singh Dhingra <b>Age:</b> 67 years 101, 3A, Whispering Palms Lokhandwala, Complex Kandivali (E), Mumbai – 400 101 <b>Designation:</b> Non-Executive & Independent Director <b>Occupation:</b> Retired Gazette Officer	B.Com. M.A, LLB, CAIIB., A.C.C.S., (London)	29.03.2006	Nil	Nil
<b>Mr. Sanjay Jain</b> S/o Mr. Suresh Chand Jain <b>Age:</b> 40 years L-2 Priya Apartment, D- Block Vikas Puri, New Delhi 110 018 <b>Designation:</b> Non-Executive & Independent Director <b>Occupation:</b> Business	B.E. (Metallurgy)	29.03.2006	Nil	Nil
<b>Mr. Joseph William McKay</b> S/o Mr. Joseph McKay <b>Age:</b> 66 years 113, Kiveton Lane, Todwick S-267 YH, Sheffield, U.K <b>Designation:</b> Non- Executive & Non-Independent Director <b>Occupation:</b> Business	ONC Metallurgy	30.05.2006	Evenort Limited	Nil

#### PROFILE OF THE DIRECTORS OF THE COMPANY IS GIVEN BELOW:

The Company is currently managed by Board of Directors comprising of Eight Directors. The day-to-day affairs of the Company are being managed by **Mr. Yuvraj Malhotra**, Chairman and Managing Director under the Guidance and supervision of Board of Directors. The Board of Directors comprises of the following:

- 1) **MR. YUVRAJ MALHOTRA**, age 40 years, is one of the main promoters of the Company and has been associated with the Company since inception. He is instrumental in development and growth of the Company. He is an Engineering graduate with specialization in Mechanical Engineering. He has 17 years experience in Forging Industry and looks after Marketing and the day to day affairs of the Company. He started his career from Mukund Iron & Steel Limited as Engineering Trainee for the year 1989 to 1991. From 1991-1993, he worked with Akai Impex Limited (Export House) as a Materials Manager. From 1993-1994 he worked with Garg Forgings Pvt Limited as a Director. From 1994-1997, he worked with Viraj Forging Limited as a Vice President –Marketing. After resigning from Viraj Forging Limited, in 1997 he started his own proprietorship i.e M/s Hilton Forge by exporting Flanges and other Automobiles Part to various countries. He is also a promoter director of Hilton Steel Forgings Private Limited, a Company dealing in forging and other Metal Products and partner in Delta Cut tools a firm engaged in machining of all types of steel items.
- 2) **MR. NAVRAJ MALHOTRA**, age 36 years, is a Whole Time Director of the Company. He is a Commerce graduate. He looks after the Purchase, Production planning and other commercial aspects such as shipment, liasoning with Government department etc of the company. He has an experience of 9 years in commercial aspects of the industry He is also partner in Delta Cut Tools a firm engaged in machining of all types of steel items.
- 3) **MR. SHIVCHARAN GUJRAL**, age 39 years, is a Whole Time Director of the Company. He holds Diploma in Civil Engineering . He joined the Company in 2004 and looks after production, project implementation and other technical aspects of the Company. He has an experience of 9 years in the forging industry.



- 4) **MR. NAVIN CHOKSHI**, age 52 years, is a Non Executive and Independent Director of the Company. He is a commerce graduate and an Associate Member of the Institute of Chartered Accountants of India with 27 years relevant experience.
- 5) **MR. MANOJ KUMAR MORE**, age 34 years, is a Non Executive and Independent Director of the Company. He is a commerce graduate and a Fellow Member of the Institute of Chartered Accountants of India with 10 years of experience as a Practicing Chartered Accountant.
- 6) **MR. HARMOHINDARSINGH DHINGRA**, age 67 years, is a Non Executive and Independent Director of the Company. He is a commerce graduate and Masters in Arts with specialization in Economics/Statistics. He is also an Associate member of Indian Institute of Bankers & A.C.C.S from London. He Retired as Deputy General Manager from Central Bank of India after 41 years of service.
- 7) **MR. SANJAY JAIN**, age 40 years, is a Non Executive and Independent Director of the Company. He is an Engineering graduate with specialization in Metallurgy. He has about 17 years of experience in the Industry.
- 8) **MR. JOSEPH WILLIAM MCKAY**, age 66 years, is a Non- Executive and Non-Independent Director of the Company. He is qualified metallurgist and acquired substantial experience as a Manager at Howard Balfour and Sons Limited, UK. In 1982 he set up his own Company Evenort Limited which is in the business of trading in stainless steel items such as bar, pipe, fittings and flanges.

#### **RELATIONSHIP BETWEEN THE PROMOTERS, DIRECTORS AND KEY MANAGERIAL PERSONNEL OF THE ISSUER COMPANY**

There is no relationship between the directors except, Mr.Yuvraj Malhotra who is the brother of Mr. Navraj Malhotra and Mr. Shivcharan Gujral who is the brother in law of Mr. Yuvraj Malhotra and Mr. Navraj Malhotra and Mrs. Diksha Malhotra, (key managerial personnel) is wife of Mr. Yuvraj Malhotra.

#### **DETAILS OF BORROWING POWERS**

Vide a resolution passed at the Extraordinary General Meeting of the Company held on 26<sup>th</sup> August 2005, Consent of the members of the Company was accorded to the Board of Directors of the Company pursuant to Section 293 (1) (d) of the Companies Act, 1956 to borrow any sum or sums of money from time to time on such terms and conditions and with or without security as the Board of Directors may in its discretion think fit and proper notwithstanding that the money or monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate for the time being of the Paid-up Capital and the reserves, if any, that is to say, reserves not set apart for any specific purpose provided that the total amount of moneys to be so borrowed by the Board together with moneys already borrowed ( apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) and remaining outstanding at any particular time shall not exceed Rs 100,00,00,000/- (Rupees One hundred Crores).

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

##### **APPOINTMENT OF MR. YUVRAJ MALHOTRA AS A MANAGING DIRECTOR**

At the Board of Directors meeting held on 22<sup>nd</sup> July 2005, Mr. Yuvraj Malhotra was appointed as a Managing Director of the Company for a period of five years with effect from 21<sup>st</sup> July 2005. The Shareholders have approved the appointment and the terms and conditions at the Extra General Ordinary Meeting held on 26<sup>th</sup> August 2005, details of which are as under:

1. **Remuneration:**
  - (a) Salary : Rs. 1,25,000/-per month in the scale of 1,25,000 to Rs. 5,00,000/-
  - (b) Bonus : Bonus upto maximum of 20% of salary payable quarterly or at other intervals as may be decided by the Board
  - (c) Commission: 1% of Net Profit After Tax payable yearly
2. **Perquisites**
  - (a) Housing : Unfurnished residential accommodation or house rent allowance up to 10% of salary in lieu



thereof. The expenditure incurred by the company on Gas, electricity, water shall be valued as per Income Tax Rules, 1962.

- (b) Medical : Reimbursement of actual expenses for self and family
- (c) Leave travel: For self and family once in a year as decided by the Board from time to time
- (d) Personal accident Insurance: as per the rules of the company

**3. Other Benefits:**

- (a) Earned/Privilege Leave as per rules of the company
- (b) Company's contribution to provident fund and super-annuation fund as per the rules of the company
- (c) Gratuity as per the rules of the company
- (d) Encashment of Leave as per rules of the company
- (e) Company Car and Telephone : Use of company's car and telephone at residence for official purpose as per rules of the company

The aggregate remuneration inclusive of salary, bonus, commission, incentives, allowances, perquisites and other benefits payable to Mr. Yuvraj Malhotra shall always be subject to the overall ceilings laid down in section 198 and 309 and Part II of Section I of Schedule XIII and other applicable provisions, if any, of the companies Act, 1956

**4. Minimum remuneration**

Where in any financial year during the tenure of Mr. Yuvraj Malhotra the company incurs a loss or its profits are inadequate, the company shall pay to Mr. Yuvraj Malhotra the above remuneration by way of salary and other allowances as a minimum remuneration subject to the limits specified under Section II of Part II of Schedule XIII to the Companies Act, 1956

**APPOINTMENT OF MR NAVRAJ MALHOTRA AS A WHOLE TIME DIRECTOR**

At the Board of Directors meeting held on 22<sup>nd</sup> July 2005, Mr. Navraj Malhotra was appointed as a Whole Time Director of the Company for a period of five years with effect from 21<sup>st</sup> July 2005. The Shareholders have approved the appointment and the terms and conditions at the Extra Ordinary General Meeting held on 26<sup>th</sup> August 2005, details of which are as under:

**1. Remuneration :**

- (a) Salary: Rs. 60,000/- per month in the scale of 60,000 to Rs 5,00,000/-
- (b) Bonus : Bonus upto maximum of 20% of salary payable quarterly or at other intervals as may be decided by the Board

**2. Perquisites :**

- (a) Medical : Reimbursement of actual expenses for self and family
- (b) Leave travel: For self and family once in a year as decided by the Board from time to time
- (c) Personal accident Insurance: as per the rules of the company

**3. Other Benefits:**

- (a) Earned/Privilege Leave as per rules of the company
- (b) Company's contribution to provident fund and super-annuation fund as per the rules of the company
- (c) Gratuity as per the rules of the company
- (d) Encashment of Leave as per rules of the company

The aggregate remuneration inclusive of salary, bonus, commission, incentives, allowances, perquisites and other



benefits payable to Mr. Navraj Malhotra shall always be subject to the overall ceilings laid down in section 198 and 309 and Part II of Section I of Schedule XIII and other applicable provisions, if any, of the companies Act, 1956.

#### **4. Minimum remuneration**

Where in any financial year during the tenure of Mr. Navraj Malhotra the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Navraj Malhotra the above remuneration by way of salary and other allowances as a minimum remuneration subject to the limits specified under Section II of Part II of Schedule XIII to the Companies Act, 1956 ( including any statutory modification or re-enactment thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time as minimum .

### **APPOINTMENT OF MR SHIVCHARAN GUJRAL AS A WHOLE TIME DIRECTOR**

At the Board of Directors Meeting held on 22<sup>nd</sup> July 2005, Mr. Shivcharan Gujral was appointed as a Whole Time Director of the Company for a period of five years with effect from 21<sup>st</sup> July 2005. The Shareholders have approved the appointment and the terms and conditions at the Extra Ordinary General Meeting held on 26<sup>th</sup> August 2005, details which are as under:

#### **1. Remuneration:**

- (a) Salary : Rs. 40,000/- per month in the scale of 40,000 to Rs 5,00,000/-
- (b) Bonus : Bonus upto maximum of 20% of salary payable quarterly or at other intervals as may be decided by the Board

#### **2. Perquisites**

- (a) Medical : Reimbursement of actual expenses for self and family
- (b) Leave travel: For self and family once in a year as decided by the Board from time to time
- (c) Personal accident Insurance: as per the rules of the company

#### **3. Other Benefits:**

- (a) Earned/Privilege Leave as per rules of the company
- (b) Company's contribution to provident fund and super-annuation fund as per the rules of the company
- (c) Gratuity as per the rules of the company
- (d) Encashment of Leave as per rules of the company

The aggregate remuneration inclusive of salary, bonus, commission, incentives, allowances, perquisites and other benefits payable to Mr. Shivcharan Gujral shall always be subject to the overall ceilings laid down in section 198 and 309 and Part II of Section I of Schedule XII and other applicable provisions, if any, of the companies Act, 1956

#### **4. Minimum remuneration**

Where in any financial year during the tenure of Mr. Shivcharan Gujral the company incurs a loss or its profits are inadequate, the company shall pay to Mr. Shivcharan Gujral the above remuneration by way of salary and other allowances as a minimum remuneration subject to the limits specified under Section II of Part II of Schedule XIII to the Companies Act, 1956 ( including any statutory modification or re-enactment thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

### **COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS**

The guidelines issued by SEBI in respect of the Corporate Governance will be applicable to the Company immediately upon applying for the in principal approval for listing of the equity shares of the Stock Exchanges. The Company stand committed to good corporate governance practice like transparency, disclosure and independent supervision to increase the value of our stakeholders. Accordingly, the Company has already undertaken steps to comply with the SEBI guidelines on Corporate Governance. The Corporate Governance framework is based on an effective management and the constitution of the Board of Committees, majority of them comprising of independent directors. Committees of the

Board have been constituted in order to look into the matters in respect of compensation, shareholding, Audit etc, details of which are as follows:

#### COMPOSITION OF BOARD OF DIRECTORS

The Board of Directors of the Company comprises of Executive, Non Executive and Non-Independent Directors and Non- Executive and Independent Directors as under:

Sr. No.	Name of the Director	Designation	Status
1	Mr. Yuvraj H. Malhotra	Chairman & Managing Director	Executive & Non- Independent Director
2	Mr. Navraj Malhotra	Whole Time Director	Executive & Non- Independent Director
3	Mr. Shivcharan Gujral	Whole Time Director	Executive & Non – Independent Director
4	Mr. Navin C. Chokshi	Director	Non – Executive & Independent Director
5	Mr. Manoj Kumar More	Director	Non – Executive & Independent Director
6	Mr. Harmohindar Singh Dhingra	Director	Non – Executive & Independent Director
7	Mr. Sanjay Jain	Director	Non – Executive & Independent Director
8	Mr. Joseph William McKay	Director	Non-Executive & Non- Independent Director

#### AUDIT COMMITTEE

The Audit Committee was constituted on 29<sup>th</sup> March 2006 pursuant to the provisions of the Section 292A of the Companies Act, 1956. The terms of Audit Committee comply with the requirements of the clause 49 of the Listing agreements to be entered into with the stock exchange. The Audit Committee constitutes the following Directors of the Board:

Sr. No.	Name of the Directors	Designation	Nature of Directorship
1	Mr. Harmohindar Singh Dhingra	Chairman	Non-Executive, Independent
2	Mr. Manoj Kumar More	Member	Non-Executive, Independent
3	Mr. Sanjay Jain	Member	Non-Executive, Independent

The terms of reference of the Audit Committee are as under:

1. To review with the management, the quarterly financial statements before submission to the board for approval.
2. To review with the management, performance of the Statutory and internal auditors, adequacy of internal control system.
3. To review the adequacy of internal audit function and the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
4. To discuss with internal Auditors any significant findings and follow up thereon.
5. To discuss with statutory auditor before the audit commences about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
6. To review with the management the annual financial statements before submission to the board for approval with reference to:



- a. Matter required being included in the Director Responsibility statement to be included in Board Report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes if any, in accounting policies and practices and reason for the same
  - c. Major accounting entries involving estimates based on exercise of judgment by management.
  - d. Compliance with the listing and other legal requirement relating to financial statement.
  - e. Disclosure of any related party transaction
  - f. Qualification in the draft Audit Report
7. To carry such other function as is mentioned in the terms of reference of Audit Committee.

#### **REMUNERATION COMMITTEE**

The Remuneration Committee was constituted on 29<sup>th</sup> March 2006. The Remuneration Committee constitutes the following Directors of the Board:

<b>Sr. No.</b>	<b>Name of the Directors</b>	<b>Designation</b>	<b>Nature of Directorship</b>
1	Mr. Harmohindar Singh Dhingra	Chairman	Non-Executive, Independent
2	Mr. Manoj Kumar More	Member	Non-Executive, Independent
3	Mr. Sanjay Jain	Member	Non-Executive, Independent

The terms of reference of the Remuneration Committee are as under:

1. To fix the Salary & Perquisites of Executives of the company
2. To consider and grant annual and special increments to the executives of the company and to confirm the adhoc special increments granted to staff and executives of the company.
3. To consider the profits of the company and to decide about the adequacy of profits of the company.
4. To consider the adequacy of profits of the company and to consider remuneration payable to the Managerial persons as per requirement of the companies Act, 1956 and Schedule XIII of the companies Act.
5. To approve the remuneration payable to the managerial personnel of the company in case of inadequacy of the profits
6. To take all other consequential and incidental action and measure.

#### **SHARE TRANSFER AND INVESTORS GRIEVENCE COMMITTEE**

The Share Transfer Committee was constituted on 29<sup>th</sup> March 2006. The Committee constitutes the following Directors of the Board:

<b>Sr. No.</b>	<b>Name of the Directors</b>	<b>Designation</b>	<b>Nature of Directorship</b>
1	Mr. Manoj Kumar More	Chairman	Non-Executive, Independent
2	Mr. Yuvraj Malhotra	Member	Executive, Non- independent
3	Mr.Harmohindar Singh Dhingra	Member	Non-Executive, Independent

The terms of reference of the Share Transfer Committee are as under:

1. To scrutinize the Share transfer application forms received by the Company and if found in order in all respects, to register transfers of shares in the Register of members of the company.
2. To scrutinize the various documents received by the company, namely Death certificates, Marriage certificates, succession certificates, letter of indemnity in favour of the company, probate of wills of the shareholders and if found in order to register transmission of shares in the Register of members of the Company;

3. To register the various documents as mentioned above in the register of Documents maintained by the company.
4. To approve the issue of split share certificates and new share certificates in place of defaced, torn, damaged and soiled share certificates on receipt of proper application and other required papers and documents from the shareholders;
5. To sign the share certificates and to affix the company's Common seal on them in accordance with the provisions of the Companies Act, the Companies (Issue of Share) Certificates Rules, 1960 and those of the Articles of Association of the company, and
6. To take all other consequential and incidental action and measure.

#### **Investor Grievance Redresal**

1. To look in to redressal of shareholders and investors complaints
2. To receive complaints from the shareholders regarding non receipt of Balance Sheet, Non receipt of declared Dividend, Non inspection of the Statutory Records, non-receipt of the copy of records as required by the Act to be given to shareholders.
3. To reply to the investors and shareholders on their queries.
4. To inform the shareholders regarding provisions of various Acts and the redressal agency for their grievance.
5. To take all other consequential and incidental action and measure.

#### **IPO COMMITTEE**

The IPO Committee was constituted on 29<sup>th</sup> March 2006. The IPO Committee constitutes the following Directors of the Board:

<b>Sr. No.</b>	<b>Name of the Directors</b>	<b>Designation</b>	<b>Nature of Directorship</b>
1	Mr. Yuvraj Malhotra	Chairman	Executive, Non- Independent
2	Mr. Navraj Malhotra	Member	Executive, Non- Independent
3	Mr. Shivcharan Gujral	Member	Executive, Non- Independent

The terms of reference of the IPO Committee are as under:

To take decisions relating to any matter arising (pre or post) in respect of initial public offer to the public and to deal with SEBI, Stock Exchanges, all intermediaries and to do all such acts and things as may be deemed necessary for the purpose.

**Mr. Viswanathan Sridhar, Company Secretary shall act as the Secretary of the above mentioned Committees.**

#### **SHAREHOLDING OF THE DIRECTORS**

The Articles of Association of the Company do not require the Directors to hold any Equity Shares as qualification shares in the Company. The following table details the shareholding of the Directors, as at the date of filing of this Prospectus with ROC:

<b>Sr. No.</b>	<b>Names of the Directors</b>	<b>Number of shares of Rs.10 each</b>
1	Mr. Yuvraj Malhotra	57,45,600
2	Mr. Navraj Malhotra	1,36,800
3	Mr. Shivcharan Gujral	68,400

#### **INTERESTS OF DIRECTORS (OTHER THAN THE PROMOTER DIRECTORS)**

Except as stated in "Related Party Transactions" on page 85 of this 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 72 of this 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, agreement/arrangements entered into or to be entered into by the Company with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations. Except as stated otherwise, in this Prospectus, the Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the 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.

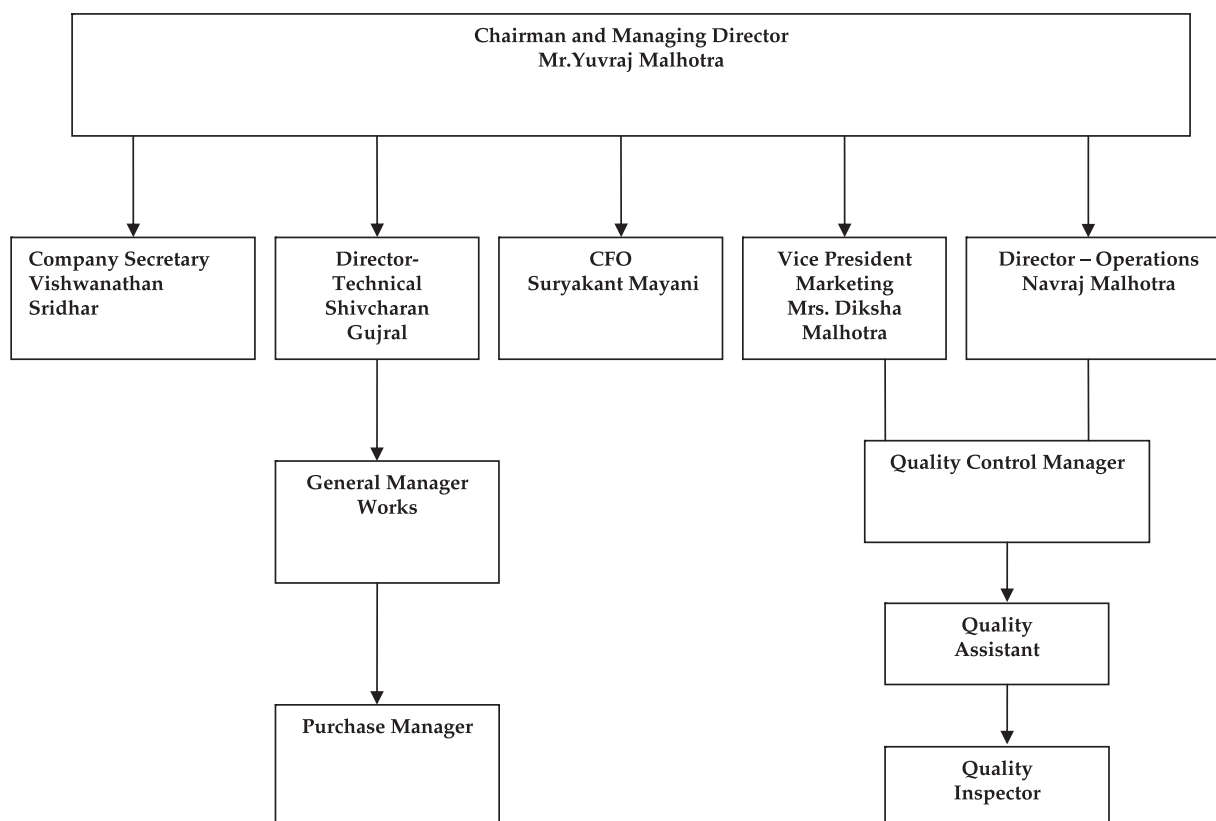
The Articles of Association provide that the Directors and officers shall be indemnified by the Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in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

#### **CHANGES IN THE BOARD OF DIRECTORS IN THE LAST THREE YEARS**

There are no changes in the Board of Directors in the last three years

<b>Sr. No.</b>	<b>Name of the Director</b>	<b>Date of Appointment</b>	<b>Date of Cessation</b>	<b>Reason</b>
1	Mr. Yuvraj Malhotra	21.07.2005	-	-
2	Mr. Navraj Malhotra	21.07.2005	-	-
3	Mr. Shivcharan Gujral	21.07.2005	-	-
4	Mr. Navin Chokshi	29.03..2006	-	Appointed as Additional Director on 29.03.2006 and regularized as Director liable to retire by rotation at the Annual General Meeting held on 08.05.2006
5	Mr. Manoj Kumar More	29.03.2006	-	Appointed as Additional Director on 29.03.2006 and regularized as Director liable to retire by rotation at the Annual General Meeting held on 08.05.2006
6	Mr. Harmohindar Singh Dhingra	29.03.2006	-	Appointed as Additional Director on 29.03.2006 and regularized as Director liable to retire by rotation at the Annual General Meeting held on 08.05.2006
7	Mr. Sanjay Jain	29.03.2006	-	Appointed as Additional Director on 29.03.2006 and regularized as Director liable to retire by rotation at the Annual General Meeting held on 08.05.2006
8	Mr. Joesph William Mckay	30.05.2006	-	Appointed as Additional Director on 30.05.2006

## MANAGEMENT ORGANISATION CHART





## KEY MANAGEMENT PERSONNEL

The Company's Management team is made up of qualified professionals with expertise in their respective fields. The Managing Director and Whole time directors are assisted in their day-to-day responsibilities by a team of professionals as under:

Sr. No.	Name	Designation	Age (years)	Qualification	Date of Joining	Total No. of Years Experience	Previous Employment
1	Mrs. Diksha Malhotra	Vice President-Marketing	38	B.Com	21.07.2005	10 years	N.A.
2	Mr. Suryakant Mayani	CFO	52	M.Com, M.C.A	01.03.2006	25 years	Dynamic Forgings India Limited
3	Mr. Viswanathan Sridhar	Company Secretary	43	B.Com.ACS	10.05.2006	14 years	Ventura Textiles Limited
4	Mr. Ram Prasad Ghosh	General Manager - (Works)	50	Diploma in Mechanical Engg, Advance Diploma in Forging Technology, A.M. I.E	13.03.2005	25 years	R.N. Gupta & Co.
5	Mr. Ajay Singh	Manager- Quality Control	39	ITI, Diploma in Production Engg. (Mechanical)	01.06.2002	15 years	G. R. Engineers

All the Key Managerial Personnel mentioned above are the permanent employees of the Issuer Company.

## BRIEF PROFILE OF KEY MANAGERIAL PERSONNEL

- MRS. DIKSHA MALHOTRA**, 38 years, Vice President, has done Bachelor of Commerce. She has 10 years of experience in marking forging products in international market. She looks after developing and implementing the marketing strategies for forging products.
- MR. SURYAKANT MAYANI**, 52 years, Chief Financial Officer, having more than 25 years of experience in finance and accounts in forging industry. He is responsible for profitability by controlling finance, inventory, marketing policy resources and personnel. He has the authority to submit offers, negotiate with sub contractors. He has the final authority to resolve matters concerning profitability of the Company.
- MR. VISWANATHAN SRIDHAR**, 43 years, Company Secretary, having 14 years of experience as company secretary, prior to this, he was employed in Ventura Textiles Limited. He is overall responsible for Company's secretarial work, Legal & Compliance Matters.
- MR. RAM PROSAD GHOSH**, 50 years, is the General Manager of the Company. Having exposure and experience of over 25 years in forging industry. His overall responsibility is manufacturing activities in conformant with Quality System established and documented in this manual. He is responsible for Quality assurance and Control Management.
- MR. AJAY SINGH**, 39 years, an ITI cadet, having 15 years experience in quality control. He has the authority and responsibility for all Quality Assurance functions in conformity to Quality System establishment and documented in this Manual.

## SHAREHOLDING OF KEY MANAGERIAL PERSONNEL

Name of the Key Managerial Personnel	No. of equity shares held
Mrs. Diksha Malhotra	6,84,000
<b>TOTAL</b>	<b>6,84,000</b>

## BONUS OR PROFIT SHARING PLAN FOR THE KEY MANAGERIAL PERSONNEL

There is no fixed or certain bonus or profit sharing plan for the Key Managerial Personnel.



#### CHANGES IN KEY MANAGERIAL PERSONNEL IN THE LAST THREE YEARS

Sr. No.	Name of the Key Managerial Personnel	Designation	Date of Appointment	Date of cessation	Reason
1	Mrs. Diksha Malhotra	Vice President-Marketing	21.07.2005	-	New Appointment (Partner in M/s Hilton Forge )
2	Mr. Suryakant Mayani	CFO	01.03.2006	-	New Appointment
3	Mr. Viswanathan Sridhar	Company Secretary	10.05.2006	-	New Appointment
4	Mr. Ram Prosad Ghosh	General Manager - (Works)	13.03.2005	-	Appointment (Continuing from erstwhile M/s Hilton Forge)
5	Mr. Ajay Singh	Manager - Quality Control	01.06.2002	-	Appointment (Continuing from erstwhile M/s Hilton Forge)
6	Mr. Hemant H. Kothari	General Manager - Finance	01.08.1998	20.02.2006	Resigned
7	Mr. Rajender D. Worah	General Manager - (Works)	01.08.2002	17.08.2005	Resigned
8	Mr. K.P.R. Nair	General Manager - (Works)	01.08.2005	15.02.2006	Resigned

#### EMPLOYEES

The present strength of the Company is 160 employees as on 1.03.2007

Summary of Administrative, Skilled & Unskilled Personnel

Category	Nos.
Managerial	8
Supervisory	7
Skilled	55
Semi skilled	43
Unskilled	40
Clerical	7
<b>Total</b>	<b>160</b>

#### DISCLOSURES REGARDING EMPLOYEES STOCK OPTION SCHEME /EMPLOYEES STOCK PURCHASE SCHEME

Till date, the Company has not introduced any Employees Stock Option Scheme / Employees Stock Purchase Scheme, as required by the Guidelines or Regulations of SEBI relating to Employee Stock Option Scheme and Employee Stock Purchase Scheme.

#### PAYMENT OR BENEFIT TO OFFICERS OF THE COMPANY (NON-SALARY RELATED)

Except the payment of salaries and perquisites, the Company does not make any payments to its officers.

## V. PROMOTERS OF THE COMPANY

### DETAILS OF PROMOTERS BEING INDIVIDUALS:

#### MR. YUVRAJ MALHOTRA

##### CHAIRMAN & MANAGING DIRECTOR



<b>Permanent Account Number</b>	AALPM1269L
<b>Passport Number</b>	F5237420
<b>Bank Account Number</b>	S.B A/c 0722201 0005490 Oriental Bank of Commerce, Mumbai
<b>Address:</b>	9/D, 504, Alica Nagar, Lokhandwala Complex, Kandivali (E), Mumbai-400 101

**Mr. Yuvraj Malhotra**, age 40 years, is one of the main promoters of the Company and has been associated with the Company since inception. He is instrumental in development and growth of the Company. He is an Engineering graduate with specialization in Mechanical Engineering. He has 17 years of experience in Forging Industry and looks after Marketing and the day to day affairs of the Company. He started his career from Mukund Iron & Steel Limited as Engineering Trainee for the year 1989 to 1991. From 1991-1993, he worked with Akai Impex Limited (Export House) as a Materials Manager. From 1993-1994 he worked with Garg Forgings Pvt Limited as a Director. From 1994-1997, he worked with Viraj Forging Limited as a Vice President –Marketing. After resigning from Viraj Forging Limited, in 1997 he started his own proprietorship i.e M/s Hilton Forge by exporting Flanges and other Automobiles Part to various countries. He is also a promoter director of Hilton Steel Forgings Private Limited, a Company dealing in forging and other Metal Products and partner in Delta Cut tools a firm engaged in machining of all types of steel items.

#### MR. NAVRAJ MALHOTRA

##### WHOLE TIME DIRECTOR



<b>Permanent Account Number</b>	AKBPM5652K
<b>Driving License Number</b>	5938/F
<b>Bank Account Number</b>	S.B. A/c 0722201 0045660 Oriental Bank of Commerce, Mumbai
<b>Address:</b>	H/703, Krishna Building, Vasant Sagar, Thakur Village, Kandivali (E), Mumbai – 400 101

**Mr. Navraj Malhotra**, age 36 years, is a Whole Time Director of the Company. He is a Commerce Graduate He has been involved in the Purchase, Production planning and other commercial aspects such as shipment, liasoning with Government department etc of the company. He has an experience of 9 years in commercial aspects of the industry.

#### MR. SHIVCHARAN GUJRAL

##### WHOLE TIME DIRECTOR



<b>Permanent Account Number</b>	ABHPG1111G
<b>Passport Number</b>	A4586540
<b>Bank Account Number</b>	S.B. A/c No. 026701500684ICICI Bank Ltd, Mumbai
<b>Address</b>	2404, 4 Challenger, Thakur Village, Kandivali (E), Mumbai - 400 101.

**Mr. Shivcharan Gujral**, age 39 years, is a Whole Time Director of the Company. He has done Diploma in Civil Engineering He joined the Company in 2004 and looks after production, project implementation and other technical aspects of the Company. He has an experience of 9 years in the forging industry.



## DECLARATION

It is confirmed that the PAN, Passport Number, Driving License Number and Bank Account Number details of Mr. Yuvraj Malhotra, Mr. Navraj Malhotra and Mr. Shivcharan Gujral have been submitted to the Stock Exchanges on which the Equity Shares are proposed to be listed at the time of filing of Prospectus with them.

## PROMOTERS BEING COMPANIES

- HILTON STEEL FORGINGS PRIVATE LIMITED**

<b>Permanent Account Number</b>	AABCH1665A
<b>Company Registration Number</b>	U 27108 MH 2001 PTC 131438
<b>Nature of Business</b>	Dealing in forged and all types of Metal Products

## HISTORY

The Company was incorporated on 13<sup>th</sup> March 2001. The Registered Office is situated at 58, Whispering Palm Centre, Lokhandwala Township, Kandivali (East), Mumbai - 400 101.

The main object of the Company is to manufacture, fabricate, buy, sell, deal in forgings, casting and stamping of all metals, machinery parts, moulds, press, tools jigs, fixtures, injection and compression moulding, garage tools agricultural implements, small forging, steel product, die making and die casting, automobile parts, brass parts, spare parts of machinery and to undertake all kinds of engineering job work including sheet metal press job.

The Company has not started any Manufacturing activities. It is involved in trading of Steel Billets.

The authorized capital is Rs. 5, 00,000 and paid up capital share capital of the company is Rs.1, 00,000.

## PROMOTERS

- Mr. Yuvraj Malhotra
- Mrs. Diksha Malhotra

## BOARD OF DIRECTORS

Sr. No.	Name of Directors	Designation
1	Mr. Yuvraj Malhotra	Promoter Director
2	Mrs. Diksha Malhotra	Promoter Director

## SHAREHOLDING PATTERN AS ON 1<sup>ST</sup> MARCH 2007

Sr. No.	Name of Shareholders	No. of Equity Shares	% of Holding
1	Mr. Yuvraj Malhotra	5000	50.00
2	Mrs. Diksha Malhotra	5000	50.00
	<b>Total</b>	<b>10,000</b>	<b>100.00</b>

## FINANCIALS PERFORMANCE

(Amount Rs in Lakhs)

Particulars	March 31, 2006	March 31, 2005	March 31, 2004
<b>Total Income</b>	9.59	Nil	Nil
<b>Profit After Tax</b>	1.87	0.073	Nil
<b>Share Capital (Face Value of Rs 10 each)</b>	1.00	1.00	Nil
<b>Reserves &amp; Surplus</b>	1.64	Nil	Nil
<b>Net Worth</b>	2.64	Nil	Nil
<b>EPS per share (Rs)</b>	18.70	Nil	Nil
<b>NAV per Share (Rs)</b>	26.44	Nil	Nil



The Company is not a listed Company.

The Company is neither a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985 nor is under winding up.

The Company has incurred losses for the financial year ended March 2005 as stated above.

There are no defaults in meeting any statutory/bank/financial institutional dues. No proceedings have been initiated for economic offences against the Company.

#### **DECLARATION**

It is confirmed that the PAN number, Bank Statement and Company Registration number where the Companies are registered of Corporate Promoter have been submitted to the Stock Exchanges on which securities are proposed to be listed.

#### **COMMON PURSUITS**

Hilton Steel Forgings Private Limited does trading activities of Steel Billets. Hilton Steel Forgings Private Limited arranges procurement of raw materials for Hilton Metal Forging Limited at competitive rates. Except as stated above, there are no common pursuits in the business of the Company and other companies promoted by the Promoters.

#### **FULL PARTICULARS OF THE NATURE AND EXTENT OF THE INTEREST, IF ANY, OF THE PROMOTER:**

Save as stated in this Prospectus neither the Promoters nor the Firms or Companies in which they are members have any interest in the business of the Company, except to the extent of investments made by them and their group / investment Companies in Hilton Metal Forging Limited and earning returns thereon. None of the Promoters or the firms or Companies in which they are members has any interest in any property acquired by the Company within two years of the date of this Prospectus or proposed to be acquired by it. The promoters are also interested in the Company to the extent of their shareholding, for which they are entitled to receive the dividend declared if any, by the Company.

There are no sums paid or an agreement to pay any sum to the Director or promoter or to Company in cash or shares or otherwise by any person either to induce him to become or qualify him as a Director or otherwise for services rendered by him or by the Company, in connection with the promotion or formation of the Company.

#### **PAYMENT OR BENEFIT TO PROMOTERS OF THE ISSUER COMPANY**

Other than the salary and remuneration of the Promoter Directors, referred to in the section titled "Compensation and Perks to Managing Director/Whole-Time Directors" on page 72 of this Prospectus there are no payment or benefit to promoters of the Company.

#### **OTHER CONFIRMATIONS**

The promoter and promoter group entities, including relatives of the promoters, have confirmed that they have not been denied as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are currently pending against them.

Additionally, none of the Promoters, entities have been restrained from accessing the capital markets for any reasons by SEBI or any other authorities.

#### **Promoter Group**

In addition to the Promoters named above, the following natural persons and HUF's form a part of the Promoter Group.

The natural persons who are part of our Promoter Group (due to their relationship with the Promoters), other than Promoters named above, are as follows:-

1. Mrs. Diksha Malhotra
2. Mrs. Seema Gujral
3. Yuvraj Malhotra (HUF)



---

**RELATED PARTY TRANSACTIONS**

For details of Related Party transactions, please refer to Annexure IV of financial statement on page 95 of this Prospectus.

**CURRENCY OF PRESENTATION**

In this Prospectus, all references to “Rupees” and “Rs.” are to the legal currency of India; all references to “U.S. Dollars” and “US\$” are to the legal currency of the United States.

Any percentages amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion” and “Analysis of Financial Condition and Results of Operations” and as stated in this Prospectus, unless otherwise indicated, have been calculated on the basis of the financial statements prepared in accordance with Indian GAAP.

**DIVIDEND POLICY**

The declaration and payment of dividends will be recommended by the Board of Directors and the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend.



---

## SECTION V: FINANCIAL STATEMENTS

We the Lead Managers to the Issue confirm that all the notes to the accounts, significant accounting policies as well as Auditors qualifications, if any, have been incorporated.

### AUDITOR'S REPORT

**The Board of Directors  
Hilton Metal Forging Ltd.  
60, Whispering Palm Centre,  
Lokhandwala Township,  
Kandivali (E), Mumbai-400 101.**

Re: Initial Public Offering of **Hilton Metal Forging Ltd.**

Auditors' Report as required by Part II of Schedule II to the Companies Act, 1956.

Dear Sirs,

We have examined the Financial information of **Hilton Metal Forging Ltd.** ("The Company") and Hilton Forge, erstwhile Partnership Firm annexed to this report which have been prepared in accordance with the requirement of:

- Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ("the Act").
- The Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines 2000 ("The Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January, 2000 in pursuance of Section 11 of Securities Exchange Board of India, Act, 1992; and
- The terms of reference from the company requesting us to carry out work, proposed to be included in the offer document of the company in connection with the proposed Initial Public Offer ("IPO")

Financial information as per audited financial statements

1. We have examined the attached restated summary of assets and liabilities of the company as at 31.12.2006, 31.03.2006, 31.03.2005, 31.03.2004 and the attached restated summary statement of Profit and Loss for period/year ended on that date ("Summary Statement") (**See Annexure I and II**) as prepared by the company and approved by the board of Directors. This profit has been arrived at after making such adjustments and regroupings as in our opinion is appropriate. These summary statements have been extracted from the financial statements for this year audited by us and have been adopted by the Board of Directors/ members for the year. Based on our examination of these summary statements we confirm that:
  - a. The Impact of changes accounting policies adopted by the company as at and for the year/period ended 31.12.2006, 31.03.2006, 31.03.2005 and 31.03.2004 has been adjusted with retrospective effect in the attached summary statements.
  - b. The extraordinary items, which need to be disclosed separately in the summary statement, are approximately disclosed; and
  - c. There are no qualifications in the auditors' report, which require any adjustments in the summary statements.
  - d. The accounts as revised or otherwise and the adequate disclosures are made in the financial statements of the erstwhile partnership firm for the year/period ended 20.07.2005, 31.03.2005, 31.03.2004 as required to be made by the companies as per Schedule VI of the Companies Act, 1956; and
  - e. The Accounting Standards of the Institute of Chartered Accountants of India (ICAI) have been followed and that the financial statements present a true and fair picture of the firm's accounts.
2. The Summary of Significant accounting policies adopted by the company together with the notes pertaining to the audited financial statements for the year/period ended 31.12.2006, 31.03.2006, 31.03.2005 and 31.03.2004 is enclosed as **Annexure III** to this report.

---

**Other Financial Information**

- 3 We have examined the following unconsolidated financial information of the company proposed to be included in the offer document as approved by you and annexed to this report.
- a. Statement of Related Party Transactions as **Annexure IV**
  - b. Details of Secured Loans as **Annexure V.**
  - c. Details of unsecured Loans as **Annexure VI.**
  - d. Details of Loans & Advances as **Annexure VII.**
  - e. Restated statement of Cash Flow in enclosed as **Annexure VIII.**
  - f. Accounting ratio based on the restated profit relating to earning per share, net asset value and return on net worth is enclosed in **Annexure IX.**
  - g. Statement of tax shelters is enclosed in **Annexure X.**
  - h. Capitalisation Statement as **Annexure XI.**
- 4 In our view, the “financial information as per audited financial statements” and “other financial information” mentioned above have been prepared in accordance with Part II of schedule II of the Act.
- 5 This report is intended solely by your information and for the inclusion in the offer document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For R.K. Chaudhary & Associates**  
**Chartered Accountants**

**(Mr. R. K. Chaudhary)**  
**Proprietor**  
**Membership No: 35487**

Place: Mumbai

Date: 17<sup>th</sup> February, 2007



## ANNEXURE I

### RESTATED STATEMENT OF PROFITS AND LOSSES

(Rs. In Lakhs)

Particulars	Eight month ended 31.03.04	Year ended 31.03.05	Year ended 31.03.06	Period Ended 31.12.06
<b>Income</b>				
<b>Sales :</b>				
a. Of products manufactured by the Company.	1,252.64	2,502.48	3,488.41	3,416.19
b. Scrap Sale Income	210.47	465.18	772.11	613.75
Other income	170.44	250.11	309.20	240.10
Increase (Decrease) in Inventories	14.49	203.51	214.41	261.21
<b>Total Income</b>	<b>1,648.04</b>	<b>3,421.28</b>	<b>4,784.13</b>	<b>4,531.26</b>
<b>Expenditure</b>	-			
Raw Materials consumed	1,153.06	2,468.80	3,029.52	2,706.21
Manufacturing Expenses	272.16	464.74	813.00	657.71
Personal Expenses	40.53	63.45	79.03	124.23
Administration & Selling and Distribution Expenses	93.23	136.03	196.59	350.82
<b>Total Expenditure</b>	<b>1,558.98</b>	<b>3,133.02</b>	<b>4,118.14</b>	<b>3,838.96</b>
<b>Profit(Loss) EBITDA</b>	<b>89.06</b>	<b>288.26</b>	<b>665.99</b>	<b>692.29</b>
Interest	24.46	79.14	95.04	105.18
Depreciation & Amortisation	23.93	26.57	37.57	22.82
<b>Profit Before Tax</b>	<b>40.67</b>	<b>182.55</b>	<b>533.38</b>	<b>564.29</b>
Provision for Tax	11.35	32.63	167.49	189.60
<b>Net Profit After Tax before Extraordinary Items</b>	<b>29.32</b>	<b>149.92</b>	<b>365.89</b>	<b>374.69</b>
Extra-ordinary items (net of tax)	-	-	-	-
Prior period Expenses	-	-	-	-
<b>Net Profit after Extraordinary Items</b>	<b>29.32</b>	<b>149.92</b>	<b>365.89</b>	<b>374.69</b>



## ANNEXURE II

### RESTATED STATEMENT OF ASSETS AND LIABILITIES

(Rs. In Lakhs)

	Particulars	31.03.04	31.03.05	31.03.06	31.12.06
A	<b>Fixed Assets :</b>				
	Gross Block	237.60	665.78	742.88	788.61
	Less Depreciation	23.69	50.02	84.12	106.94
	Net Block	213.91	615.76	658.76	681.67
	Less : Revaluation Reserve	-	-	-	-
	Net Block after adjustment	<b>213.91</b>	<b>615.76</b>	<b>658.76</b>	<b>681.67</b>
	<b>Capital Work In Progress</b>	<b>166.94</b>	<b>-</b>	<b>28.72</b>	<b>300.78</b>
B	<b>Investment</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>
C	<b>Current Assets, Loans and Advances :</b>				
	Inventories	422.18	705.35	1,139.81	2,012.94
	Sundry Debtors	244.08	548.05	459.63	1,012.81
	Cash and Bank Balances	158.08	12.18	90.09	64.94
	Loans and Advances	316.88	295.56	621.28	758.64
	<b>Sub Total</b>	<b>1,141.22</b>	<b>1,561.14</b>	<b>2,310.81</b>	<b>3,849.32</b>
	<b>Total ( A+B+C)</b>	<b>1,522.32</b>	<b>2,177.15</b>	<b>2,998.54</b>	<b>4,832.02</b>
D	<b>Liabilities &amp; Provisions</b>				
	Secured Loan	539.66	1,102.58	1,331.82	2,364.73
	Unsecured Loan	56.50	177.37	-	92.05
	Current Liabilities and Provisions :	699.70	533.75	701.21	955.25
	Deferred Tax Liability	-	-	17.85	27.48
	<b>Total</b>	<b>1,295.86</b>	<b>1,813.70</b>	<b>2,050.88</b>	<b>3,439.51</b>
E	<b>Networth</b>	<b>226.46</b>	<b>363.45</b>	<b>947.66</b>	<b>1,392.51</b>
	<b>Represented by</b>				
	1. Share Capital	198.85	198.85	684.30	699.30
	2. Reserves	29.32	166.06	263.36	728.04
	Less Revaluation Reserve	-	-	-	-
	Less: Misc. Expenses	1.71	1.46	-	34.83
	Reserves (Net of Revaluation Reserves)	27.61	164.60	263.36	693.21
	<b>Total</b>	<b>226.46</b>	<b>363.45</b>	<b>947.66</b>	<b>1,392.51</b>



---

## ANNEXURE III

### SIGNIFICANT ACCOUNTING POLICIES:

#### ACCOUNTING POLICIES AND NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31<sup>ST</sup> DECEMBER, 2006, 31<sup>ST</sup> MARCH, 2006, 31<sup>ST</sup> MARCH, 2005 AND 31<sup>ST</sup> MARCH, 2004.

#### SCHEDULE

**(1) AS- 1 SYSTEM OF ACCOUNTING:**

The Accounts are prepared under historical cost convention on accrual basis except otherwise stated.

**(2) AS- 2 INVENTORIES:**

As per AS-2 on "Valuation of Inventories",

Raw Materials, Packing Material and Stores & Spares are valued at cost on Weighted average basis, Semi finished goods are valued at estimated cost. Finished goods are valued at lower of the cost or net realizable value. Inventories are stated as taken, valued and certified by the management.

**(3) AS- 6 DEPRECIATION:**

Depreciation has been provided on straight line method and at the rates in the manner specified in Schedule XIV of Companies Act, 1956.

**(4) AS- 9 REVENUE RECOGNITION:**

- (i) The Company recognises sale on dispatch of goods to customers. Sales are inclusive of excise duty, sales tax.
- (ii) Company has accounted Sales Tax Set off & Credited to its purchase account.
- (iii) Revenues from services are recognised when such services are rendered.

**(5) AS- 10 FIXED ASSETS:**

Fixed Assets are stated at cost including expenditure incurred in bringing them up to usable condition less depreciation.

**(6) AS- 11 FOREIGN CURRENCY TRANSACTIONS:**

Foreign currency transactions are accounted for at the rates prevailing on the date of transactions. Differences arising out of foreign exchange rates are dealt with in the Profit and Loss Account. Current assets and Current Liabilities relating to foreign currency transactions remaining unsettled at the end of the year are translated at the closing rates and profit or Loss arising there from is dealt with in the Profit and Loss account.

**(7) AS- 13 INVESTMENTS:**

Long term investments are carried at cost less provision, if any, for permanent diminution in value of such investments. Current investments are stated at lower of cost and quoted/fair value computed category wise.

**(8) AS- 15 RETIREMENT BENEFITS:**

Gratuity is calculated in accordance with the provisions of the Payment of Gratuity Act, 1972. Leave Encashment has been provided as at balance-sheet date as per the rules of the company. Contribution to Provident Fund and other Recognized Funds are calculated as per the prescribed rate under the relevant Act and charged to Profit & Loss Account.

**(9) AS-17 SEGMENT REPORTING**

As the Company's business activity, in the opinion of the management, falls within a single primary segment subject to the same risks and returns, the disclosure requirements of Accounting Standard (AS-17) "segment Reporting" issued by the Institute of Chartered Accountants of India are not Applicable.

**(9) AS- 22 ACCOUNTING FOR TAXES:**

Deferred tax is recognised, for all timing differences, subject to consideration of prudence, in respect of Deferred Tax Assets.

**(10) EXCISE-DUTY:**

Excise duty is recognized on goods manufactured.

**NOTES ON BALANCE SHEET AND PROFIT & LOSS ACCOUNT**

**II : Other Notes :**

**B Notes forming part of the Accounts**

- The business of the Company was carried in the name of 'Hilton Forge', a Partnership firm, which was converted into Public Limited Company under Part IX of the Companies Act 1956 in accordance with the Certificate of Incorporation issued on 21<sup>st</sup> July 2005 taking over the Business of the partnership firm, alongwith its assets and liabilities at book value, with effect from 21<sup>st</sup> July 2005

The accounts for the year ended 31.03.06 includes operation of the erstwhile Partnership firm for the periods upto 20.07.05. The accounts for the period 31.03.04 are for the period of 8 months and as such figures are not comparable.

- Current Assets:

In the Opinion of the Board of Directors of the Company all items of the current assets, Loans and Advances continue to have a realizable value of at least the amount at which they are stated on the Balance Sheet, otherwise stated.

- Sundry Debtors

(Debts considered good for which the company holds no security other than Debtor's personal Security)

(Rs. In Lacs)

Particulars	31.03.04	31.03.05	31.03.06	31.12.06
1. Outstanding for More than Six Months	Nil	Nil	Nil	Nil
2. Outstanding for Less than Six Months	244.08	548.06	459.63	1,012.81
a) Amount due from Promoter/Promoter Group/ Group Companies.	Nil	Nil	Nil	Nil
b) Others	244.08	548.06	459.63	1,012.81
<b>Total</b>	<b>244.08</b>	<b>548.06</b>	<b>459.63</b>	<b>1,012.81</b>

- Contingent Liabilities not provided for

(Rs. In Lacs)

Particulars As On	31.03.04	31.03.05	31.03.06	31.12.06
Guarantees given	1.75	1.75	2.35	5.10
Duty saved, pending export obligations under EPCG Scheme	9.84	10.87	Nil	Nil
Sales Tax Matters	Nil	Nil	Nil	Nil
Contract remaining to be executed on capital account not provided for.	16.92	53.85	Nil	Nil
Bond /undertaking given by the company	Nil	Nil	34.14	71.28



5. Remuneration to the Managing Director and Whole time Directors paid/payable during the period under Section 198 of the Companies Act 1956:

(Rs in lakhs)

Particulars	31.03.04	31.03.05	31.03.06	31.12.06
Salary	27.00	36.00	32.58	18.90
Perquisites	0.00	0.00	0.00	11.25
<b>Total</b>	<b>27.00</b>	<b>36.00</b>	<b>32.58</b>	<b>30.15</b>

6. Foreign exchange earnings and outgo during the year/period:

(Rs in lakhs)

Particulars	31.03.04	31.03.05	31.03.06	31.12.06
Earnings:				
Exports - FOB Value	1,230.33	2,473.49	3136.27	3233.48
Outgo:				
Imports Capital Goods (CIF)	19.38	20.33	14.32	22.92
Imports of Die, Tools and Consumables	0.00	0.00	25.01	0.00
Foreign traveling	10.72	5.88	11.68	11.87
Other Expenses	0.00	16.88	13.32	48.29
<b>Total</b>	<b>30.1</b>	<b>43.09</b>	<b>64.33</b>	<b>83.08</b>

7. Additional information pursuant to the provisions of paragraph 3, 4 and 4D of Part II of Schedule VI to the companies Act, 1956

Particulars	31.03.04	31.03.05	31.03.06	31.12.06
i) Licenced Capacity	N.A.	N.A.	N.A.	N.A.
ii) Installed Capacity* (MTPA)				
2 Ton Hammer	1500	1500	1500	1500
16 Ton Hammer	NIL	9600	9600	9600
iii) Actual Production (MT)	-	1932	1715	1534
2 Ton Hammer	912	1050	1226	695
16 Ton Hammer	NIL	882	489	839
iv) Sales (MT)	946	1852	1581	1071

Raw Material Consumed.

Particulars	Indigenous			Imported		
	Qty (MT)	Value (Rs)	% age	Qty (MT)	Value (Rs)	% age
31.03.04	1,275.00	1,153.06	100%	Nil	Nil	0%
31.03.05	2,530.00	2,468.80	100%	Nil	Nil	0%
31.03.06	2,730.00	3,029.52	100%	Nil	Nil	0%
31.12.06	2,520.00	2,706.21	100%	Nil	Nil	0%

Consumable Stores & Spares:

(Rs In Lakhs)

Particulars	31.03.04		31.03.05		31.03.06		31.12.06	
	Value	% age	Value	% age	Value	% age	Value	% age
Indigenous	39.24	100%	91.59	100%	169.09	94.91%	109.02	100%
Imported	Nil	0%	Nil	0%	9.07	5.09%	0.00	0%

8. The company has only one segment namely forgings, hence no separate disclosure of Primary segment has been made as required by accounting Standard 17 on “Segment Reporting” as issued by The Institute of Chartered Accountant of India. However the company has identified following geographical segment on the basis of location of customers the country wise sales are as follows:

(Rs. In Lakhs)

Country	31.03.04	31.03.05	31.03.06	31.12.06
Australia	-	-	57.18	112.94
Canada	99.11	25.49	205.74	160.14
Dubai	-	-	1.63	-
Germany	481.07	565.77	1063.43	526.52
Belgium	173.61	-	199.2	96.43
Iran	-	-	-	3.49
Italy	-	27.56	38.5	166.37
Israel	9.63	64.37	-	-
Korea	45.45	123.53	31.35	-
Kuwait	-	-	-	2.56
Spain	17.89	76.87	-	105.86
Mexico	-	-	-	9.63
Netharlands	96.17	428.57	606.13	397.77
Turkey	-	-	62.3	-
U.A.E.	22.75	12.63	43.99	153.57
U.K	223.68	985.75	549.14	614.91
U.S.A	82.74	190.65	360.92	956.52
<b>Total</b>	<b>1252.1</b>	<b>2501.19</b>	<b>3219.51</b>	<b>3306.70</b>

9. Payment to Auditors:

(Rs. In Lakhs)

Particulars	31.03.04	31.03.05	31.03.06
As Auditors	0.00	0.00	1.10
As Tax Auditors	0.10	0.12	0.32
For certification Work	0.00	0.00	0.17
For Other Matters	0.00	0.00	0.12



---

10. Details of Other Income:

(Rs. In Lakhs)

Particulars	31.03.04	31.03.05	31.03.06	31.12.06	Nature of Income
Labour Charges Received	-	4.71	69.37	98.82	Recurring
Sales of DEPB	167.29	240.34	229.66	135.44	Recurring
Misc. Income	3.15	5.06	10.17	5.84	Recurring
<b>Total</b>	<b>170.44</b>	<b>250.11</b>	<b>309.20</b>	<b>240.10</b>	Recurring

11. Details of Investment:

(Rs in lakhs)

Particulars	31.03.04	31.03.05	31.03.06	31.12.06
Long term –Trade (Unquoted)				
2500 Shares of Saraswat Co-op Bank Ltd.	0.25	0.25	0.25	0.25
<b>Total</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>	<b>0.25</b>

# ANNEXURE IV

## STATEMENT OF RELATED PARTY TRANSACTIONS

Related Party Transaction for year ended as on 31.12.2006.

Names of Related Parties and Description of Relationship

1.	Key Management Personal	Mr. Yuvraj Malhotra. Mr. Shivcharan Gujral Mr. Navraj Malhotra.
2.	Relatives of Key Management Personal.	Mrs. Diksha Malhotra Mrs. Seema Gujral. M/S. Yuvraj Malhotra HUF.
3.	Enterprises Significantly influenced by key Management personal and Relatives.	Hilton Steel Forging Pvt. Ltd. M/S. Delta Cut Tools

Nature of Transaction	Total Transaction (Rs in Lakhs)	Amount Outstanding on 31.12.06 (Rs in lakhs)	Nature of Relationship
Payment of Salary			
Mr Yuvraj Malhotra	18.21	NIL	MD
Mr Shivcharan Gujaral	2.57	NIL	Director
Mr navraj Malhotra	3.61	NIL	Director
Mrs Diksha Malhotra	4.00	NIL	Wife of MD
Mrs Seema Gujaral	1.60	NIL	Wife of Mr Shivcharan Gujaral
Business related Expenses Machining Charges Pd to Delta cut tools	21.89	NIL	A Partnership firm managed by Mr Yuvraj Malhotra and Mr Navraj Malhotra
Other payments in nature of advances toDelta cut tools	6.17	10.92	A Partnership firm managed by Mr Yuvraj Malhotra and Mr Navraj Malhotra

Names of related parties and description of relationship:

1. Key Management Personal	Mr. Yuvraj Malhotra. Mr. Shivcharan Gujaral Mr. Navraj Malhotra.
2. Relatives of Key Management Personal.	Mrs. Diksha Malhotra Mrs. Seema Gujral. M/S. Yuvraj Malhotra HUF.
3. Enterprises Significantly influenced by key Management personal and Relatives.	Hilton Steel Forging Pvt. Ltd. M/S. Delta Cut Tools



Nature of Transaction	Total Transaction (Rs in Lakhs)	Amount Outstanding on 31.3.06 (Rs in lakhs)	Nature of Relationship
<b>Payment of Salary</b>			
Mr Yuvraj Malhotra	17.73	NIL	M.D.
Mr Shivcharan Gujaral	5.70	NIL	Director
Mr Navraj Malhotra	8.20	NIL	Director
Mrs Diksha Malhotra	6.04	NIL	Wife of M.D.
Mrs Seema Gujaral	1.60	NIL	Wife of Mr Shivcharan Gujaral
<b>Business related Expenses</b>			
Machining Charges, Other Expenses	5.05	NIL	A Partnership firm managed by Mr Yuvraj Malhotra and Mr Navraj Malhotra
Paid to Delta cut tools	1.28	NIL	
<b>Other payments in nature of advancesDelta Cut Tools</b>	4.75	4.75	A Partnership firm managed by Mr Yuvraj Malhotra and Mr Navraj Malhotra
<b>Hilton Steel Forging Pvt Ltd</b>	0.11	0.11	A Company in which Yuvraj Malhotra is a Director.
Mr Shivcharan Gujaral	0.30	0.30	Director
Mr Navraj Malhotra	0.45	0.45	Director
Mrs Seema Gujaral	0.15	0.15	Wife of Mr Shivcharan Gujaral,
<b>Repayment of Loan</b>			
Mr Yuvraj Malhotra	0.50	NIL	M.D.
Mr Shivcharan Gujaral	5.00	NIL	Director
Mr Navraj Malhotra	7.00	NIL	Director
\Mrs Diksha Malhotra	14.00	NIL	Wife of Yuvraj Malhotra

Related Party Transaction for year ended as on 31.03.2005.

*Names of related parties and description of relationship:*

1. Key Management Personal	Mr. Yuvraj Malhotra Mrs. Diksha Malhotra.
2. Relatives of Key Management Personal.	Mr. Shivcharan Gujaral Mr. Navraj Malhotra Mrs. Seema Gujaral M/S. Yuvraj Malhotra HUF.
3. Enterprises Significantly influenced by key Management personal and Relatives.	Hilton Steel Forging Pvt. Ltd. M/S. Delta Cut Tools



Nature of Transaction	Total Transaction (Rs in Lakhs)	Amount Outstanding on 31.3.05 (Rs in lakhs)	Nature of Relationship
<b>Payment of Salary</b>			
Mr Yuvraj Malhotra	24.00		M.D.
Mr Shivcharan Gujral	3.60		Director
Mr Navraj Malhotra	4.80		Director
Mrs Diksha Malhotra	12.00		Wife of Yuvraj Malhotra
Mrs Seema Gujral	1.80		Wife of Mr Shivcharan Gujral
<b>Business related Expenses</b>			
Machining Charges Pd to Delta cut tools			A Partnership firm managed by Mr Yuvraj Malhotra and Mr Navraj Malhotra
<b>Other payments in nature of advances</b>			
Mr Shivcharan Gujaral	0.25	0.25	Director
Mr Navraj Malhotra	0.71	0.71	Director
Mrs Seema Gujaral	0.03	0.03	Wife of Shivcharan Gujaral Director
<b>Repayment of Loan</b>			
<b>Unsecured Loan Taken</b>			
Mr Yuvraj Malhotra	0.50	0.50	Managing Director
Mr Shivcharan Gujaral	0.00	5.00	Director
Mr Navraj Malhotra	7.00	7.00	Director
Mrs Diksha Malhotra	1.50	14.00	Wife of Yuvraj Malhotra
Mrs Seema Gujaral	0.50	0.50	Wife of Shivcharan Gujaral, Director

Related Party Transaction for year ended as on 31.03.2004.

*Names of related parties and description of relationship:*

1. Key Management Personal	Mr. Yuvraj Malhotra Mrs. Diksha Malhotra.
2. Relatives of Key Management Personal.	Mr. Shivcharan Gujaral Mr. Navraj Malhotra Mrs. Seema Gujral M/S. Yuvraj Malhotra HUF.
3. Enterprises Significantly influenced by key Management personal and Relatives.	Hilton Steel Forging Pvt. Ltd. M/S. Delta Cut Tools



Nature of Transaction	Total Transaction (Rs in Lakhs)	Amount Outstanding on 31.3.04 (Rs in lakhs)	Nature of Relationship
<b>Payment of Salary</b>			
Mr Yuvraj Malhotra	21.00	Nil	Managing Director
Mr Shivcharan Gujaral	1.80	Nil	Director
Mr Navraj Malhotra	0.00	Nil	Director
Mrs Diksha Malhotra	6.00	Nil	Wife of Yuvraj Malhotra
Mrs Seema Gujaral	0.60	Nil	Wife of Mr Shivcharan Gujaral
<b>Business related Expenses</b>			
Machining Charges Pd to Delta cut tools			A Partnership firm managed by Mr Yuvraj Malhotra and Mr Navraj Malhotra
<b>Other payments in nature of advances</b>			A Partnership firm managed by Mr Yuvraj Malhotra and Mr Navraj Malhotra
<b>Repayment of Loan</b>			
<b>Unsecured Taken</b>			
Mr. Yuvraj Malhotra	1.69		Managing Director
Mrs Diksha Malhotra	12.50	12.50	Wife of Yuvraj Malhotra
Mr Shivcharan Gujaral	5.00	5.00	Director



## ANNEXURE V

### DETAILS OF SECURED LOANS

Rs in Lacs

Name of the Bank	Nature of Loan	Loan sanctioned	O/s as on 31-12-06	Rate of interest	Repayment schedule
<b>A. Term Loan</b>					
Saraswat Co Op Bank Limited	Term Loan	160.00	102.11	PLR+2%p.a.	20 quarterly installment
- do -	Term Loan	60.00	19.25	-do -	-do-
State Bank of Hydrabad	Term Loan	1000.00	39.64	PLR- 2%	20 quarterly installments after a moratorium of one year.
<b>Total</b>		<b>1220.00</b>	<b>161.00</b>		
<b>B. Working Capital Loan</b>					
State Bank of Hydrabad	Export Packing Credit Post shipment	550.00	325.04	As applicable to export finance	Through export proceeds
State Bank of Hydrabad	Pre shipment	550.00	459.30	As applicable to export finance	Through export proceeds
Saraswat Co-op. Bank Ltd.	Export Packing Credit Post shipment	775	463.01	9% p.a.	Through export proceeds
The Saraswat Co-op. Bank Ltd.	Pre shipment (Sub Limit)	(300)	325.00	9% p.a.	Through export proceeds
CITI Bank	Export bill discounting	600	111.75	Libor + service charge	Through export proceeds
CITI Bank	Pre shipment – sub limit	(300)	319.61	Libor + service charge	- do -
UTI Bank Limited	Export Packing Credit	250	200.00	8% p.a.	- do -
<b>Total</b>		<b>2,725.00</b>	<b>2,203.71</b>		

Securities: for

**Term Loan :** Mortgage of land & factory shed and plant and machinery, 1<sup>st</sup> charge shared by State Bank of Hydrabad and The Saraswat Co Operative bank Limited and residential flat of CMD at Kandivali.

**Working Capital:** 1<sup>st</sup> charges shared among State Bank of Hydrabad, The Saraswat Co Operative Bank Limited, CITI Bank NA and UTI Bank Limited, on hypothecation of stocks, book debts and other current assets and 2<sup>nd</sup> Pari Passu Charges on Fixed assets and movables of the company and residential flat of CMD at Kandivali.



---

**ANNEXURE VI****DETAILS OF UNSECURED LOANS**

(Rs. In Lakhs)

<b>As On</b>	<b>31.03.04</b>	<b>31.03.05</b>	<b>31.03.06</b>	<b>31.12.06</b>
<b>Promoter/Promoter Group/ Group Companies.</b>				
- Promoters				
- Mr. Yuvraj Malhotra.	0.00	0.50	0.00	0.00
- Mrs. Diksha Malhotra.	12.50	14.00	0.00	0.00
- Mr. Shivcharan Gujral	5.00	5.00	0.00	0.00
- Mr. Navraj Malhotra.	0.00	7.00	0.00	0.00
- Mrs. Seema Gujral.	0.00	0.50	0.00	0.00
<b>Sub Total</b>	<b>17.50</b>	<b>27.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Others</b>	39.00	150.37	0.00	0.00
- Koregaon Park Hotels Ltd.	20.00	20.00	0.00	0.00
- Kanungo Ferromat Pvt. Ltd.	19.00	19.00	0.00	0.00
- Evenort Ltd.	.	111.37	0.00	0.00
Sales Tax Deferral Loan	0.00	0.00	0.00	92.05
<b>Sub Total</b>	<b>39.00</b>	<b>150.37</b>	<b>NIL</b>	<b>92.05</b>
<b>Total</b>	<b>56.50</b>	<b>177.37</b>	<b>NIL</b>	<b>92.05</b>

## ANNEXURE VII

### DETAILS OF LOANS & ADVANCES

Loans & Advances includes following amounts due from Loans from Promoter/Promoter Group/ Group Companies:

(Rs. In Lakhs)

As On	31.03.04	31.03.05	31.03.06	31.12.06
<b>Promoters</b>				
- Hilton Steel Forging Limited	0.00	0.00	0.11	0.00
- Mr. Shivcharan Gujral	0.00	0.25	0.00	0.00
- Mr. Navraj Malhotra.	0.00	0.71	0.00	0.00
- Mrs. Seema Gujral.	0.00	0.03	0.00	0.00
<b>Promoter Group</b>				
- Delta Cut Tools	0.00	0.00	4.75	10.92
<b>Total From Promoter's Group</b>	<b>0.00</b>	<b>0.99</b>	<b>4.86</b>	<b>10.92</b>
<b>Others</b>				
Advance to staff	1.77	0.22	9.96	7.50
Advance to others	-	-	2.00	4.15
Pre Paid Expenses	0.23	1.54	5.47	0.58
Advance to Suppliers	35.61	22.22	37.87	118.30
Other Receivables	41.76	1.75	8.94	-
Advance towards Public Issue Expenses	-	-	23.32	-
Security Deposits	6.19	12.97	17.36	39.26
Advances on Capital Account	-	-	84.03	86.48
Balance with Central Excise Authority	67.89	71.15	224.12	199.93
Duty Drawback Receivables	138.54	158.57	94.71	93.69
Sales Tax Refund Receivable	-	-	60.34	116.34
Advance Tax and Tax Deducted at Source	24.90	26.15	48.30	81.49
<b>Total</b>	<b>316.88</b>	<b>294.57</b>	<b>616.42</b>	<b>747.72</b>
<b>Total Loans &amp; Advances</b>	<b>316.88</b>	<b>295.56</b>	<b>621.28</b>	<b>758.64</b>



## ANNEXURE VIII

### STATEMENT OF CASH FLOW

(Rs in Lakhs)

	Particulars	For the Year/Period Ended			
		31.03.04	31.03.05	31.03.06	31.12.06
<b>1.</b>	<b>Cash Flow From Operating Activities</b>				
	Net Profit Before Tax after Extraordinary Items	40.67	182.56	533.37	564.29
	Adjustment for:				
	Depreciation & Amortisation	23.93	26.57	37.57	22.82
	Dividend Income	-	(0.05)	(0.05)	(0.05)
	Interest Income	1.12	2.76	-	0.00
	Interest Expenses	24.46	79.14	95.04	105.19
	Operating Profit Before Working Capital Changes	87.94	285.47	665.94	692.25
	Adjustment for Working Capital Changes				
	Trade & Other Receivables	(553.46)	(266.80)	(131.16)	(660.54)
	Inventories	(422.18)	(283.17)	(434.46)	(873.13)
	Trade & Other Payable	688.35	(202.73)	61.81	156.54
	Cash Generated from operations	(199.36)	(467.23)	162.13	(684.88)
	Less: Taxes Paid	(7.50)	(15.85)	(22.11)	(30.00)
	Net Cash Flow from Operating Activities (A)	(206.86)	(483.08)	140.02	(714.88)
<b>2.</b>	<b>Cash Flow from Investing Activities</b>				
	Purchase of Fixed assets/ Capital Expenditure	(404.53)	(261.25)	(105.83)	(317.80)
	Dividend Received	-	0.05	0.05	0.05
	Investments	(0.25)			
	Interest Income	-	2.76	-	-
	Advances On Capital Account	1.12	-	(84.03)	-
	Net Cash used in Investment Activities (B)	(403.66)	(258.44)	(189.81)	(317.75)
<b>3.</b>	<b>Cash Flow from Financial Activities</b>				
	Secured Term Loan (Net)	539.66	562.92	229.24	1032.91
	Capital Introduced/Withdrawn	198.84	(9.03)	172.88	105.00
	Unsecured Loans Taken/Repaid (Net)	<b>56.50</b>	120.87	(177.37)	9.57
	Interest Expenses	(24.46)	(79.14)	(95.04)	(105.18)
	Preliminary Expenses incurred	(1.95)	-	(2.00)	(34.83)
	Net Cash flow from Financing Activities (C)	768.60	595.62	127.71	1007.47
	Net Increase/ (Decrease) in cash & Cash Equivalents (A+B+C)	158.08	(145.90)	77.92	(25.16)
	Cash & Cash Equivalent at the beginning of the period	-	158.08	12.18	90.09
	Cash & Cash Equivalent at the close of the period	158.08	12.18	90.09	64.93

## ANNEXURE IX

### ACCOUNTING RATIOS

Particulars	31.03.04	31.03.05	31.03.06	31.12.06
Earning per Share (EPS) (Rs.)	1.47	7.54	6.82	7.18*
Net Asset Value (NAV) (Rs per share)	11.39	18.28	13.85	19.91
Return on Net Worth (RONW) (%)	12.95%	41.25%	38.61%	35.88%*
Weighted average No. of Equity Shares outstanding at the end of the year	1,988,475	1,988,475	5,362,229	6,960,818
No. of Equity Shares outstanding at the end of the year.	1,988,475	1,988,475	6,843,000	6,993,000

The erstwhile firm was converted into limited company under part IX of the Companies Act, 1956 on 21.07.2005; for all the calculation face value of shares has been assumed at Rs. 10/- per share. EPS has been calculated on weighted average capital balance. The issue of shares as on date of conversion against accumulated reserves has been considered as capitalization of reserves and treated accordingly for calculating weighted average No. of Shares.

\* Annualised

#### Notes:

The Ratios have been computed as below:

Earning Per Share (Rs.)	=	$\frac{\text{Net Profit attributable to Equity Shareholders}}{\text{Weighted Average No. of Equity Share outstanding during the period/year.}}$
Net Asset Value per Share (Rs.)	=	$\frac{\text{Net Worth at the end of the period}}{\text{Equity Share outstanding at the end of the period/Year.}}$
Return On Net Worth (%)	=	$\frac{\text{Net profit After Tax}}{\text{Net Worth for the period/year.}}$



---

**ANNEXURE X****STATEMENT OF TAX SHELTERS**

(Rs in Lakhs)

<b>For the Year/Period Ended</b>	<b>31.03.04</b>	<b>31.03.05</b>	<b>31.03.06</b>
Assessment year	2004-05	2005-06	2006-07
Profit/ (Loss) before Tax	40.669	182.557	533.37
Tax Rate	35.88%	36.59%	33.66
A. Tax at specified rate as applicable on book profits	14.59	66.80	179.57
B. Adjustments			
1. Difference between tax depreciation and book depreciation	Nil	(99.30)	(88.22)
2. Other adjustments.	(10.19)	-	(0.05)
3. Unabsorbed Losses B/F.	NIL	NIL	Nil
Total adjustments	(10.19)	(99.30)	(88.27)
C. Tax savings on adjustments	3.66	36.34	29.71
D. Total taxation	10.93	30.47	149.86
E. Tax as per MAT	N.A	N.A	28.72
F. Tax provided in the books	11.35	32.63	167.49

\* Includes tax provision for FBT.



# ANNEXURE XI

## CAPITALISATION STATEMENT

(Rs in Lakhs)

Particulars	Pre issue as at 31.12.2006	Post issue
a. Short Term Debts	2203.71	2203.71
b. Long term Debts	161.00	1,121.36
<b>Total Debts</b>	<b>2364.71</b>	<b>3,325.07</b>
Share Capital	699.30	1,244.30
Reserves and Surplus	728.05	3,998.05
Less Revaluation Reserve	-	
Less: Misc. Expenses	34.83	<b>300.00</b>
<b>Total Shareholders Funds</b>	<b>1392.52</b>	<b>4,942.35</b>
<b>Long Term Debts/Shareholders Funds</b>	<b>0.12</b>	<b>0.23</b>



## II. FINANCIAL INFORMATION OF GROUP COMPANIES

### 1. DELTA CUT TOOLS

**Date of Registration:** 6<sup>th</sup> July 2004

**Constitution:** Partnership Firm

**Registered Office:** 60, Whispering Palm Centre, Lokhandwala Township, Kandivali (E), Mumbai- 400 101

**Nature of Activities:** The Partnership Firm carrying on the business of manufacturing, Export, machine fabrication & cutting & forgings of all types of stainless steel, alloy steel & carbon steel items. The partnership firm does job work for Hilton Metal Forging Limited. Hilton Metal supplied forging items such as flanges, stubborn, casting bowl to Delta Cut Tools for trimming and machining. After completing semi finished work the material is sent to Hilton Metal Forging Limited. The firm is not doing any other job work for any other Company.

#### Members and Partnership pattern

Name of Partner	% of Control
Mr. Yuvraj Malhotra	60%
Mr. Navraj Malhotra	40%

Financial Performance:

(Amount Rs in Lakhs)

Particulars	March 31, 2006	March 31, 2005
Total Income	27.36	Nil
Profit After Tax	1.91	Nil
Partner's Capital	8.89	6.83

Since the concern is a partnership firm, it doesn't not fall within the ambit of Sick Industrial Companies (Special Provisions) Act, 1995 and hence definition of 'Sick Company' is not applicable to it. Also, the concern has not made losses in any of these immediately preceding three financial years.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the firm.

#### Other Relevant details about the Group Companies:-

### 1. COMMON PURSUITS

- Delta Cut Tools does job work for Hilton Metal Forging Limited at competitive rates. Hilton Metal supplies Semi forging items for flanges, stubborn, casting bowl to Delta Cut Tools for trimming and machining. After completing semi finished work the material is sent to Hilton Metal Forging Limited. The firm is not doing any other job work for any other Company. However, there is no non-compete agreement between Delta Cut Tools and HMFL.
- The material items of income or expenditure arising out of the transactions in the promoter group are disclosed under "Related Party Disclosures" as mentioned under Annexure IV of the Auditors Report appearing on page 95 of this Prospectus.
- There has been no sale or purchase between Companies in the Promoter Group, which exceed in value in the aggregate 10% of the total sales or purchase of the issuer Company. The material item of income or expenditure arising out of transaction in the Promoters group are disclosed under the Annexure IV "Related party Disclosure" of the Auditors Report appearing on page 95 of this Prospectus.

#### DISASSOCIATION BY PROMOTERS

None of the promoters have disassociated themselves from any of the companies/firms during three years.

#### CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS

There have been no changes in accounting policies in the last three years.

### **III. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITIONS AND RESULTS OF THE OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS.**

You should read the following discussion of our financial condition and results of operations together with our audited financial statements for year ended 2006, 2005, and Eight Months Ended 31<sup>st</sup> March, 2004. (Being Partnership Firm erstwhile Started from 1<sup>st</sup> August, 2004) including the notes thereto and the reports thereon, which appears on page no 86 in this Prospectus.

The following discussion is based on their audited financial statements of period ended 31.12.2006 and each of financial years 2006, 2005, and eight months period ended March 2004, which have been prepared in accordance with Indian GAAP. These data have been reclassified in certain respects for purposes of presentation. The financial year-ends on March 31, of each year, so all references to a particular financial year are to the twelve-month period ended March 31 of that year.

Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

#### **1. BUSINESS OVERVIEW**

The Promoter of the Company Mr. Yuvraj Malhotra has started the business by setting up of the proprietorship firm on 13<sup>th</sup> September 1997 with an object of Export of pipe fittings i.e., Manufacturers of Stainless Steel products as Merchant Exporter. The Firm started its activities by effecting first shipment in the year January 1998 for Rs. 7.45 Lakhs by outsourcing the forging components and continued its operations by setting up small machining division on lease basis at Vasai Industrial Estate till 1999. The Firm was registered as a Small Scale Industrial unit in the year 1999 and it started manufacturing Pipe fitting items like Stainless Steel Flanges & Stub Ends in size range from ½" to 10". On 1<sup>st</sup> August 2003 the Partnership Firm under the name "M/s Hilton Forge" which took over the business of the proprietorship firm. Further, the partnership firm was converted into a Public Limited Company under the name Hilton Metal Forging Limited on 21<sup>st</sup> July 2005 under Part IX of Company Act, 1956.

HMFL has a total installed capacity of 11,100 MT per annum and can execute orders for a wide range of forgings weighing from 0.5 kg (1.10 lbs) to 750 kg (1650 lbs). HMFL specializes in the manufacture of forgings for the oil, petrochemical, pharmaceutical, automobile industries and is entering into the field of other Equipment Manufacturers (OEMs).

#### **2. SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO THE LAST FINANCIAL YEAR**

Except as specifically stated in this Prospectus, to their knowledge, no circumstances have arisen or developments have taken place since the date of the last audited financial statement disclosed in this prospectus which materially and adversely affect or are likely to affect the trading or profitability of the Company or the value of their assets or ability to pay material liabilities within the next twelve months.

#### **3. FACTORS AFFECTING RESULTS OF OPERATION**

The Indian forging Industry is highly competitive. The Company faces stiff competition both from the international as well as domestic manufacturers. The competition is increasing with the addition of new capacities and emergence of new global players, which could affect the market share.

Increased competition might lead to price reductions of the final products, decreased sales, lower profit margins thus adversely affecting the business and financial conditions of the Company.

Demand for their products is a derived demand and sensitive to changes in demand of user industry, cyclical changes in regional and global economic conditions and changes in consumer demand.

The raw materials like steel, Non ferrous Metal, furnace oil prices are very much linked to the forgings sector. Frequent increase in fuel and energy prices, increasing prices of forging quality steel are the problems being faced by the company. Fluctuations in raw material prices may alter their cost structure and affect profitability. The



Company may not be able to pass fully increases in raw material costs to their customers which may affect their profitability.

Further, since the company drive its income from Exports any change in DEPB rates, fluctuations in currency may affect its profitability.

## DISUSSION ON RESULTS OF THE OPERATIONS:

### SUMMARY OF PROFIT AND LOSSES AS RESTATED

(Rs. In Lakhs)

Particulars	Eight month ended 31.03.04	Year ended 31.03.05	Year ended 31.03.06	Period ended 31.12.06
<b>Income</b>				
<b>Sales :</b>				
a. Of products manufactured by the Company.	1,252.64	2,502.48	3,488.41	3,416.19
b. Scrap Sale Income	210.47	465.18	772.11	613.75
Other income	170.44	250.11	309.20	240.10
Increase (Decrease) in Inventories	14.49	203.51	214.41	261.21
<b>Total Income</b>	<b>1,648.04</b>	<b>3,421.28</b>	<b>4,784.13</b>	<b>4,531.26</b>
<b>Expenditure</b>				
Raw Materials consumed	1,153.06	2,468.80	3,029.52	2,706.21
Manufacturing Expenses	272.16	464.74	813.00	657.71
Personal Expenses	40.53	63.45	79.03	124.23
Administration & Selling and Distribution Expenses	93.23	136.03	196.59	350.82
<b>Total Expenditure</b>	<b>1,558.98</b>	<b>3,133.02</b>	<b>4,118.14</b>	<b>3,838.96</b>
<b>Profit (Loss) EBITDA</b>	<b>89.06</b>	<b>288.26</b>	<b>665.99</b>	<b>692.29</b>
Interest	24.46	79.14	95.04	105.18
Depreciation & Amortisation	23.93	26.57	37.57	22.82
Profit Before Tax	40.67	182.55	533.38	564.29
Provision for Tax	11.35	32.63	167.49	189.60
<b>Net Profit After Tax before Extraordinary Items</b>	<b>29.32</b>	<b>149.92</b>	<b>365.89</b>	<b>374.69</b>
Extra-ordinary items (net of tax)	-	-	-	-
Prior period Expenses	-	-	-	-
<b>Net Profit after Extraordinary Items</b>	<b>29.32</b>	<b>149.92</b>	<b>365.89</b>	<b>374.69</b>

### COMPARISON OF SIGNIFICANT ITEMS OF INCOME AND EXPENDITURE OF THE COMPANY FOR THE PAST THREE YEARS IS AS FOLLOWS:

#### Comparison of period ended upto 31<sup>st</sup> December 2006 with F.Y. 2006- Reason for Variance

As the two periods are not comparable we have compared per month figures of the above two periods, wherever required.

- **Total Income**

The Company's total income registered a growth of 24.59% to Rs. 4270.04 Lakhs in period ended 31.12.2006 compared to proportionate sales of Rs. 3427.99 Lakhs in FY2006. This growth is due to company's focus on precise & specialized oil field component where value addition is high and has better realization.

- **Raw Material Consumed**

Raw Material consists of bars, rod and ingots of stainless steel or Carbon or alloy. The Raw Material consumptions increased 19.10% in period ended 31.12.2006 to Rs. 2709.21 Lakhs compared to proportionate consumptions of Rs. 2272.14 Lakhs in FY2006. The same is due to increase in Sales of 24.59% and company's focus in high margin products.

- **Profit before Tax, Interest and Depreciation**

EBITDA increased by 38.60% during the period from proportionate Rs.499.49 Lakhs in FY2006 to Rs. 692.29 Lakhs. This Increase was mainly attributable to increase sales, company's focus on specialized products with better margin & economies of scale.

- **Interest**

Net interest expenditure increased by 47.56% from proportionate Rs. 71.28 Lakhs in year FY2006 to Rs. 105.18 Lakhs in period ended 31.12.2006 mainly on account of increase in secured Loan to fund the working capital requirements.

- **Net Profit**

The Profit after tax of the company increased from proportionate Rs. 274.42 Lakhs in the year FY2006 to Rs.374.69 Lakhs during the period ended 31.12.2006.

#### **Comparison of F.Y. 2006 with F.Y. 2005- Reason For Variance**

- **Total Income**

The Company's total income registered a growth of 42% to Rs. 4569.72 Lakhs in FY2006 compared to Rs. 3217.77 Lakhs in FY2005. This growth is due to company's focus on precise & specialized oil field component where value addition is high and has better realization.

- **Raw Material Consumed**

Raw Material consists of bars, rod and ingots of stainless steel or Carbon or alloy. The Raw Material consumptions increased 23% in FY2006 to Rs. 3029.52 Lakhs from Rs. 2468.80 Lakhs in FY2005. The same is due to increase in Sales of 42% and decrease in raw material prices in 2005-06.

- **Profit before Tax, Interest and Depreciation**

EBITDA increased by 131% during the year from Rs.288.27 Lakhs in 2004-05 to Rs. 665.98 Lakhs during the 2005-06. This Increase was mainly attributable to increase sales, company's focus on specialized products with better margin, decrease in raw material prices & economies of scale.

- **Interest**

Net interest expenditure increased by 20% from Rs. 79.14 Lakhs in year 2004-05 to Rs. 95.04 Lakhs in year 2005-06 mainly on account of increase in secured Loan to fund the working capital requirements.

- **Net Profit**

The Profit after tax of the company increased from Rs. 149.92 Lakhs in the year 2004-05 to Rs 365.89 Lakhs during year 2005-06. The company could achieve better profitability due to increase in turnover, focus on specialized products with better margins, lower raw material cost and economics of scale.

#### **Comparison of F.Y. 2005 with 8 months period ended 31<sup>st</sup> March 2004 - Reason For Variance**

As two periods are not comparable we have compared per month figures of the above periods, wherever required.

- **Total Income**

The Turnover of the company during Eight Months operation in financial year ended 31<sup>st</sup> March, 2004 was Rs. 1633.56 Lakhs as against full year operation 31<sup>st</sup> March, 2005 was Rs. 3217.77 Lakhs The average monthly sales has been increased to Rs.268.15 Lakhs during 31<sup>st</sup> March, 2005 against average monthly Sales of Rs. 204.20 Lakhs during 31<sup>st</sup> March, 2004. This substantial growth is achieved due to increase in sale volume and



increase in addition of new 16 Ton hammer which was started operation during the financial year ended 31<sup>st</sup> March, 2005 enabling the company to cater to forging larger size requirements .

- **Raw material Consumed**

The Cost of Materials sold is at 70.39% of sales for the year ended 31<sup>st</sup> March, 2005 (after increase/ Decrease in Finished Goods and Semi Finished Goods of Rs. 203.51 Lakhs) whereas it worked out to 69.70% of Sales during Eight Months Operation for year ended 31<sup>st</sup> March, 2004

- **Profit before Tax, Interest and Depreciation**

EBITDA of the company during Eight Months operation in financial year ended 31<sup>st</sup> March, 2004 was Rs. 89.06 Lakhs as against full year operation 31<sup>st</sup> March, 2005 was Rs. 288.27 Lakhs The average monthly EBITDA has been increased to Rs.24.02 Lakhs during 31<sup>st</sup> March, 2005 against average monthly EBITDA of Rs. 11.13 Lakhs during 31<sup>st</sup> March, 2004. This Increase was mainly attributable to high sales volume and full year of operation & better control over inventories and overheads.

- **Interest**

The Interest and financial expenses has increased to Rs. 6.59 Lakhs for full financial year ended 31<sup>st</sup> March, 2005 as compared to average monthly interest and financial expenses of Rs. 3.06 Lakhs for Eight Months period ended 31<sup>st</sup> March, 2004 on account of a ailment of additional working capital facilities.

- **Net Profit**

The net profit after tax has increased From Rs 29.43 Lacs during Eight Months operation for period ended 31<sup>st</sup> March, 2004 to Rs. 149.92 lacs during full year operation for period ended 31<sup>st</sup> March, 2005. The Profit rose due increase in sale volume.

#### **Information required as per clause 6.10.5.5 of SEBI DIP Guidelines**

1. **Unusual or infrequent events or transaction.**

There have been no unusual or infrequent events or transactions.

2. **Significant economic changes that materially affected or likely to affect the income from continuing operations.**

Government's focus on forging will have major bearing on the companies involved in forging sector. Any major changes in policies of the Government may have the significant impact on the profitability of the Company, as applicable to Forging Industry.

3. **Known trends or uncertainties that have had or expected to have material adverse impact on sales, revenue or income from continuing operations.**

There have not been any discernible known negative trends or uncertainties, which could adversely impact the income or revenue from continuing operations.

4. **Future changes in the relationship between cost and revenue.**

The Company doesn't see substantial increase in Power & Fuel, labour cost or other cost related to the product except that raw material prices may go up in near future due to rise in steel prices. However; any increase in raw material prices would be duly covered in the price of the product.

5. **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 increase in revenues are mainly due to increased sales volume as well increased sales prices due to more value added products The Company mainly caters to oil and gas industry and pipe fitting industry by supplying flanges. The Company has developed new flanges but no development of new product has taken place.

6. **Status of any publicly announced new products or business segment.**

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

---

**7. Seasonal Character of company's business.**

The business in which company is engaged is not seasonal.

**8. Level of dependence on a single or few suppliers or customers.**

The top 5 Customers of the company constitute 55% of the sales in FY 2006 with top customer constituting 16% of total sales. However the Company has very good relationship with its customer and is dealing with them since long time and doesn't foresee any problem in future. Further, the above customers are dispersed over different country. The company is not depended on few suppliers for its raw material requirement. The company has very cordial relationship with all customers and suppliers.

**9. Competitive Conditions.**

Competition for project is varied depending on the products offered and the geographical areas being chosen.

**Sundry Debtors**

The Sundry debtors are not related to the promoters/directors of the Company.



---

## SECTION VI- LEGAL AND OTHER INFORMATION

### I. OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

The company certifies that there are no:

- Pending litigations against the Company.
- Outstanding litigations, defaults etc pertaining to matter likely to affect operations and finances of the company including prosecution under any enactment in respect of Schedule XIII of the Companies Act 1956 (1 of 1956).
- Such cases of pending litigations, defaults etc in respect of Companies/firms/ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.
- Disciplinary action/ investigation has been taken by Securities and Exchange Board of India (SEBI)/ Stock Exchanges against the Company, its directors, promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370 (1B) of the Companies Act 1956).
- Cases against the Company or its Promoters of economic offences in which penalties were imposed on promoters.
- Pending litigations, defaults, non payment of Statutory dues, proceedings initiated for economic offences/civil offences, any disciplinary action taken by the Board/Stock Exchanges against the Company/Promoters and their business ventures/Directors other than those mentioned in this Prospectus and that no litigations have arisen after the issue of SEBI's Observation letter and the Company and its Directors take full responsibility of the information mentioned in the Prospectus.
- Promoters, their relatives (as per Companies Act, 1956), Issuer, Group Companies, Associated Companies are detained as willful defaulters by RBI/Government Authorities.
- Violations of Securities Laws committed by the Promoters, their relatives (as per Companies Act, 1956), Issuer, Group Companies, Associated Companies in the past or pending against them.
- Major creditors having an outstanding balance for more than six months as on 31<sup>st</sup> December 2006, is Nil.

### LITIGATIONS AGAINST THE PROMOTERS/ DIRECTORS

There are no outstanding litigations, disputes, defaults, non-payment of statutory dues, overdue to banks and/or FIs, defaults against banks and/or FIs, proceedings initiated for economic/civil/criminal or any other offences (including past cases where penalties may /may not have been awarded and irrespective of whether they are specified under paragraph (1) of Part (1) of schedule XIII of Companies Act 1956 against Promoters/ Directors of Hilton Metal Forging Limited.

### REQUIREMENT OF CLAUSE 6.11.1.5

None of the financial litigations have arisen after filing the Prospectus with ROC.

### LITIGATIONS AGAINST SUBSIDIARY COMPANIES / GROUP COMPANIES / ASSOCIATE CONCERNS

There are no criminal, securities, statutory or other litigations against any of the Subsidiary Companies /Group/Associate Companies. There are no outstanding litigations, disputes, penalties including tax liabilities economic offence, criminal/civil prosecutions for any offence irrespective of whether specified under any enactment in paragraph (1) of Part (1) of schedule XIII of Companies Act 1956 against the Group companies / Associate Concerns promoted by the Promoters.

There are no outstanding litigations, defaults, etc, pertaining to matters likely to affect operations and finances of the Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956).

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.



## AMOUNTS DUE TO SMALL SCALE UNDERTAKINGS

There are no amounts due by the Company to any small-scale undertaking. Also there are no amounts due to individual creditors in excess of a sum of Rs. 1, 00,000/- which are outstanding for more than 30 days.

## MATERIAL DEVELOPMENTS SINCE THE LAST BALANCE SHEET DATE

There are no material changes affecting the performance and prospects of the Company since the latest Balance Sheet for the period ending 31.12.2006. All known and identified liabilities have been acknowledged and accounted for and necessary disclosures made in the Prospectus.

**THE DIRECTORS OF THE COMPANY IN THEIR OPINION HEREBY STATE THAT THERE IS NO MATERIAL DEVELOPMENT AFTER THE DATE OF THE LAST FINANCIAL STATEMENTS DISCLOSED IN THE PROSPECTUS WHICH IS LIKELY TO MATERIALLY AND ADVERSELY AFFECT OR IS LIKELY TO AFFECT THE TRADING OR PROFITABILITY OF THE COMPANY OR THE VALUE OF ITS ASSETS, OR ITS ABILITY TO PAY ITS LIABILITIES WITHIN THE NEXT TWELVE MONTHS.**

## II. GOVERNMENT APPROVALS/LICENCING 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 further approvals are required by the company for carrying on the proposed business activities of the Company. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, the Company can undertake this Issue and its current business activities and no further major approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

## GOVERNMENT AND OTHER APPROVALS

Sr. No.	Issuing Authority	Registration/ LicenseNo.	Nature of Registration/License	Validity / Date
<b>INCORPORATION AND OTHER STATUTORY COMPLIANCES</b>				
1	Registrar of Companies, Maharashtra	U28900 MH 2005 PLC 154986	Certificate for incorporation	-
2	Registrar of Companies, Maharashtra		Commencement of Business	-
3	Secretariat for Industrial Assistance	4948/SIA/IMO/2005	SIA acknowledgement for manufacturing fitting, flanges, stubends & all types of forgings	-
<b>LABOUR LAWS</b>				
4	Regional Provident Fund Commissioner Office	MH98081	Provident Fund Number	-
5	Department of Industrial Safety and Health, Maharashtra Government	Kalyan/28910/19-A	Factory License	Applied for renewal



Sr. No.	Issuing Authority	Registration/ LicenseNo.	Nature of Registration/License	Validity / Date
<b>EXCISE</b>				
6	Deputy Commissioner Central Excise, Kalyan I Division, Thane I Commissionerate	AABCH5823JXM001	Registration Certificate	-
<b>SALES TAX</b>				
7	Sales Tax Department	421303/V/0042	Value Added Tax	-
8	Sales Tax Department	421303/C/579	Central Sales Tax	-
<b>INCOME TAX</b>				
9	Income Tax Department	AABCH5823J	Permanent Account Number	-
10	Income Tax Department	MUMH09209E	Tax Deduction Account Number (TAN)	-
<b>ENVIRONMENT</b>				
11	Maharashtra Pollution Control Board	Bo/WPAE/Kalyan-254/ CC-615	Water and Air Prevention and Control of Pollution	31.12.2007
<b>OTHER</b>				
12	Joint Director General of Foreign Trade, Mumbai	0330010457/2/11/00	Importing of Goods (EPCG 5% FOB Basis)	8.12.2013
13	Joint Director General of Foreign Trade, Mumbai	0397066511	Certificate of Importer- Exporter Code (IEC)	-
14	Engineering Export Promotion Council	RCMC:B:M&M: 6092:2005-06	Merchant Cum Manufacturer Exporter	31.03.2009
15	Joint Director General of Foreign Trade, Mumbai	013298	Export House	31.03.2007
16	Maharashtra State Electricity Board	SE/VC/TECH/VSI/ CONS/00546	Power Supply	14.01.2008
17	Gram panchayat, Vill: Ghansoli, Taluka: Wada, Dist:Thane, Mumbai	-	Construction of Factory Building at plot no 1,2, 3 &15	-
18	Maharashtra State Electricity Board	SE/VC/TECH/CONS/ 02915	Power Supply for plot no 15	27.06.2007
19	Bombay Shops and Establishments Act, 1948	RS-II/006267	Registration under Shop and Establish- ment Act	-



---

**APPROVALS FOR WHICH APPLICATIONS HAVE BEEN MADE BUT NOT YET RECEIVED**

<b>Sr. No.</b>	<b>Approval/Consent</b>	<b>Concerned Authority</b>
1	Pollution Control Board – Enhancement in Production Capacity	Maharashtra Pollution Control Board
2	Power Consent for plot no 1, 2 & 3	Maharashtra State Electricity Board



## SECTIONVII- OTHER REGULATORY AND STATUTORY DISCLOSURES

### AUTHORITY FOR THE ISSUE

The present issue of Equity Shares by the Company has been authorized by the Board of Directors of the Company vide resolution passed at their meeting held on 12<sup>th</sup> April 2006, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81 (1A) of the Companies Act, 1956. The shareholders approved the issue at the Annual General Meeting of the shareholders of the Company held on 8<sup>th</sup> May 2006 at Mumbai.

### PROHIBITION BY SEBI

The Company, its directors, any of the Company's Associates or Group Companies, and companies with which the directors of issuer are associated, as directors or promoters, have not been prohibited from assessing the capital market under any order or directions passed by SEBI. The listing of any securities of the Issuer never been refused at anytime by any of the stock exchanges in India.

Further, confirm that neither the Company nor promoters, their relatives and group concerns are not denied as wilful defaulters by RBI/Government Authorities nor there are any violations of securities laws committed in past or pending against the Company.

### ELIGIBILITY FOR THE ISSUE

As per clause 2.2.1 of SEBI Guidelines, the Company may make an initial public offering of equity shares, as to meet the following conditions:

- The Company has net tangible assets of at least Rs 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets.
- The Company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years.
- The Company has a net worth of at least Rs 1 crore in each of the preceding 3 full years (of 12 months each)
- The Company has not changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and
- The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e offer through offer document + firm allotment + promoter's contribution through the offer document), does not exceed 5 times its pre-issue networth as per the audited balance sheet of the last financial year).

The details of Net Tangible Assets, Distributable Profits and Net Worth of the Company are as follows:-

(Rs in Lakhs)

	<b>Eight Month ended 31.03.2004</b>	<b>Year ended 31.03.2005</b>	<b>Year ended 31.03.2006</b>
Net Tangible Assets*	226.45	363.45	965.51
Distributable Profits	29.32	149.92	365.89
Net Worth	226.46	363.45	947.66
Monetary Assets**	158.08	12.18	90.09

\* Net Tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities)

\*\* Monetary assets include cash on hand and bank and quoted investments including units in open ended mutual fund schemes at cost, net of provisions for diminution in value.

The Company has not full 3 financial years (of 12 months each) of the financials. Hence, the Company is not fulfilling the conditions under the clause 2.2.1 of the SEBI Guidelines.

However, the Company is complying with the conditions specified in clause 2.2.2 (a) (ii) and (b) (i) of SEBI (DIP) Guidelines, which are as under:-

- a) The “project” has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser (s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded.
- b) The minimum post issue face value capital of the Company shall be Rs 10 crores.

The Company fulfils the criteria as stated in clause 2.2.2 (a) (ii) of SEBI (DIP) Guidelines 2000 as amended as the participation from the Scheduled Banks/Financial Institutions is above the required limits of 15% and the appraisers have participated in excess of 10% of the project cost as required.

Appraising Bank	Amount Sanctioned (Rs in Lakhs)	% of Total Project Cost
State Bank of Hyderabad	1000	20.77%

The participation of appraising bank is in excess of 10% of the project cost and further the participation of the bank is in excess of 15% of the project cost.

The Company has reserved 5, 45,000 Equity shares being 10% of the Total Issue Size of 54, 50,000 Equity Shares to QIBs.

The Company also undertakes that the number of prospective allottees in the issue shall be atleast 1000 failing which the entire subscription amount shall be refunded. In case of delay, the Company shall pay interest on the application money @ 15% p.a. for the period of delay.

As per clause 2.2.2B of SEBI (DIP) Regulations:

- (ii) “Project” means the object for which the monies proposed to be raised to cover the objects of the issue.
- (v) As per Section 2.2.2 B (v) of SEBI (Disclosure and Investors’ Protection) Guidelines, inserted vide SEBI/CFD/DIL/ DIP/Circular No 11 dated August 14, 2003, ‘Qualified Institutional Buyer’ shall mean:
  - a) Public financial institution as defined in section 4A of the Companies Act, 1956;
  - b) Scheduled Commercial Banks;
  - c) Mutual Funds;
  - d) Foreign Institutional Investor registered with SEBI;
  - e) Multilateral and Bilateral development financial institutions;
  - f) Venture Capital Funds registered with SEBI;
  - g) State Industrial Development Corporations;
  - h) Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA);
  - i) Provident Funds with minimum corpus of Rs 25 crores
  - j) Pension Funds with minimum corpus of Rs 25 crores;

Pursuant to Clause 2.8 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 the Company has made firm arrangement for the stated Means of Finance as follows as updated:

(Rs in Lakhs)	
Particulars	Total
a) Total Means of Finance required	4815.00
b) Amount to be raised through public issue	3815.00
c) Amount Excluding the Public Issue (A-B)	1000.00
<b>Total @ 75% of (C)</b>	<b>750.00</b>



(Rs in Lakhs)

Particulars	Total
Loan sanctioned from SBH Bank	1000.00
Finance arranged through verifiable means	1000.00

#### DISCLAIMER

#### SEBI DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS PROSPECTUS HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (HEREINAFTER REFERRED TO AS SEBI). "IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF 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 FOR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGERS, CENTRUM CAPITAL LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT, WHILE THE ISSUER / COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGERS CENTRUM CAPITAL LIMITED, HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 2<sup>ND</sup> SEPTEMBER 2006 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

- a. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE OFFER DOCUMENT PERTAINING TO THE SAID OFFER;
- b. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

#### WE CONFIRM THAT:

1. THE OFFER DOCUMENT FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;
2. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AND ALSO THE GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
3. THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.
4. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS 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 OFFER DOCUMENT WITH THE BOARD TILL DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE OFFER DOCUMENT.



**THE FILING OF PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED PUBLIC ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MERCHANT BANKER (S) ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.”**

#### **CAUTION**

The Company, Directors and the Lead Managers accept no responsibility for statements made otherwise than in this Prospectus or in the advertisement or any other material issued by or at the instance of the Issuers, the Company and the Lead Managers and that anyone placing reliance on any other source of information, including the Company website, [www.hmfl.co.in](http://www.hmfl.co.in) would do so at their own risk.

The Lead Managers accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Lead Managers and the Company.

All information shall be made available by the Company and the Lead Managers to the Public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows presentations, in research or sales reports, at collection centers.

#### **GENERAL DISCLAIMER OF THE ISSUER**

The Company accepts full responsibility for the accuracy of the information given in this Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, the omission of which makes any statement in this 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 proposed public issue or for the price at which the equity shares are offered or for the correctness of the statements made or opinions expressed in this Prospectus.

The promoters/directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to misstatement/misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case be, that any information/material has been suppressed/withheld and/or amounts to a misstatement/misrepresentation, the promoters/directors undertake to refund the entire application monies to all the subscribers within seven days thereafter without prejudice to the provisions of Section 63 of the Companies Act, 1956.

In the event of the Market Capitalisation (product of issue price and the post issue number of shares) requirement of the Exchange not being met, the securities of the issuer would not be listed on the Exchange.

The issuer will update the Prospectus and keep the Public informed of any material changes in the document till the listing and trading.

#### **DISCLAIMER IN RESPECT OF JURISDICTION**

This Issue is being made in India to Indian Nationals, who are resident in India and are Adult Individuals and are not lunatic, in single name or joint names (not more than three); Hindu Undivided Families through the Karta of the Hindu Undivided Family; Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares; Indian Mutual Funds registered with SEBI; Indian Financial Institutions & Banks; Indian Venture Capital Funds /Foreign Venture Capital Funds registered with SEBI subject to the applicable RBI Guidelines and Approvals, if any; State Industrial Development Corporations; Insurance Companies registered with Insurance Regulatory and Development Authority; Provident Funds with minimum corpus of Rs.2500 Lacs; Pension Funds with minimum corpus of Rs.2500 Lakhs;

Trusts or Societies registered under the Societies Registration Act, 1860 or any other applicable Trust Law and are authorized under its constitution to hold and invest in Equity Shares of a Company; Commercial Banks and Regional Rural Banks, Cooperative Banks may also apply subject to permission from Reserve Bank of India; Permanent and Regular employees of the Company; Non-Resident Indians (NRIs) and Foreign Institutional Investors (FIIs) on repatriation / non-repatriation basis.

This prospectus does not, however, constitute an issue to sell or an invitation to subscribe to Equity shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction.



Any person into whose possession this 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 appropriate courts at 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 this Prospectus has been submitted for approval of and has been filed with SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of Hilton Metal Forging Limited since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Investor may please note that Central Government /RBI do not take any responsibility for the financial soundness or correctness of the statements disclosed in this Prospectus.

#### **DISCLAIMER CLAUSE OF STOCK EXCHANGES**

##### **BOMBAY STOCK EXCHANGE LIMITED, MUMBAI (BSE/DESIGNATED STOCK EXCHANGE)**

As required, a copy of this Prospectus has been submitted to the BSE. BSE ("the designated Stock Exchange") has given vide its letter No. List/Smg/sm/2006 dated October 20, 2006 permission to this Company to use the Exchange's name in this Prospectus as one of the Stock Exchange on which the Companies securities are proposed to be listed. The Exchange has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

BSE does not in any manner-

- Warrant, certify or endorse the correctness or completeness of any of the contents of this prospectus,
- Warrant that this Company's securities will be listed or will continue to be listed on the BSE, or
- Take any responsibility for the financial or other soundness of this Company or 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 Prospectus has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

##### **THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED, MUMBAI (NSE)**

As required, a copy of this prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter No. NSE/LIST/33129-N dated November 14, 2006 permission to the Issuer to use the NSE name in this Prospectus as one of the stock exchanges on which this Company'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 capitalization (i.e. the Paid up capital shall not be less than Rs 10 crores and market capitalization shall no be less than Rs 25 crores at the time of listing). The NSE has scrutinized this 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 that this Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus nor does it warrant that 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 this Company, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquires any of the securities of the Company may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.



---

**FILING**

Copy of this Prospectus, along with the material contracts and documents required to be filed under Section 60 of the Companies Act, 1956 is being delivered for registration to The Registrar of Companies, Maharashtra, Mumbai, 100 Everest Building, Marine Lines, Mumbai – 400 002.

Copy of the Prospectus has been filed with SEBI, at SEBI Bhavan, Plot C-4A, G- Block, Bandra Kurla Complex, Mumbai-400 021 for its observations and SEBI has given its observations.

**LISTING**

An initial listing application has been made to the BSE and NSE for permission to list the Equity Shares and for an official quotation of the equity shares of the Company. BSE will be the Designated Stock Exchange.

In case the permission for listing of the equity shares is not granted by the above mentioned Stock Exchange, the Company shall forthwith repay, without interest all monies received from the applicants in pursuance of this prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to pay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

The Company shall ensure that all steps for the completion of necessary formalities for listing and commencement of trading at BSE and NSE are taken within 7 working days of the finalization and adoption of the basis of Allotment for the issue.

**IMPERSONATION**

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956 (hereinafter referred to as 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.”

**CONSENTS**

Consents in writing of the Directors, Auditors, Lead Managers to the Issue, Banker to the issue, Bankers to the Company, Company Secretary, Compliance Officer, Legal Advisor, Appraising Agency, Financial Advisor to the Company, and Registrar to the Issue to act in their respective capacities have been obtained and filed along with copy of Prospectus with the Registrar of Companies, Mumbai, Maharashtra as required under Section 60 of the Act, and none of them have withdrawn the said consents up to the time of delivery of a copy of this Prospectus for registration with the said Registrar of Companies .

**EXPERT OPINION**

Except for the various tax benefits available to the Company and its members expressed by the Auditors of the Company given in this Prospectus, the Company has not obtained any other expert opinion.

**EXPENSES OF THE ISSUE**

The expenses of the issue include interalia Management fees, Brokerage Selling Commission, printing and stationery, legal fees, statutory advertisement expenses and listing fees.



Sr. No.	Description	Amount (Rs in Lakhs)	% of the Total Issue Expenses	% of the Total Issue Size.
1	Lead Manager's Fees, Registrar, Legal Advisor & Auditor's Fees	88.50	35.40	2.32
2	Advertising & Marketing Expenses	50.00	20.00	1.31
3	Printing, stationery, Distribution & Postage	30.00	12.00	0.79
4	Brokerage & Selling Commission	57.00	22.80	1.50
5	Other Expenses (Listing fees, Depository Charges etc)	24.50	9.80	0.64
	<b>Total</b>	<b>250.00</b>	<b>100.00</b>	<b>6.56</b>

#### **FEES PAYABLE TO THE LEAD MANAGER TO THE ISSUE**

The total fees payable to the Lead Managers will be as per the Memorandum of Understanding signed with Centrum Capital Limited and SREI Capital Markets Limited dated 1<sup>st</sup> June 2006 and 2<sup>nd</sup> August 2006 respectively, a copy of which is available for inspection at the Registered Office of the Company.

#### **FEES PAYABLE TO THE REGISTRAR TO THE ISSUE**

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding dated 12<sup>th</sup> May 2006 signed with the Company, a copy of which is available for inspection at the Registered Office of the Company.

#### **UNDERWRITING COMMISSION**

The issue is not proposed to be underwritten. Hence, no underwriting commission is payable.

#### **BROKERAGE & SELLING COMMISSION**

Brokerage will be paid by the Company at the rate of 1.50% on the issue price of Equity Shares offered to the public on the basis of Allotment made against applications bearing the stamp of the members of any recognized Stock Exchanges in India in the broker's column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of Allotments made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

In case of tampering or over stamping of Brokers'/Agents' codes on the application forms, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

#### **PREVIOUS ISSUE OF CAPITAL DURING LAST FIVE YEARS**

The Company has not made any public issue of equity shares / debentures during the last five years prior to this issue. The details of issue of capital have been outlined in the paragraph on the build up of the share capital under the capital structure on page No. 15.

#### **PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH**

The Company has not issued any Equity Shares for consideration other than cash except as Detailed in the section entitled "Capital Structure " on page No. 15 of this prospectus.

#### **COMMISSION OR BROKERAGE ON PREVIOUS ISSUE**

Hilton Metal Forging Limited has not made any public or Rights issue in the last five years.



**PARTICULARS IN REGARD TO HILTON METAL FORGING LIMITED AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING SECTION 370 (1) (B) OF THE COMPANIES ACT, 1956 WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS.**

Neither Hilton Metal Forging Limited, nor any other listed companies under the same management within the meaning section 370 (1) (B) of the Companies Act, 1956, has made any capital Issue during the last three years.

**PROMISES V/S PERFORMANCE**

Hilton Metal Forging Limited has not made any public or Rights issue since its inception.

**LISTED VENTURES OF PROMOTERS**

The Promoters does not have any listed ventures and hence information on promises vis a vis performance as far as projection is concerned in not available.

**OUTSTANDING REDEEMABLE PREFERENCE SHARES AND DEBENTURES**

The Company since its incorporation has not issued any redeemable preference shares and Debentures.

**STOCK MARKET DATA FOR THE EQUITY SHARES OF THE COMPANY**

This being the initial public issue of the Company, the Equity Shares of the Company are not listed on any stock exchange.

**MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES**

The Company has appointed the registrar to the issue, M/s Sharex Dynamic (India) Private Limited to handle the investor grievances in coordination with the Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the Registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of equity shares applied for, amount paid on application and bank and branch. The Company would monitor the work of the registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

The Registrar to the issue will handle investor's grievances pertaining to the issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with the registrar to the issue in attending to the grievances to the investor. The Company assures that the Board of Directors in respect of the complaints, if any, to be received shall adhere to the following schedules:

Sr. No	Nature of complaint	Time Table
1.	Non-receipt of refund	Within 7 days of receipt of complaint subject to production of satisfactory evidence
2.	Change of Address Notification	Within 7 days of receipt of information
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details

The company has appointed Mr. Viswanathan Sridhar, Compliance Officer who would directly deal with SEBI officer with respect, to implementation/ compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints .The investors may contact the Compliance Officer in case of any pre issue/post issue related problems. The Compliance Officer would be available at the Registered Office of the Company. He may be contacted at the following address:

Mr. Viswanathan Sridhar  
Hilton Metal Forging Limited  
60, Whispering Palm Centre,  
Lokhandwala Township,  
Kandivali (East), Mumbai - 400 101.  
**Tel:** +91-22-28863359/ 28846565  
**Fax:** +91-22-28865488  
**Email:** ipo@hmfl.co.in



---

**CHANGES IN AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF**

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

**CAPITALISATION OF RESERVES OR PROFITS DURING LAST FIVE YEARS**

The Company has not capitalized any reserves or profit since inception.

**REVALUATION OF ASSETS, IF ANY DURING LAST FIVE YEARS**

The Company has not revalued any of its assets since inception.

---

## SECTION VIII- ISSUE RELATED INFORMATION

### I. TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provision of the Companies Act, the Memorandum and Articles of the Company, the terms of this Prospectus, Application form, 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, Reserve Bank of India, Stock Exchanges, ROC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### RANKING OF EQUITY SHARES

The Equity shares being issued shall be subject to the provisions of the Memorandum and Articles of Association of the Company, and shall rank pari passu in all respects with the existing Equity Shares 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 and the lock in provision applicable as per SEBI Guidelines in respect of existing equity shares as mentioned in the notes to Capital structure on page no 16.

### MODE AND PAYMENT OF DIVIDEND

The declaration and payment of dividend will be recommended by Board of Directors and declared by the shareholders at their discretion and will depend on a number of factors including but not limited to the earnings, Capital requirements and overall financial conditions.

### FACE VALUE AND ISSUE PRICE

Each Equity Share being offered is of face value of Rs. 10 and the issue price is 7 times of the face value.

### RIGHTS OF THE EQUITY SHAREHOLDERS

- Right to receive dividend, if declared.
- Right to attend general meeting and exercise voting rights unless prohibited by law.
- Right to vote either personally or by proxy.
- Right to receive offer for rights shares and the allotted bonus shares.
- Right to receive surplus on liquidation.
- Such other rights as may be available to a shareholder of a Public Limited Company under the Companies Act, 1956.

For a details description of the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of the Articles of Association" on page 140 in this Prospectus.

### MARKET LOT AND TRADING LOT

In terms of section 68B of the companies Act, 1956 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 be only in dematerialised for all investors.

Since trading of the equity shares will be in dematerialised mode, the tradable lot is one Equity share. Allocation and allotment of Equity shares through this issue will be done in electronic form in multiple of one equity shares subject to minimum of 80 equity shares.

### NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Act, the sole or first applicant, along with other joint Applicants, may nominate



any one person in whom, in the event of the death of the applicants, as the case may be, the equity shares allotted if any, shall vest. A person being a nominee, entitled to the equity shares by reason of death of the original holders (s), shall in accordance with Section 109A of the 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 shares. 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 shares in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity shares by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made on a prescribed form available on request at the registered office of the Company or to the Registrar and Transfer Agents of the company. In accordance with Section 109B of the Act, any person who becomes nominee by virtue of 109A of the Act shall upon production of such evidence as may be required by the Court, elect either:

1. To register himself or herself as holder of Equity Shares or
2. 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 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirement 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 investor wants to change the nomination, they are requested to inform their respective depository participant.

#### **MINIMUM SUBSCRIPTION**

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after closure of the issue on account of cheques having returned unpaid or withdrawal of application, the Company shall forthwith refund the entire subscription amount received. If there is delay beyond 8 days after the company become liable to pay the amount, the Company shall pay interest as per section 73 of the Companies Act.

#### **WITHDRAWAL OF THE ISSUE**

The Company, in consultation with the Lead Managers, reserves the right not to proceed with the Issue at anytime including after the issue closing date, without assigning any reason thereof. In case the Company decides so, it shall issue a public notice within two days of the closure of issue, indicating the reasons for withdrawal of Issue in the newspapers in which the issue advertisement appeared earlier. The Company shall also inform the Stock Exchanges on which the shares are proposed to be listed.

#### **PERIOD OF SUBSCRIPTION**

The subscription list for public issue shall remain open for atleast 3 working days and not more than 10 working days.

#### **ARRANGEMENTS FOR DISPOSAL OF ODD LOTS**

The Company has not made any arrangements for disposal of odd lot of shares arising out of this Offer as the tradable lot is ONE.

#### **RESTRICTIONS, IF ANY, ON TRANSFER AND TRANSMISSION OF SHARES AND ON THEIR CONSOLIDATION/ SPLITTING**

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation /splitting, please refer sub-heading "Main Provisions of the Articles of the Association" of Hilton Metal Forging Limited appearing on page 140 of this prospectus.

## **II. ISSUE PROCEDURE**

#### **AUTHORITY OF THE PRESENT ISSUE**

The issue of Equity Shares in this issue by the Company has been authorized by the resolution of the Board of

Directors passed at their meeting held on 12<sup>th</sup> April 2006, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81 (1A) of the Companies Act. The shareholders approved the issue at the Annual General Meeting of the shareholders of the Company held on 8<sup>th</sup> May 2006 at Mumbai.

## **PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE**

### **OPTION TO SUBSCRIBE**

As on the date of this document, there are no pending options to subscribe to the Equity Shares or convertible instruments pending conversion into Equity Shares of any kind.

The investor shall have option to subscribe to Equity Shares to be dealt with in a depository. Shares shall be allotted only in demat form. The investor shall have the option to hold the security certificates in physical form or demat form with a depository.

The shares of the Company will be traded on the stock exchange only in demat mode.

### **HOW TO APPLY**

#### **AVAILABILITY OF APPLICATION FORMS AND PROSPECTUS**

The Memorandum form 2A containing salient features of the prospectus together with Application Forms and copies of the prospectus under Section 56 (3) of the Act may be obtained from the Registered Office of the Company, the Lead Managers to the issue and the Bankers to the issue named herein or from their branches as stated on the reverse of the application form.

NRIs/ FIIs/ Indian Mutual Funds and Indian and Multilateral Development Financial Institutions can obtain the Application Form from the registered office of the Company.

#### **APPLICATIONS MAY BE MADE BY:**

1. Indian nationals resident in India who are not minor, in single or joint names (not more than three);
2. Hindu Undivided Families through the Karta of the HUF;
3. Companies, Corporate bodies and Societies registered under the applicable law in India and authorized to invest in the shares;
4. State Industrial Development Corporations
5. Insurance Companies registered with Insurance Regulatory and Development Authority.
6. Provident Funds with minimum corpus of Rs 25 Crores
7. Pension Funds with minimum corpus of Rs 25 Crores
8. Indian Venture Capital Funds/Foreign Venture Capital Funds registered with SEBI subject to the applicable RBI Guidelines and Approvals, if any;
9. Scientific and/or Industrial Research Organizations, which are authorized to invest in shares;
10. Indian Mutual Funds registered with SEBI, Indian Financial Institution, Commercial Banks and Regional Rural Banks, Co-operative Banks may also apply subject to permission from RBI;
11. Indian Financial Institutions and Banks;
12. Trusts or Societies registered under the Societies Registration Act, 1860 or any other applicable Trust Law and which are authorized under their constitution to hold and invest in equity shares of a Company;
13. Non Resident Indians (NRIs) on a repatriation/non-repatriation basis
14. Foreign Institutional Investors on a repatriation/non-repatriation basis
15. Multilateral and Bilateral Development Financial Institutions.



---

**APPLICATION NOT TO BE MADE BY:**

- Minors
- Foreign Nationals (except NRIs)
- Partnership firms or their nominees
- Overseas Corporate Bodies (OCBs)

**APPLICATIONS BY HINDU UNDIVIDED FAMILIES (HUF)**

Application may be made by Hindu Undivided families (HUF) through Karta of the (HUF) and will be treated at par with individual applications.

**APPLICATION FORM**

Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form and are liable to be rejected if not so made. The prescribed application forms will have the following colours:

Category	Colour of Application Form
Indian Public including eligible NRIs applying on non-repatriation	White
NRIs / FIIs applying on repatriation basis	Blue

**SUBSCRIPTION BY NRIS/ FIIS**

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. Investments made by NRIs / FIIs are governed by the regulations contained in FEMA 20/2000-RB dated May 3, 2000 read with AP (DIR Series) Circular No. 38 dated December 2, 2003 shall be applicable. It is to be distinctly understood that there is no reservation and separate Application Form for NRIs on non-repatriation basis and FIIs registered with SEBI and all NRI (on non-repatriation basis) and FII applicants will be treated on the same basis with other categories for the purpose of allotment.

**MINIMUM AND MAXIMUM APPLICATION SIZE**

- 1) **For Retail Individual Investors:** Applications should be for minimum of 80 Equity Shares and in multiples of 80 Equity Shares thereafter, so as to ensure that the amount payable by the applicant does not exceed Rs. 1,00,000.
- 2) **For Other Investors:** Application should be for a minimum of such number of Equity Shares so that amount payable by the applicant exceeds Rs.1,00,000 and in multiples of 80 Equity Shares thereafter.

An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public. A single application can be made only for the number of shares that are offered to each respective category.

Under existing SEBI guidelines, a QIB applicant cannot withdraw its application after the Issue Closing.

**APPLICATIONS UNDER POWER OF ATTORNEY**

In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds; a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Application Form subject to such terms and conditions as it may deem fit.



---

## TERMS OF PAYMENT

The entire Issue price of Rs. 70 per share is payable on application only. In case of allotment of lesser number of Equity Shares than the number applied, the Company shall refund the excess amount paid on application to the applicants.

## PRE-ISSUE ADVERTISEMENT

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC. This advertisement will contain the information that has to be set out in the statutory advertisement. Any material updates, if any, between the date of filing of Prospectus with RoC and the date of release of this statutory advertisement will be included in the statutory advertisement.

## GENERAL INSTRUCTIONS FOR APPLICANTS

- 1) Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not made so.

- 2) Application must be made for a minimum of 80 equity shares and in multiples of 80 thereafter:

In the name of Resident Indian Individuals, Limited Companies, Statutory Corporations/Institutions Incorporated in India, Indian Mutual Funds registered with SEBI and Banks. Applications in the name of minors, foreign nationals, Trusts not registered under the Societies Registration Act, 1860, or any other Trust Laws, partnership firms or their nominees, OCBs, will be treated as invalid.

HUF should specify that the application is being made in the name of the HUF in the application form as “Name of the sole or first applicant: XYZ HUF applying through XYZ, where XYZ is the name of the Karta”. Application by HUFs would be considered at par with those from individuals.

- 3) Thumb impressions and signatures other than in English/ Hindi or any other language specified in the Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.

- 4) **Bank Account Details of Applicant**

The name of the Applicant, Depository Participant's name, Depository Participant's Identification (DP ID) number and the Beneficiary number provided by the Depository participant must be mentioned correctly in the Application Form at the appropriate place. The Registrar will obtain the Demographic details such as Address, Bank account details and occupation from the depository participants. The refunds, if any, will be printed with the Bank details as given by the Depository participant.

- 5) Applicants should write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.

## INSTRUCTIONS FOR APPLICATIONS BY NRIs/FIIs (ON REPATRIABLE BASIS):

- 1) As per the exim policy of the Government of India, OCBs cannot participate in this Issue. Investments made by NRIs/FIIs are governed by the regulations contained in FEMA 20/2000-RB dated May 3, 2000, under automatic route of Reserve Bank, the Company is not required to make an application for Issue of equity shares to NRIs/FIIs with repatriation benefits.
- 2) However, the allotment / transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.
- 3) In case of application by NRIs 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 Subscribers applying on a repatriation basis. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to NRE or FCNR account.

- 4) In case of application by FIIs on repatriation basis, the payment should be made out of funds held in Special Non-Resident Rupee Account along with documentary evidence in support of the remittance like certificates such as FIRC, bank certificate etc. from the authorised dealer. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to Special Non-Resident Rupee Account.
- 5) Duly filled Application Forms along with cheques/demand drafts in favour of “Name of the Bank A/c-Hilton Metal Forging Limited- Public Issue- NR” ( for e.g. “**ICICI Bank A/c-Hilton Metal Forging Limited- Public Issue-NR” or “HDFC Bank A/c-Hilton Metal Forging Limited- Public Issue-NR” or “UTI Bank A/c- Hilton Metal Forging Limited- Public Issue-NR”**) by NRIs / FIIs will be accepted at designated branches of the Bankers to the Issue at Mumbai & Delhi only.
- 6) Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges / commission. In case of applicants who remit their application money from funds held in NRE / FCNR accounts, such payments shall be credited to their respective NRE/FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
- 7) Applications in this category may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under this category.

**APPLICATION BY NRI ON NON- REPARTIATION BASIS:** - can be made using the form meant for public out of the funds held in Non- Resident Ordinary (NRO). The relevant bank certificate must be accompanying such forms. Such application will be treated on par with the application made by the public.

#### **APPLICATION BY MUTUAL FUNDS:**

No mutual fund scheme shall invest more than 10% of its net asset value in 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.

A separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications. The applications made by the Asset Management Company or Trustees/Custodians of a Mutual Fund shall be clearly indicating the name of the concerned scheme for which application is being made.

#### **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 the post-Issue issued capital (i.e. 10% of 1,24,43,000 Equity Shares of Rs.10 each) Equity Shares. In respect of an FII investing in the Equity Shares 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 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%. However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption.

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.



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) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed (i) 25% of the corpus of the venture capital fund/ (ii) 33.33% of the corpus of the foreign venture capital investor.

The above information is given for the benefit of Investors. The Company and the Lead Mangers are not liable for any amendments or modification or changes in applicable laws and regulations, which may occur after the date of this Prospectus, whether prospectively or retrospectively. Investors are advised to make their independent investigations and ensure that their number of Equity Shares applied for do not exceed the applicable limits under laws and regulations.

Application forms together with cheques or bank drafts drawn in Indian Rupees for the full amount payable at the rate of Indian Rs. 70 per share must be delivered before the close of subscription list to such branches of the Bankers to the Issue places mentioned in the application form.

A separate single cheque/bank draft must accompany each application form.

## PAYMENT INSTRUCTIONS

### For Resident Individuals

1. Payments should be made in cash or cheque or bank draft drawn on any Bank (including a Co-operative Bank), which is situated at and is a member or a sub-member of the Bankers' "Clearing House", located at the Centers (indicated in the Application Form) where the Application is accepted. However, if the amount payable on application is Rs. 20,000/- or more, in terms of section 269SS of the Income-Tax Act, 1961; such payment must be effected only by way of an account payee cheque or bank draft. In case payment is effected in contravention of the conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon.
2. Money orders, postal orders, outstation cheques or bank drafts, cheques / draft drawn on Banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected.
3. A separate cheque / bank draft must accompany each application form.
4. All cheques / bank drafts accompanying the application should be crossed "**A/c Payee Only**" and made payable to the Bankers to the Issue and marked "**( Name of Bank A/c Hilton Metal Forging Limited – Public Issue**".

Category of Application	Cheques/Bank Draft Favouring
Indian Public including eligible NRIs applying on non- repatriation basis	"ICICI Bank A/c – Hilton Metal Forging Limited – Public Issue" <b>OR</b> HDFC Bank A/c – Hilton Metal Forging Limited – Public Issue" <b>OR</b> UTI Bank A/c – Hilton Metal Forging Limited – Public Issue"
NRIs/FIIs on repatriation basis	"ICICI Bank A/c – Hilton Metal Forging Limited – Public Issue-NR" <b>OR</b> HDFC Bank A/c – Hilton Metal Forging Limited – Public Issue-NR" <b>OR</b> UTI Bank A/c – Hilton Metal Forging Limited – Public Issue-NR"

5. Investors will not have facility of applying through stockinvest instruments as RBI has withdrawn the stockinvest scheme vide notification no. DBOD.NO.FSC.BC.42/24.47.001/2003-04 dated 5/11/2003.



---

## SUBMISSION OF COMPLETED APPLICATION FORMS:

All applications duly completed and accompanied by cash/ cheques/ bank drafts shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. **Application(s) should not be sent to the office of the Company or the Lead Managers to the Issue.**

Applicants residing at places where no collection centers have been opened may submit/mail their applications at their sole risk along with application money due there on by Bank Draft to the Registrar to the Issue, Sharex Dynamic (India) Private Limited, superscribing the envelope “**Hilton Metal Forging Limited – Public Issue**” so as to reach the Registrar on or before the closure of the Subscription List. Such bank drafts should be payable at Mumbai only. The Company will not be responsible for postal delays and loss in transit. The Company will not entertain any claims, damage or loss due to postal delays or loss in transit.

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed application form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each application form. The acknowledgement of receipt of application moneys given by the collection agents shall be valid and binding on the issuer company and other persons connected with the issue. Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

## ACCEPTANCE OF APPLICATIONS

The Company reserves the right to accept or reject, any application, in whole or in part, without assigning any reason thereof. If the application is rejected in full, the whole of the application money received will be refunded by Electronic Transfer of Funds or through Registered Post, Speed Post to the applicant. If the application is accepted in part, the excess application money will be refunded to the applicant. Such refund, if any, will carry interest @ 15% p.a. after 30 days from the closure of the Issue for the period of delay beyond 30 days.

## OTHER INSTRUCTIONS

- 1) **Joint Applications in case of Individuals:** Applications may be made in single or joint names (not more than three). In case of Joint Applications, refund, pay orders, dividend warrants etc. if any, will be drawn in favour of the first applicant and all communications will be addressed to the first applicant at her/his address as stated in the application form.
- 2) **Multiple Applications:** An applicant should submit only one application form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same.

In this regard, an illustration of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which will serve as a multiple master document.
2. In this master document, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. The Registrar will obtain from the depositories; details of the applicants' addresses based on the DIP ID and Beneficiary Account Number provided in the Application Form and create an address master document.
4. The addresses of all the applicants in the multiple master documents will be strung from the address master document. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be taken to check for common names. Applications with the same name and address will be treated as multiple applications.
5. The applications will be scrutinized for similar DP ID and Beneficiary Account Numbers. In case where applications bear the same DP ID and Beneficiary Account Numbers, they will be treated as multiple applications.

6. After consolidation of all the masters as described above, a print out of the multiple master document will be taken and applications will be physically verified to tally signatures and the name of father's or husband's. On completion of this, applications will finally be identified as multiple applications.

In case of a Mutual Fund, a separate application can be made in respect of each scheme of the mutual fund registered with SEBI and such applications in respect of more than one scheme of the Mutual Fund will not be treated as multiple applications provided that the applications clearly indicate the scheme concerned for which the application has been made.

NRI/IIIs applying on a repatriation basis shall not make an application in the public category and such applications made in both the categories i.e reserved category and Public category shall be treated as multiple applications.

The Company reserves the right to accept or reject, in its absolute discretion, any or all-multiple applications. Unless the Company specifically agrees in writing with or without such terms and conditions it deems fit, a separate cheque/ draft must accompany each application form.

### 3) **PAN / GIR Number**

Where application(s) is/are for Rs. 50,000 or more, the applicant or in the case of an application in joint names, each of the applicants, should mention his/her Permanent Account Number (PAN) allotted under the IT Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that applicants should not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.** In case the sole/first applicant and joint applicant(s) is/are not required to obtain PAN, each of the applicant(s) shall mention "Not Applicable" and in the event that the sole applicant and/or the joint applicant(s) have applied for PAN, which has not yet been allotted, each of the applicant(s) should mention "Applied for" in the Application Form. Further, where the applicant(s) has mentioned "Applied for" or "Not Applicable", the sole/first applicant and each of the joint applicant(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a 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 Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All applicants are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

### 4) **Equity Shares in Demat Form with NSDL or CDSL**

The Company had signed the following tripartite agreements with the Depositories and the Registrar to the Issue and Share Transfer Agent:

- a) An agreement dated 16<sup>th</sup> August 2006 with CDSL and Sharex Dynamic (India) Private Limited
- b) An agreement dated 6<sup>th</sup> September 2006 with NSDL and Sharex Dynamic (India) Private Limited

The Company's shares bear an ISIN no INE 788H 01017.

All investors can seek allotment only in dematerialized mode. However, an investor will have an option to hold the shares in physical form or demat form. After the allotment in the proposed Issue allottees may request their respective DPs for rematerialisation of shares if they wish to hold the shares in physical form. Applications without relevant details of his or her depository account are liable to be rejected.

### **Instructions:**

1. An applicant applying for shares must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
2. The Applicant must necessarily fill in the details (including the Beneficiary Account number. and DP ID number) in the Application Form.



3. Equity Shares allotted to an applicant in the electronic mode will be credited directly to the respective Beneficiary Accounts (with the DP).
4. Name(s) in the Share Application Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
5. The Registrar to the Issue will directly send non-transferable Allotment Letters/ Refund Orders to the Applicant.
6. Application will be liable to be rejected if incomplete or incorrect details are given under the heading 'Request for shares in electronic form' in the Application Form.
7. The applicant is responsible for the correctness of the Applicant's demographic details given in the Application Form vis-à-vis those with his/ her DP.
8. 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. Both the Stock Exchanges where the Equity Shares of the Company are proposed to be listed are connected to NSDL and CDSL.
9. Trading in the Equity Shares of the Company would be in only dematerialised form for all investors.
10. Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment/share certificates/credit of securities in depositories beneficiary account/refund orders, etc., Investors may contact Compliance Officer or Registrar to the Issue.

**Note:** Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.

***For further instructions regarding application for the Equity Shares, investors are requested to read the application form carefully.***

#### **GROUND FOR TECHNICAL REJECTIONS**

Applicants are advised to note that applications are liable to be rejected among others on the following technical grounds:

1. Amount paid does not tally with amount payable for the value of Equity Shares applied for;
2. Age of first applicant is not given;
3. Application by minor;
4. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
5. NRIs, except eligible NRIs and Non- Residents;
6. Applications by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
7. Category not ticked;
8. Applications accompanied by stockinvest/money order/postal order/cash (wherever applicable);
9. Application Form is not delivered by the Applicant within the time prescribed as per the Application Form, Issue Opening Date advertisement and the Prospectus and as per the instructions in this Prospectus and the Application Form;
10. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Applicants (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
11. Application Form does not have the Applicant's depository account details;
12. PAN or GIR number not given if application is for Rs. 50,000/- or more;



13. Copy of PAN card or PAN allotment letter is not enclosed if the application is for Rs 50,000/-or more;
14. Application for Equity Shares which are not in multiples of 80.
15. Multiple applications as defined in this Prospectus;
16. In case of application under Power of Attorney or by limited companies, corporates, trust etc., relevant documents are not submitted;
17. Signature of the sole and/or joint applicants missing;
18. Applications by OCBs.
19. Applications by U.S. persons other than “Qualified Institutional Buyers” as defined in Rule 144A of the Securities Act.

### **BASIS OF ALLOTMENT**

In the event of the Present Issue of Equity Shares being oversubscribed, allotment shall be made on a proportionate basis and the basis of allotment will be finalized in accordance with the SEBI Guidelines and in consultation with BSE (Designated Stock Exchange). The Executive Director/ Managing Director of BSE along with the Lead Managers and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the following guidelines:

### **PROPORTIONATE ALLOTMENT PROCEDURE**

Allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size i.e. 80 Equity Shares.

Allotment will be made in consultation with Bombay Stock Exchange. The allotment will be done on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size of shares subject to market lots as explained below:

- a) Applicants will be categorised according to the number of 80 shares applied for
- b) The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category multiplied by the inverse of the oversubscription ratio (number of applicants in the category x number of Shares applied for).
- c) The number of shares to be allotted to the successful allottees will be arrived at on a proportionate basis (i.e. Total number of shares applied for into the inverse of the oversubscription ratio).
- d) For applications where the proportionate allotment works out to less than 80 shares the allotment will be made as follows:
  - (i) each successful applicant shall be allotted 80 shares; and
  - (ii) the successful applicants out of the total applicants for that category shall be determined by the drawing of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (b) above.
- e) If the proportionate allotment to an applicant works out to a number that is not a multiple of 80, the applicant would be allotted shares by rounding off to the nearest multiple of 1.
- f) If the shares allocated on a proportionate basis to any category is more than the shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any category, where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance Shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for the minimum number of shares.
- g) If the process of rounding off to the nearest multiple of 80 results in the actual allotment being higher than the shares offered, the final allotment may be higher at the sole discretion of the Board of Directors, upto 110% of the size of the offering offer specified under point 20 of the Notes to the Capital Structure mentioned in the Prospectus.
- h) The above proportionate allotment of shares in an issue that is oversubscribed shall be subject to the reservation for retail individual applicants as described below:



- (i) 5,000 Equity Shares are reserved for firm allotment for Centrum Capital Limited (Lead Manager to the Issue).
- (ii) Unsubscribed portion in the reserved category shall be added back to the Net offer of shares to the Public.
- (iii) A minimum of 10% of the Total issue size i.e. 5,45,000 Equity shares to be compulsorily allotted to QIBs.
- (iv) A minimum of 50% of the net offer of shares after allocating 10% to QIBs i.e. 24,50,000 equity shares shall initially be made available for allotment to retail individual investors who have applied for Equity Shares of or for a value not more than Rs 1,00,000/-.
- (v) The balance net offer of shares to the public shall be made available for allotment to
  - a. individual applicants other than retails individual investors and
  - b. other investors, including Corporate Bodies/ Institutions irrespective of number of shares applied for value more than Rs 1,00,000/-.

Spill over from QIBs category, shall, at the sole discretion of the Company in consultation with the Lead Managers, be allowed to meet under-subscription, if any, in categories for Non- Retail Investors and Retail Individual Investors.

Further, unsubscribed portion in either of Non- Retail Investors or Retail Individual Investors category shall be added to the other category interchangeably.

Investors may note that in case of over – subscription, allotment shall be on proportionate basis and will be finalised in consultation with BSE. The drawing of lots (where required) to finalise the basis of allotment shall be done in the presence of a public representative on the governing board of the BSE.

#### **DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY**

The Company shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of allotment of Equity Shares.

The Company shall ensure dispatch of refund orders by following mode:

- a) In case of applicants residing at Ahmedabad, Bangalore, Bhubneshwar, Kolkatta, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvanthapuram – refunds shall be credited through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer);
- b) In case of applicants residing at places other than those specified in (a) above and where the value of refund order is Rs. 1500/- or more, refund orders will be dispatched to the applicants by registered post only at the sole or First Applicant's sole risk;
- c) In case of applicants residing at places other than those specified in (a) above and where the value of refund order is less than Rs. 1500/-, refund orders will be dispatched under certificate of posting only at the sole or First Applicant's sole risk.

Adequate funds for the refunds shall be made available to the Registrar by the Company.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, the Company further undertakes that:

- Allotment shall be made only in dematerialised form within 30 days of the Issue Closing Date;
- Dispatch refund orders within 30 days of the Issue Closing Date would be ensured; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 30 days time period as mentioned above), if allotment is not made, refunds are not electronically transferred and refund orders are not dispatched and/or demat credits are not made to investors within the 30 days time prescribed above.



## **PAYMENT OF REFUND**

### **Mode of making refunds**

The payment of refund, if any, would be done through the following various modes:

- a) ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneswar, 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.
- b) 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 hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- c) Direct Credit – Applicants having bank accounts with the Refund Banker(s) as mentioned in the Application Form, in this case being, UTI Bank 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.
- d) RTGS (Real Time Gross Settlement) – 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 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.

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 demands drawn on UTI Bank and payable at par at places where applicants are received. Bank charges, if any, for cashing such cheques, pay orders or demands at other centers will be payable by the applicants.

Please note that only applicants having a bank account at any of the 15 centres where the clearing houses for the ECS are managed by the RBI are eligible to receive refunds through the modes stated above. For all the other applicants, including applicants who have not updated their bank particulars, alongwith the nine-digit MICR code, the refund orders shall be dispatched "Under Certificate of Posting" for refund orders less than Rs. 1,500 and through speed post/registered post for refund orders exceeding Rs. 1,500.

### **INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS/REFUND ORDERS**

The Company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. The Company further agrees that it shall pay interest @15% per annum if the allotment letters/refund orders have not been dispatched to the applicants, 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 30 days from the date of the closure of the issue. However, applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest"

### **ACCESS TO FUNDS**

The funds received against this Public issue will be kept in separate bank accounts and the Company will not have any access to such funds received under the public issue unless it has received minimum subscription of 90% of the



application money towards the public issue component and permission of the Designated Stock Exchange is obtained to use the amount of subscription. The Company will obtain the permission of Designated Stock Exchange by producing sufficient documentary evidence of subscription of 90% or more on the closure of the Issue to utilise the funds collected as per the present rules. The Company will not have access to the funds received against the public issue until it has received approval for allotment from the Designated Stock Exchange and listing and trading permission is received from BSE.

#### **UNDERTAKING BY THE COMPANY**

The Board of Directors of the Company undertakes that: -

- i. That the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- ii. That all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the equity shares are to be listed are taken within 7 working days of finalization of the basis of allotment;
- iii. The Company shall apply in advance for the listing of equity shares;
- iv. 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 Company;
- v. That the certificates of the equity shares/refund orders to non-resident Indian applicants shall be dispatched within specified time;
- vi. That no further issue of equity shares shall be made till the equity shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc.
- vii. That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days of closure of issue, giving details of the bank where refunds shall be credited alongwith the amount and expected date of electronic credit of refund;

#### **UTILISATION OF ISSUE PROCEEDS**

The Board of Directors of the Company certifies that:

- i. All monies received against this issue shall be transferred to separate bank accounts in a schedule bank as referred to in sub-section (3) of section 73;
- ii. Details of all monies utilized out of the issue referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance-sheet of the company indicating the purpose for which such monies had been utilized; and
- iii. Details of all unutilized monies out of the issue of shares, if any, referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance-sheet of the company indicating the form in which such unutilized monies have been invested.

The Board of Directors of the Company also certifies that:

- i) The utilization of monies received from firm allotment shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized.
- ii) The details of all unutilized monies out of the funds received under firm allotment shall be disclosed under a separate head in the balance sheet of the company indicating the form in which such unutilized monies have been invested.

The Company undertakes that it shall not access the money raised in the Issue till finalisation of basis of allotment or completion of issue formalities.

#### **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Equity Shares of Indian companies is regulated by the provisions of the Foreign Exchange Management Act, 1999 (FEMA) and the rules and regulations framed thereunder read with the Industrial Policy of the

---

Government of India as amended from time to time. 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 investments may be made. Under the Industrial Policy of Government of India, unless specifically restricted, foreign investment is freely permitted in Indian companies up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per the current foreign investment policy, foreign investment is allowed up to 100% in the Company. The government bodies responsible for granting foreign investment approvals are FIPB and RBI. As per the existing regulations, FIIs are permitted to subscribe to shares of an Indian company in a public issue without prior RBI approval, so long as the price of the equity shares to be issued is not less than the price at which equity shares are issued to residents. The maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This can be raised to 100% by adoption of a special resolution by the Company's Shareholders; however, as of the date thereof, no such resolution has been recommended to the shareholders of our company for adoption.



---

## SECTION IX : DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

### A) RIGHTS OF MEMBERS

The Equity Shareholders shall have the following rights:

- i. Right to receive dividend, if declared;
- ii. Right to attend general meetings and exercise voting powers, unless prohibited by law;
- iii. Right to vote on a poll either in person or by proxy;
- iv. Right to receive offers for right shares and be allotted bonus share, if announced;
- v. Right to receive surplus on liquidation;
- vi. Right of free transferability;
- vii. Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles.

### B) MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY:

The Article of Association of the Company, inter alia, includes following clauses:

#### CAPITAL & INCREASE AND REDUCTION OF CAPITAL

##### Amount of Capital

The Authorised Share capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crore only) divided into 1,50,00,000 (One Crore Fifty Lakh) Equity Shares of Rs. 10/- with power to increase or reduce the capital for the time being and divide into several classes and to attach thereto with such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company and to consolidate or sub divide the Shares and issue Shares of higher or lower denomination.

##### Increase of Capital by the Company

The Company in General Meeting may, from time to time, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts, as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the general Meeting resolving upon the creation thereof, shall direct and if no direction be given, as the Directors shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends, and in the particular such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the Capital of the Company has been increased under the provisions of sections 97 of the Act.

##### New Capital same as existing capital

Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creations of new shares shall be considered as part of the existing capital and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

##### Redeemable Preference Shares

Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preference Shares which are at the option of the Company are liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption

---

**Provision to apply on issue of Redeemable Preference Shares**

On the issue of Redeemable Preference Shares under the provisions of Article 6 hereof the following provision shall take effect:

- a) No such shares shall be redeemed except out of the profit of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption
- b) No such shares shall be redeemed unless they are fully paid;
- c) The premium, if any payable on redemption must have been provided for out of the profits of the Company or the Company's Shares Premium Account before the shares are redeemed;
- d) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called the "Capital Redemption Reserve Account" a sum equal to the nominal amount of the shares redeemed and the provisions of the Act, relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid up share capital of the Company

**Reduction of Capital**

The Company may, (subject to the provisions of Section 78, 80, and 100 to 105 both inclusive of the Act) from time to time, by Special Resolution reduce its share capital and any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorized by law and particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.

**Sub-division, consolidation and cancellation of Shares**

Subject to the provisions of Section 94 of the Act, the Company in General Meeting may from time to time, sub-divide or consolidate its shares or any of them and the resolution whereby any share is subdivided, may determine that, as between the holder of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the others or other. Subject as aforesaid, the Company in General Meeting may also cancel shares, which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of its share capital by the amount of the shares so cancelled.

**Funds for Purchase of shares**

None of the funds of the company shall be applied in the purchase of any shares of the company and it shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the Company or in its holding Company save as provided by section 77 of the Act.

**Buyback of shares**

Notwithstanding anything contained in these Articles the company when and if thought fit may buy back its own shares and/or securities as it may think necessary, subject to such limits, upon such terms and conditions and subject to such approvals as may be required or permitted under the provisions of section 77A and 77B of the Act and the Rules prescribed by the central government and or by Security & Exchange Board of India in this regard.

**Modification of rights**

Whenever the Share Capital, by reason of issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class (unless otherwise provided by the term of issue of the shares of that class) may, subject to provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound up be varied, modified, commuted, affected or abrogated, or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided such agreements are ratified in writing by holders of at least three-fourths in nominal value of the issued shares of that class or is confirmed by a Special Resolution passed at a separate General Meeting of the holders of shares of that class.



---

## **DEMATERIALISATION OF SECURITIES**

### **Securities in depositories to be in fungible form**

- (1) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to Depository Act, 1996 and the rules framed there under.
- (2) All securities held by a Depository shall be dematerialised and shall be in a fungible form
- (3) Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to the Depository in respect of the Securities held by it on behalf of the Beneficial Owner.

### **Distinctive Number of securities**

- (1) Notwithstanding anything to the contrary contained in the Articles, Section 83 of the Act shall not apply to the shares held with a Depository
- (2) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of Security effected by the transferor and transferee, both of whom are entered as Beneficial Owner in the records of a Depository
- (3) 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 the Depository.

### **Option for investors**

- (1) Either on the Company or on the investor exercising an option to hold his securities with a Depository in a dematerialised form, the Company shall enter into an agreement with the Depository to enable the investor to dematerialise the securities, in which event the right and obligations of the parties concerned shall be governed by the Depositories Act.
- (2) Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or hold securities with a depository. Where a person opts to hold a security with a Depository, the Company shall intimate such depository the details of allotment of the security and on receipt of such information, the Depository shall enter in its Record the name of the allottee as the Beneficial Owner of such Security
- (3) Where a person opts to hold a security with a depository; the company shall intimate such depository the details of allotment of the security and on receipt of such information the depository shall enter in its records the name of the allottee as the beneficial owner of that security.

### **Intimation of allotment**

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities

### **Rights of depositories and beneficial owners**

- (1) Notwithstanding any thing to the contrary contained in the Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owner
- (2) Save as otherwise provided in (1) above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it.
- (3) Every person holding equity share capital of the Company and whose name is entered as Beneficial Owner in the records of the Depository shall be deemed to be a member of the company. The Beneficial Owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the Securities held by a Depository

### **Service of documents**

Every Depository shall furnish to the Company information regarding the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye laws and the Company in that behalf

---

### **Service of records**

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

### **Option to opt out or Re-materialisation of securities**

- (1) If a beneficial owner seeks to opt out of a depository in respect of any security, he shall inform the depository accordingly.
- (2) The depository shall on receipt of such intimation make appropriate entries in its records and shall inform the company
- (3) The Company shall within 30 days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the Regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.

## **SHARES AND CERTIFICATES**

### **Register and Index of Members**

The Company shall cause to be kept a Register and Index of Member in accordance with Sections 150 and 151 of the Act. The Company shall be entitled to keep in any state or country outside India a Branch Register of Members resident in that State or Country

### **Declaration not holding beneficial interest in any shares.**

- (a) Notwithstanding anything herein contained, a person whose name is at any time entered, in the Register of Members of the Company as the holder of a share in the Company, but who does not hold the beneficial interest in such share, shall, within such time and in such forms as may be prescribed make a declaration to the company specifying the name and a declaration to the Company specifying the name and other particulars of the person or persons, who hold the beneficial interest in such share in the manner provided in Section 187-C of the Act.
- (b) A person who hold a beneficial interest in a Share or a class of shares of the Company shall, within the prescribed, after his becoming such beneficial owner, make a declaration to the company specifying the nature of his interest, particulars of the person in whose name the share stand in the Register of Members of the Company and such other particulars as may be prescribed as provided in Section 187-C of the Act;
- (c) Whenever there is a change in the beneficial owner shall, within the time prescribed from the date of such change, make a declaration to the Company in such form and containing such particulars as may be prescribed as provided in Section 187-C of the Act;
- (d) Notwithstanding anything herein contained or in Section 153 of the Act and Sub-Article (a), (b), (c) above, where any declaration referred to above is made to the Company, the Company shall make a note of such declaration in the Register of Members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the Registrar with regard to such declaration.
- (e) In respect of the shares, debentures and securities held by Depository on behalf of the beneficial owner as defined in the Depositories Act 1996 the provision of Section 153, 153A, 153B, 187B, 187C and 372 of the Act shall not apply.

### **Declaration not holding beneficial interest in any shares.**

The shares in the capital shall be numbered progressively according to their several denominations and except in the manner here in above-mentioned no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

### **Further Issue of Shares**

1. Subject to the provisions of the Act, where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first





time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

- (a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
  - (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
  - (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
  - (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that 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.
- 2 Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
  - (a) If a special resolution to that effect is passed by the company in general Meeting, or
  - (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company
- 3 Nothing in sub-clause © of (1) hereof shall be deemed;
  - (a) To extend the time within which the offer should be accepted; or
  - (b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- 4 Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company:
  - (i) To convert such debentures or loans into shares in the company; or
  - (ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwisePROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:
  - (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans is in conformity with Rules, if any made by that Government in this behalf; and
  - (b) In the case of debentures or loans or other than debentures issued to or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in general Meeting before the issue of the debentures or raising of the loans

#### **Share under control of Directors**

Subject to the provision of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of



them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General meeting to give to any person or persons the option or right to call for any shares consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

#### **Power also to Company in general Meeting to issue share**

In addition to and without derogating from the powers for purpose conferred on the Board under Article 24 and 25 the company in general meeting may subject to the provision of Section 81 of the Act; determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Member or not) in such proportion and on such terms and conditions and either subject to compliance with the provision of Section 78 and 79 of the Act, at a premium or at par or at a discount, as such General Meeting shall determine aforesaid and with full power to give any person (whether a Member or not) the option to call for or be allotted shares of any class of the Company either subject to the compliance with the provisions of Section 78 and 79 of the Act, at a premium or at par or at a discount such option being exercisable at such time and for such consideration as may be directed by such General Meeting of the Company in General Meeting may make any other provisions whatsoever for the issue, allotment or disposal of any shares.

#### **Issue of shares for consideration other than C**

Subject to these Articles and the provisions of the Act, the Board may issue and allot shares in the capital of the Company as payment or in consideration or as part of payment or in part consideration of the purchase or acquisition of any property or for services rendered to the Company in the conduct of its business and shares which may be so issued or allotted shall be credited or deemed to be credited as fully paid up shares.

#### **Acceptance of shares**

Any application signed or on behalf of an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these articles and every person who thus or otherwise accept any shares and whose name is on the Register shall for the purposes of these Articles, be member.

#### **Deposit and call etc. to be a debt payable immediately.**

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

#### **Liability of Members**

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

#### **SHARE CERTIFICATE**

##### **Limitation of time for issue of certificates**

- (a) Every member or allottee of shares shall be entitled without payment received one or more shares certificates in marketable lots specifying the name of the person in whose favour it is issued, the share to which it relates and the amount paid up thereon. Where share certificates are issued for either more or less than marketable lots, subdivisions or consolidation into marketable lots shall be done free of charges. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issues against letters of acceptance or renunciation or in case of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, which



shall be affixed in the presence of two Directors or persons acting on behalf the Directors under a duty registered Power of Attorney and the Secretary or some other person appointed by the Board for the purpose, and two Directors or their Attorneys and the Secretary or other persons shall sign the Share certificate, provided that if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be person other than a Managing or whole-time Directors shall be person other than a Managing or whole-time Director. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued indicating the date of issue, provided however, no share certificate (s) shall be issued for shares held by a Depository.

- (b) Any two or more joint allottees of shares shall, for the purpose of this Article, be treated as a single member, and the certificate of any share may be the subject of joint ownership, may be delivered to anyone of such joint owners on behalf of all of them. The Company shall comply with the provisions of Section 113 of the Act.
- (c) A Director may sign a share certificate by affixing his signature thereon by means of a machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Directors shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.
- (d) Every member shall be entitled, without payment, to one or more certificate in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time to determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinction numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder.

#### **Renewal of Share Certificates**

- (a) If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the company, a new Certificate may be issued in lieu thereof, and (if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given), and a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under the Act or the 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.

- (b) When a new share certificate has been issued in pursuance of clause (a) of this Article, it shall state on the face of it and against the stub or counter foil to the effect that it is "Issued in lieu of share certificate No. \_\_\_\_\_ subdivided / replaced / on consolidated of shares.
- (c) If a share certificate is lost or destroyed, a new certificate in lieu thereof shall be issued only with the prior consent of the Board and on such terms, if any, as to evidence and indemnity as to the payment of out-of-pocket expenses incurred by the Company in investigating evidence, as the Board thinks fit.
- (d) When a new share certificate has been issued in pursuance of clause © of this article, it shall state on the face of it and against the stub of counterfoil to the effect that it is "duplicate issued in lieu of share certificate no. \_\_\_\_\_".

"The word "Duplicate" shall be stamped or punched in bold letters across the face of the share certificate.

- (e) Where a new share certificate has been issued in pursuance of clause (a\_ or clause © of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificates indicating against the name of the persons to whom the certificate is issued, the number and date of issue of the share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members by suitable cross reference in the “ Remarks” column
- (f) All blank form to be issued for issue of share certificate shall be printed and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine numbered add the forms and the blocks, engravings, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the Secretary or of such other person as the Board may appoint for the purpose and the Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board.
- (g) The Managing Director of the Company for the time being or, if the Company has no Managing Director, every Director of the company shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates except the blank forms of shares Certificates referred in Sub-Article (f).
- (h) All books referred to in Sub-Article (g) shall be preserved in good order

#### **Joint Holders**

- (a) Where two or more persons are registered as the holders of any share, they shall be deemed to hold the same as joint tenants with benefits of survivorship but, however, that and the person first named in the Register of Members shall expect provided to the contrary, for all or any matter connected with the Company be deemed the sole holder thereof, subject to the following and other provisions contained in these Articles.
- (b) The Company shall be entitled to decline to register more than three persons as the holder of any share.
- (c) The joint holder of any share is liable, severally as well as jointly, for and in respect of all calls and other payments, which ought to be made in respect of such shares.
- (d) On the death of any such joint holder, the survivor or survivors shall be the only person or persons recognized by the Company as having any title to the share, but the Directors may require such evidence of death as they may deem fit and nothing herein contained shall be taken to release the estate of the deceased joint holder from any liability on shares held by him jointly with any other person.
- (e) Any of such joint holders may give effectual receipts for any dividends or other moneys payable in respect of such share.
- (f) Only the person whose name stands in the Register of Members as the first of the joint holders of any shares shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company and any notice given to such person shall be deemed proper notice to all joint holders.
- (g) Any one of two or more joint holders may vote at any meeting either personally or by proxy in respect of such share as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy, the holder whose name stands first or higher (as the case may be) on the Register of Members in respect of such share shall alone be entitled to vote in respect thereof. Provided always that a member present at any meeting personally shall be entitled to vote in preference to a person present by proxy although the name of such person present by proxy stands first on the Register of Members in respect of such shares.

The company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any Shares or other securities or whose name appear as the Beneficial owner of shares or other securities in the records of Depository as the absolute owner thereof

#### **Company bound to recognise no interest other than that of registered holder**

Except as ordered by a court of competent jurisdiction or as required by law the Company shall be entitled to treat the person whose name appears in the Register of Members as the holder of any share or any where the name appears as the beneficial owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami trust or equitable, contingent future or partial interest in any share or (except only as is by these articles otherwise expressly provided) any right in respect of a share other than an absolute right



thereto, in accordance with these articles, in the person from time to time registered as the holder thereof, but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

## **UNDERWRITING AND BROKERAGE**

### **Commission**

Subject to the provision of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures in the Company, or procuring, or agreeing to procure subscriptions (whether absolutely or conditionally) for any shares or debentures in the Company, but so that the commission shall not exceed in the case of shares, two and half percent of the price at which the shares are issued and in the case of debentures, two and a half percent of the price at which the debentures are issued, or such higher rate or rates as may be permissible under any statutory provision for the time being in force. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or partly in one way and partly in the other.

### **Brokerage**

The company may pay such brokerage as may be lawful

## **INTEREST OUT OF CAPITAL**

### **Interest may be paid out of Capital Calls**

Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building or the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building, or the provision of plant.

## **CALLS**

### **Directors may make calls**

The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the condition of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board. A call may be payable by installments.

### **Calls on shares of a class to be made on uniform basis**

Whenever any calls for further share capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purpose of this Article, shares of the same nominal value of which different amounts have been paid up shall not be deemed to fall under the same class.

### **Notice of calls**

Thirty days' notice in writing of any call shall be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.

### **Calls to date from resolution**

A call shall be deemed to have been made at the time when the resolution authorizing such call was passed at a meeting of the Board and may be made payable by the members whose names appear on the Register of Members on such date or at the discretion of the Board, on such subsequent date as may be fixed by the Board.

### **Call may be revoked**

A call may be revoked or postponed at the discretion of the Board.

---

**Liability of joint-holders**

The joint-holder of a share shall be jointly and severally liable to pay all calls in respect thereof.

**Directors may extend time**

The Board may, from time to time at its discretion, extend the time fixed for the payment of any call and may extend such time as to all or any of the members whom owing to their residence at a distance or other cause the Board may deem fairly entitled to such extension but no members shall be entitled to such extension may as a matter of grace and favour

**Calls to carry Interest**

If any member fails to pay any call due from him on the day appointed for payment thereof or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member. The Board may not recover, or waive interest from concerned members generally or from any particular member or members.

**Sums deemed to be calls.**

Any sum, which by the terms of issue of a share become payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purpose of these Article be deemed to be call duly made and payable on the date on which by the terms of issue the same becomes payable and in case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

**Proof on trial of suit for money due on shares.**

On the trial or hearing of any action suit brought by the Company against any member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the members, in respect of whose shares the money is sought to be recovered appears entered on the Register of Members as the holder, at or subsequently to the date at which the money is sought to be recovered is alleged to have become due on the share in respect of which such money is sought to be recovered appears entered on the Register of Members as the holder, at or subsequently to the date at which the money is sought to be recovered that the resolution making the call is duly recorded in the Minute Book; and that notice of such call was duly given to the member or his representatives issued in pursuance of these Articles, and that it shall not be necessary to prove the appointment of the Directors who made such call, nor that quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly, convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

**Partial payment not to preclude forfeiture**

Neither the receipt by the Company of a part or portion of any money which shall from time to time, be due from any members to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

**Payment in anticipation of call may carry interest**

- (a) The Board may, if it thinks fit, agree to and receive from any members willing to advance the same, all or any part of the amount of his respective shares beyond the sums actually called-up and upon the moneys so paid in Advance or upon so much thereof, from time to time and at any time thereafter exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made the Board may pay or allow interest, at such rate as the member paying the sum in advance and the Board agree upon. The Board may agree to repay at any time the amount so advanced or may at any time repay the same upon giving to the member three months notice in writing. Provided that moneys paid in advance of calls on any shares may carry interest but shall not confer a right to dividend or participate in profits.
- (b) No member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.
- (c) The provisions of this Article shall mutatis mutandis apply to debentures of the Company



---

### **Company's Lien on Share/Debentures**

The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and upon the condition the Article 24 hereof is to have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provision of this clause.

#### **As to enforcing lien by sale**

For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such share and may authorize one of their members to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made unless a sum in respect of which the lien exists is presently payable nor until notice in writing of the intention to sell shall have been served on such member or his representatives and default shall have been made by him or them in payment, fulfillments, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

#### **Application of proceeds of sale**

The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the Shares before the sale) be paid to the person entitled to the shares at the date of sale.

### **FORFEITURE OF SHARES**

#### **If money payable on shares not paid notice to be given to member**

If any members fail to pay any call or installment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

#### **Form of notice**

The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installments and such interest thereon at such rate as the Directors shall determine from the day on which such call or installments ought to have been paid and expenses as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or installments in payable, will liable to be forfeited.

#### **In default of payment shares to be forfeited**

In the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture,

#### **Notice of forfeiture to a member**

When any share shall have been so forfeited notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members but no forfeiture shall be in any manner be invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.





---

**Forfeited share to be property of Company and may be sold, etc.**

Any share so forfeited shall be deemed to be the property of the Company and may be sold, reallocated or otherwise disposed off, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

**Member still liable to pay money owing at time of forfeiture and interest**

Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of forfeiture, together with interest thereon from the time of the forfeiture until payment, at such rate as the Board may determine and the Board may enforce the payment thereof, or any part thereof, if it thinks fit

**Effect of forfeiture**

The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved

**Evidence of forfeiture**

A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence to the facts there in stated as against all persons claiming to be entitled to the shares.

**Validity of sale**

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board may appoint some persons to execute an instrument of transfer of shares sold and may cause the purchaser's name ought to be entered in the Register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings nor to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of such share shall not be impeached by any person and the remedy of any person aggrieved by the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively

**Cancellation of Share certificates in respect of forfeited shares**

Upon any sale, re-allotment or other disposal under the provisions of the preceding articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting members) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate certificate in respect of the said shares to the persons entitled thereto

**Power to annual forfeiture**

The Board at any time before any share so forfeited shall have been sold re-allotted or otherwise disposed off, annual the forfeiture thereof upon such condition as it thinks fit.

**SHARE WARRANTS****Power to issue share warrants**

The Company may issue share warrants subject to and in accordance with the provisions of Section 114 and 115 of the Act and accordingly, the Board may in its discretion, with respect to any share which is fully paid, upon application in writing signed by the person registered as holder of the share and authenticated by such evidence (if any) as the Board may, from time to time, require as to identity of the share and the amount of the stamp duty on the warrant and such fee as the Board may from time to time, require issue a share warrant.

**Privileges and disabilities of the holder of share warrant**

- (a) The bearer of a share warrant may at any time, deposit the warrant at the offer of the Company and so long as the warrant remains so deposited, the deposits shall have the same right of signing a requisition for calling a meeting of the Company and of attending and voting and exercising the other privileges of a member at any



meeting held after the expiry of two clear days from the time of deposit, as if this name were inserted in the Register of Members as the holder of the share included in the deposited warrant.

- (b) Not more than one person shall be recognized as depositor of the share warrant
- (c) The Company shall, on two days, written notice return the deposited share warrant to the depositor.

#### **Issue of new share warrants of coupons**

- (a) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend or vote or exercise any other privileges of a member at a meeting of the Company, or be entitled to receive any notice from the Company.
- (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Member as the holder of the share included in the warrant and he shall be a member of the Company.

#### **Issue of new share warrant or coupon**

The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction

### **CONVERSION OF SHARES INTO STOCK AND RECONVERSION**

#### **Shares may be converted into stock**

The Company in a General Meeting may convert any paid-up shares into stock, and when any shares shall have converted into stock, the several holders of such stock may henceforth transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations as, and subject to which shares form which the stock arise might have been transferred if no such conversion had taken place or as near thereto as circumstances will admit. The Company may at any time convert any stock into paid up shares of any denomination.

#### **Right of stock-holder**

The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meetings of the Company, and other matters, as if they held the shares from which the stock arose but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

### **COPIES OF MEMORANDUM AND ARTICLES TO BE SENT TO MEMBERS**

#### **Copies of Memorandum and Articles to be sent by the Company**

Copies of the Memorandum and Article of Association of the Company and other documents referred to in section 39 of the Act, shall be sent by the Company to every member at his request, within seven days of the request, on payment of the sum of Rupee One for each copy.

### **TRANSFER AND TRANSMISSION OF SHARES**

#### **Register of Transfer**

The Company shall keep a 'Register of Transfers' and enter therein fair and distinct particulars of every transfer or transmission of any share, including the shares held in material form.

#### **Shares held in electronic and fungible form**

In the case of transfer of shares, debentures or other marketable securities where the Company has not issued any certificate and where such shares or debentures or securities are being held in an electronic and fungible form, the provisions of Depositories Act, 1996 shall apply

#### **Instrument of Transfer**

The instrument of transfer shall be in writing and all the provisions of Section 108 of the Companies Act, and or any



statutory modification thereof for the time being shall be duly complied with, in respect of all transfer of shares and their registration thereof.

#### **Transfer form to be completed and presented to the Company**

The instrument of transfer duly stamped and executed by the transferor and the transferee shall be delivered to the Company in accordance with the provisions of the Act. The instrument of transfer shall be accompanied by such evidence as the Board may require to prove the title of transferor and his right to transfer the shares and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board. The transferor shall be deemed to be the holder of such shares until the name of the transferee shall have been entered in the Register of Members in respect thereof. Before the registration of a transfer, the certificate or certificate of the share must be delivered to the Company.

#### **Transfer Books and Register of members when closed**

The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate to close Transfer Books, Register of Members or Register of Debenture-holders at such time or times and for such period or periods, not exceeding in the aggregate forty-five days in each year, and thirty days at any one time.

#### **Board may refuse to register transfer**

Subject to the provisions of Section 22A of the Securities Contract (Regulation) Act 1956 and "Subject to the provisions of Section 111 of the Act, the Board may, at its own absolute and uncontrolled discretion and without assigning any reason, register or acknowledge any transfer of shares (whether fully paid or not and notwithstanding that the proposed transferee be already a member), but in such case it shall, within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal to register such transfer provided that the registration of a transfer shall not be refused on the ground that the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except a lien on shares.

#### **Notice application when to be given**

Where, in the case of partly paid share, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 and the Act.

#### **Death of one or more joint holders of shares**

In case of the death of any one or more of the persons named in the Register of Members, as the joint holders of any share, the survivors shall be the only persons recognized by the Company as having any title to or interest in such share, but the Directors may require such evidence of death as they 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.

#### **Title to shares of deceased member**

The executors or administrators or holders of succession certificate or the legal representatives of a deceased member (not being one of two or more joint holders) shall be the only persons recognized by the Company as having any title to the shares registered in the name of such member and the Company shall not be bound to recognize such executors or administrators or holders of a succession certificate or the legal representatives unless such executors or administrator or legal representative shall have first obtained probate or letters of administration or succession certificate, as the case may be, from a duly constituted court in the Union of India; provided that in any case, where the Board in its absolute discretion thinks fit, the Board may dispense with production of probate or letter administration or succession certificate, upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary, and under Articles, 64, register the name of any person, who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

#### **No transfer to certain persons**

No share shall, in any circumstances, be transferred to any firm, insolvent person or person of unsound mind.



---

## **Transmission Clause**

Subject to the provision of Act and Articles 79 and 80 any person becoming entitled to shares in consequences of the death, lunacy, bankruptcy insolvency of any member or by any lawful means other than by a transfer in accordance with this Articles, may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title shares or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained, and until he does so he shall not be free from any liability in respect of the shares.

### **Refusal to register in case of transmission**

The directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transfer named in the case of a transfer of shares presented for registration

### **Persons entitled may receive dividend without being registered as member**

A person entitled to a share transmission shall, subject to the right of the Directors to retain such dividends or moneys, as hereinafter provided, be entitled to receive, and may give discharges for any dividends or other moneys payable in respect of the share.

### **No Fee on Transfer or Transmission**

No fee shall be charged for registration and transfer, transmission, Probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document

### **Company not liable for disregard of a notice prohibiting registration of a transfer**

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

### **Rights of Successors**

A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the shares, except that he shall not, before being registered as a member in respect of the shares, be entitled to exercise any right conferred by membership in relation to meeting of the Company. Provided that the Directors shall, at any time give notice requiring any such person to elect either to be registered himself or to transfer the shares and if the notice is not complied within ninety days, the Directors may thereafter withhold payment of all dividends, bonuses and other moneys payable in respect of the shares until the requirements of the notice have been complied with.

## **NOMINATION OF SHARES**

### **Nomination of Shares**

Notwithstanding anything contained in these Articles but subject to the provisions of section 109A and 109B of the Act, every shareholders of the Company , may at any time, nominate, in the prescribed manner a person to whom his or their shares in the Company shall vest in the event of his/their death

## **BORROWING POWERS**

### **Power to borrow**

Subject to the provisions of Section 58A, 293 of the Act, the Board may from time to time at its discretion, by a

resolution passed at a meeting of the Board accept deposit from members either in advance of calls or otherwise and generally raise or borrow or secure the repayment of any sum of sums of money for the purposes of the Company. Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), exceed the aggregate of the paid up capital of the Company and its free reserve, (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.

#### **Payment or repayment of money borrowed**

Subject to the provisions of Article 89 hereof, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects, as the Company in General Meeting shall prescribe including the issue of bonds, debentures or debenture-stock of the Company charges upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and the bonds debentures. Debenture-stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued

#### **Terms of issue of Bonds and Debentures**

Any bonds, debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on the condition that they shall be fully or partly convertible into shares of any denomination or that they shall not be converted so convertible, and with any privileges and conditions as to redemption surrender, drawing, allotment of Shares, and attending (but not voting) at General Meeting, appointment of Directors and otherwise. Bonds or debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting by a special Resolution

#### **Register of Mortgage etc., to be kept**

The Board shall cause a proper Register to be kept, in accordance with the provisions of Section 143, of the Act of all mortgages, debentures and charges specifically affecting the property of the Company and shall cause the requirement of Section 118, 125 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with, so far as they to be complied with by the Board.

#### **Register of Index of Debenture holders**

The Company shall, if at any time, it issues debentures, keep a Register and Index of Debenture-holders in accordance with Section 152 of the Act and the Depositories Act, 1996. The Register and Index of beneficial owners maintained by a depository under Section 11 of the Depositories act, 1996 shall be deemed to be Register and Index of Debenture Holders for the purposes of this Act. The Company shall have the power to keep in any state or country outside India, a Branch Register of Debenture-holders resident in that state or country.

#### **Power to mortgage and charge and issue debentures**

The Company shall have power to mortgage or charge the undertaking or all or any of the movable and immovable property, present or future and all or any of the uncalled capital for the time being of the company, and to issue at par or at premium or discount or for such consideration as may be thought fit, debentures, mortgage, debentures or debenture stock, payable to bearer or otherwise and either permanent or redeemable or repayable and collaterally or further secure and securities of the Company by a trust deed or other assurance

### **MEETING OF MEMBERS**

#### **Statutory meeting**

The Company shall, within a period of not less than one month nor more than six months from which it is entitled to commence business, hold the Statutory Meeting of the members of the Company subject to and in accordance with the provisions of Section 165 of the Act.

#### **Annual General meeting and Annual Summary**

The Company shall in each year hold a General Meeting as its Annual General Meeting, in addition to and to any other meeting in that year. All General Meetings other than the Annual General Meeting shall be called Extra-ordinary General meetings. An Annual General Meeting of the Company shall be held within six months after the expiry of each



financial year provided that no more than fifteen months shall lapse between the date of one Annual General Meeting and that of the next. Provided that it will be permissible to hold its first Annual General Meeting within a period of not less than eighteen months from the date of its incorporation and if such meeting is held within that period, it shall not be necessary for the Company to hold any annual General Meeting in the year of its incorporation or in the following calendar year. Nothing contained in the forgoing provision shall be taken as affecting the right conferred upon the Registrar under the provision of Section 166(1) of the Act to extent the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the office of the Company or at some other place within the city in which the office of the Company is situated as the Board may determine and the notice calling the Meeting shall specify it as the Annual General Meeting. The Company may in any one Annual General Meeting fix the time for its subsequent Annual General meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be held at the General Meeting which he attends on any part of the business which concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table, the Directors Report and Audited Statement of Accounts, Auditor's Report (if not already incorporated in the Audited Statement of Accounts), the Proxy Register with Proxy Register with Proxies and the Register of Director's share holdings while latter Register shall remain open and accessible during the continuance of the Meeting. The board shall cause to be prepared the Annual List of Members Summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Section 159, 161 and 220 of the Act.

#### **Extraordinary General Meeting**

The Board may, whenever it thinks fit, call an Extra-ordinary General Meeting and it shall do so upon a requisition, in writing, by any members holding in the aggregate not less than one-tenth of such of the paid-up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made

#### **Requisition of members to state object of meeting**

Any valid requisition so made by members must state the object or objects of the meeting proposed to be called, and must be signed by the requisitionists and be deposited at the office provided that such requisition may consist of several documents in like form each signed by one or more requisitionists

#### **On receipt of requisition Directors to call meeting and in default requisitionists may do so.**

Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting and if they do not proceed within twenty one days from the date of the requisition being deposited at the office to cause a meeting to be called on a day not later than forty-five days from the date of deposit of the requisition the requisitionists or such of their number as represent either a majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid-up share capital of the Company as is referred to in Section 169(4) of the Act, whichever is less, may themselves call the Meeting, but in either case any meeting so called be held within three months from the date of the delivery of the requisition as aforesaid

#### **Meeting called by requisitions**

Any Meeting called under the foregoing articles by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meeting are to be called by the Board.

#### **Twenty-One day's notice of meeting to be given**

Save and except the Statutory Meeting, twenty-one day's notice at the least of every General Meeting, and the general nature of the business to be transacted thereat, shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company. Provided that in the case of an Annual General Meeting, with the consent in writing of all members entitled to vote thereat and in case of any other Meeting, with the consent of the members holding not less than 95 percent of such part of the paid up share capital of the Company as gives a right to vote at the Meeting, a Meeting may be convened by a shorter notice.

#### **Business to be transacted at the General Meeting and the nature thereof**

In the case of an Annual General Meeting, if any business other than:

- (i) The consideration of the Accounts, Balance Sheets and Reports of the Board of Directors and Auditors;

- 
- (ii) The declaration of dividend;
  - (iii) The appointment of Directors in place of those retiring;
  - (iv) The appointment of and fixing of the remuneration of the Auditors,

is to be transacted and in the case of any other Meeting in any event there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such items of business including in particular the nature of concern or interest, if any, therein of every Director, and the Manager, if any.

Where any such item or special business relates to, or affects any other company, the extent of share holding interest in the other company of every Director, and the manager, if any of the Company shall also be set out in the statement, if the extent of such shareholding interest is not less than twenty percent of the paid-up capital of that other company.

Where any item of business consists of the according of approval to any document by the meeting the time and place where the document can be inspected shall be specified in the statement aforesaid.

#### **Postal Ballot**

Notwithstanding anything contained in the Articles of Association of the Company the Company do adopt the mode of passing a Resolution by the Members of the Company by means of a Postal Ballot and/or other ways as may be prescribed by the Central Government in this behalf in respect of the following matters instead of transacting such business in a general meeting of the Company;

- (i) Any business that can be transacted by the Company in General Meeting, and
- (ii) Particularly, Resolutions relating to such business as the Central Government may by Notification, declare to be conducted only by Postal Ballot.

#### **Omission to give notice not to invalidate a resolution passed**

The accidental omission to give such notice as aforesaid to any of the members, or the non-receipt thereof, shall not invalidate any resolution passed at any such Meeting.

#### **Meeting not to transact business not mentioned in notice**

No general meeting, annual or Extra-ordinary, shall be competent to enter upon discuss or transact any business which has not been mentioned in the notice or notices upon which it was convened.

#### **Quorum at General Meeting**

Five members present in person shall be quorum for a general meeting

#### **Body Corporate deemed present**

A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 or the Act

#### **If quorum not present, meeting to be dissolved or adjourned**

If, at the expiration of half an hour from the time appointed for holding a Meeting of the Company, a quorum shall not be present, the Meeting is convened by or upon the requisition of members shall stand dissolved, but in any other case, the Meeting shall stand adjourned to the same day in the next week or if that day is a public holiday, until the next succeeding day which is not a public holiday at the same time and place or to such other day and at such other time and place in the city or town in which the office of the Company is for the time being situated, as the Board may determine and if at such adjourned Meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the Meeting, the members, present shall be a quorum, and may transact the business for which the meeting was called

#### **Chairman of General Meeting**

The Chairman, if any of the Directors shall be entitled to take the Chair at every General Meeting, whether Annual or Extra – Ordinary. If there be no such Chairman of the directors, or if at any Meeting he shall not be present within fifteen minutes of the time appointed for holding such Meeting or if he shall be unable or unwilling to take the chair,



then the directors present shall elect another Director as Chairman, and if no Director be present or if all the Director present decline to take the Chair, then the members present shall elect one of their member to be the Chairman.

#### **No business unless Chairman**

No business shall be discussed at any General Meeting except the election of the Chairman whilst the Chair is vacant.

#### **Chairman with consent may adjourn**

The chairman with the consent of the members may adjourn any Meeting from time to time and from place to place within the city in which the office of the Company is situated. But no business shall be transacted at any adjourned meeting other than the business left unfinished at the Meeting from which the adjournment took place.

#### **Question at General Meeting how decided**

At any General Meeting, a resolution put to vote at the meeting shall be decided on show of hand unless a poll (before or on the declaration of the result on a show of hands) is ordered to be taken by the Chairman of the meeting of his own motion or demanded by any member or members present in person or by proxy and holding shares in the company which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than Rupees Fifty Thousand only has been paid up. The demand for a poll may be withdrawn at any time by the person or persons making the demand. Unless a poll is so ordered to be taken or demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or lost an entry to that effect in the minute proof of the number or proportion of the votes recorded in favour of or against that resolution

#### **Chairman's casting vote**

In case of an equality of votes, the Chairman shall be on a show of hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a member.

#### **Poll to be taken if demanded**

If a poll is demanded as aforesaid, the same shall subject to Article 116 be taken at such time (not later than forty-eight hours from the time when the demand was made) and place within the city or town in which the office of the Company is for the time being situated and either by open voting or by ballot, as the Chairman shall direct, and either at one or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the Meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

#### **Scrutineers at Poll**

Where a poll is to be taken, the Chairman of the Meeting shall appoint two scrutineers to scrutinize the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a member (not being an officer or employee of the Company) present at the Meeting provided such a member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of scrutineer arising from such removal or from any other cause.

#### **Poll to be taken without adjournment**

Any poll duly demanded on the election of a Chairman of a Meeting or on any question of adjournment shall be taken at the Meeting forthwith.

#### **Demand for poll not to prevent transaction of other business.**

The demand for a poll except on the question of the election of the Chairman and on an adjournment shall not prevent the continuance of the Meeting for the transaction of any business other than the question on which the poll has been demanded





---

## **VOTES OF MEMBERS**

### **Member in arrears not to vote**

No member shall be entitled to vote either personally or by proxy at any General Meeting or Meeting of any class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.

### **Number of votes to which member entitled**

Subject to the provision of these Articles and without prejudice to any special privileges or restriction as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every member not disqualified by the last preceding Article shall be entitled to be present, and to speak and vote at such Meeting, and on a show of hands every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. Provided, however, if any preference shares holder be present at any Meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only one resolution placed before the Meeting which directly affect the rights attached to his preference shares.

### **Representation of corporation**

- (a) A body corporate (whether a company which in the meaning of the act or not) may by resolution of its Board of Director or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the Company, or at any meeting of any class of members of the Company. A person authorized by resolution as aforesaid said be entitled to exercise the same rights and power (including the right to vote by proxy on behalf of the body corporate which he represents, as that body could exercise if it were a member, creditor or holder of debentures of the Company
- (b) Where the President of India or the Governor of a State is a member of the company, the President or, as the case may be, the Governor may appoint such persons as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of members of the Company an shall be entitled to exercise the same rights and powers, including the right to vote by proxy, as the President or, as the case may be, the Governor could exercise as member of the Company.
- (c) Where any shares in the Company are held in trust by a person (hereinafter referred to as the Trustee) the rights and powers (including the right to vote by proxy) exercisable at any meeting of the company or at any meeting of any class of members of the company by the trustee as a member of the company shall be exercisable in the manner provided in Section 187B of Act, save as provided by section of the Act

### **Casting of votes by members entitled to more than one vote.**

On a poll taken at a meeting of the Company, a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be need not, if he votes, use all his votes or cast in the same way all the votes he uses.

### **How members of unsound mind and minor may vote**

A member of unsound mind or in respect of whom an order has been made by upon a poll by his committee or other legal guardian in respect of any shares registered in his name and any such committee or guardian may, on poll vote by proxy and if any member be a minor, the vote in respect of his share or shares, shall be exercised by his guardian, or any one of his guardian, if more than one to be selected in case of dispute by the Chairman of the meeting.

### **Votes of Joint Members**

If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting, and if more than one of such joint – holders be present at any meeting, then one of the said persons so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or other of the joint-holders shall be entitled to be present in the meeting, Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these articles be deemed joint-holders thereof.



---

### **Voting in person or by proxy**

Subject to the provision of these Articles votes may be given either personally or by proxy. A body corporate being a member may vote either by a proxy or by a representative duly authorized in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same right and power (including the right to vote by proxy) on behalf of the body corporate which he represents, as that body corporate could exercise if it were an individual member.

### **Votes in respect of shares of deceased and insolvent member**

Any person entitled under Article 82 and/or under these Articles to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the Directors of his rights to transfer such shares and give such indemnity ( if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such Meeting in respect thereof

### **Appointment of Proxy**

Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a body corporate under the Common Seal of such corporation, or be signed by an officer or any attorney duly authorized by it, and any committee or guardian may appoint such proxy. The Proxy so appointed shall not have any right to speak at the Meeting

### **Proxy either for specified meeting or for a period**

An instrument of proxy may appoint a proxy either for the purpose of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every Meeting of the Company or of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.

### **Vote by proxy**

A member present by proxy shall be entitled to vote both on a show of hands and on a poll.

### **Deposit of instrument of appointment**

The instrument appointment a proxy and the power of attorney or other authority, if any under which it is signed or a notorially certified copy of that power or authority, shall be deposited at the office not later than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument or proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution

### **Form of Proxy**

Every instrument of proxy whether for a specified Meeting or otherwise shall as nearly as circumstances will admit, be in any of the format set out in Schedule IX of the Act.

### **Validity of votes given by proxy notwithstanding death, revocation or transfer**

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or any power of attorney under which such proxy was signed or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the office before the meeting

### **Time for objections of votes**

No objection shall be made to the validity of nay vote, except at any Meeting or poll at which such vote shall be tendered and every vote given personally or by proxy, not disallowed at such Meeting or poll shall be deemed valid for all purposes of such Meeting or poll whatsoever.

### **Chairman of any meeting to be the judge of validity of any vote.**

The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.



---

## **MINUTES OF MEETING**

### **Minutes of General meeting and Inspection thereof by members**

- a) The Company shall cause minutes of all proceedings of every General Meeting to be kept, within thirty days of the conclusion of every such Meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
- b) Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each Meeting in such book shall be dated and signed by the chairman of the same Meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period by a Director duly authorized by the Board for the purpose
- c) In no case the minutes of proceedings of a Meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- e) All appointment of officers made at any Meeting aforesaid shall be included in the minutes of the Meeting.
- f) Nothing herein contained shall require or be deemed to require the inclusion, of any such minutes, of any matter which in the opinion of the Chairman of the Meeting
- g) is or could reasonably be regarded as defamatory on any persons; or
- h) is irrelevant or immaterial to the proceedings; or
- i) is detrimental to the interest of the Company.
- j) The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the aforesaid grounds.
- k) Any such minutes shall be evidence of the proceedings recorded therein.
- l) The book containing the minutes of proceedings of General Meeting shall be kept at the office of the company and shall be open during business hours, for such periods not being less in the aggregate than two hours in each working day as the Directors may determine, to the inspection of any member without charge

## **DIRECTORS**

### **Number of Directors**

Until otherwise determined by a general Meeting of the company and subject to the provisions of Section 252 and 259 of the Act, the number of Directors (excluding Directors appointed under Articles 138, 139,140 and 141) shall not be less than three and not more than such numbers as may be prescribed and provided in the Act for the time being

### **First Directors**

The first Directors of the Company are

- (a) Mr. Yuvraj Hiralal Malhotra,
- (b) Mr. Navraj Hiralal Malhotra
- (c) Mr. Shivcharan Gujral

### **Appointment of Directors**

Subject to the provisions of Section 255 of the Act, all the Directors of the Company other than Directors appointed under Articles 138, 139,140 and 141 and the Managing Director shall be persons whose period of office shall be liable to determination by retirement of Directors by rotation and same as otherwise expressly provided in the Act be appointed by the Company in General meeting.



---

## Nominee Directors

- a) Notwithstanding anything to the contrary contained in these Article, so long as any money remain owing by the Company to the industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit and investment Corporation of India Limited (ICICI) or Life Insurance Corporation of India (LIC) or Unit Trust of India (UTI) or to any other public financial Institutions, corporation or credit corporation out of any loans granted by them to the Company or so long as IDBI, IFCI, ICICI, LIC and Unit Trust of India (UTI) or any such public financial institutions, corporation or credit corporation is hereinafter in this Article referred to as “the Corporation” continue to hold debentures in the Company by direct subscription or private placement, or so long as the Corporation holds shares in the Company as a result of underwriting or subscription pursuant to such underwriting or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint, from time to time, any person or persons, as a Director or Directors (which Director or Directors is / are hereinafter referred to as “ Nominee Director’s”) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place(s).
- b) The Board of Directors of the Company shall have no power to remove from office that Nominee Director(s) shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director(s) shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee director(s) shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.
- c) The Nominee Director(s) so appointed shall hold the said office only so long as any money remain owing by the Company to the Corporation or so long as the Corporation holds Debentures in the Company as a result of direct subscription or private placement or so long as the Corporation holds shares in the Company as a result of underwriting or subscription pursuant to such underwriting or the liability of the Company arising out of any guarantee is outstanding and the Nominee Directors(s) so appointed in exercise of the said power shall ipso facto vacate such office immediately the money owing by the Company to the Corporation is paid off or on the Corporation ceasing to hold such debentures or share in the Company or on the satisfaction of the liability of the Company arising out of any guarantee furnished by the corporation.
- d) The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of the committee of which the Nominee Director(s) is/are member(s) as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notice and minutes.
- e) The Company shall pay to the Nominee Directors(s) sitting fees and expenses which the other Directors of the Company are entitled but if any other fees, commission, money or remuneration in any form is payable to the Directors of the Company, the fees, commission, money and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s) in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director(s).
- f) Provided that if any such Nominee Director(s) is an officer of the corporation the sitting fees, in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the corporation.
- g) Provided also that in the event of the Nominee Director(s) being appointed as a member of any Committee, such Nominee Director(s) shall exercise such powers and duties as may be approved by the Corporation and have such right and powers as are usually exercised or available to member of the Committee in the management of the affairs as may have been delegated to such Committee by the Board.

## Power to appoint exofficio Directors

Whenever Directors enter into a contract with any Government, Central, State or Local Authority, any public financial institution or any other person or persons (hereinafter referred to as” the appointer”) for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or for underwriting or enter into any other arrangement whatsoever, the Directors shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have the right to appoint or nominate by notice in writing addressed to the Company,

one or more Directors on the Board for such period and upon such conditions as may be mentioned in the agreement and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Directors may also agree that any required to hold any qualification shares. The Directors may also agree that any such Director or Directors may be removed from time to time by the appointer entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill in any vacancy, which may occur as a result of any such Director or Directors ceasing to hold that office for any reason whatsoever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised or enjoyed by the Director or Directors of the Company including payment of remuneration and traveling expenses to such Director or Directors as may be agreed by the Company with the appointer

### **Debenture Directors**

If it is provided by the Trust deed, securing or otherwise, in connection with any issue of debentures of the Company, that any person shall have power to nominate a Director of the Company, then in the case of any and such issue of debenture, the person or persons having such power from time to time may appoint a Director accordingly. A Debenture Director may be removed from office at any time by the person or persons in whole 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 liable to retire by rotation nor bound to hold any qualification shares.

### **Appointment of Alternate Director**

The Board may appoint an Alternate Director to act for a Director (hereinafter called the “Original Director”) during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. An Alternate Director so appointed shall not hold office for a period longer than that permissible to the original Director in whose place he has been appointed and shall vacate office if and when the original Director returns to the State in which the meetings of the Board are ordinarily held. If the term of the office of the original Director is determined before he so returns to that State aforesaid, any provisions in the Act or in these Articles for the automatic reappointment of retiring Director in default of another appointment shall apply to the original Director and not to the Alternate Director.

### **Appointment of Additional Director**

Subject to the provisions of Section 260 of the act, the Board shall have Power at any time and from time to time, to appoint any other qualified person to be an Additional Director, but so that the total number of Directors shall not at any time exceed and maximum fixed under Article 135. Any such Additional Director shall hold office only up to the date of the next Annual General Meeting.

### **Director's power to fill casual vacancies**

Subject to the provisions of Section 262, 264 and 284(6) of the Act, the board shall have power at any time and from time to time to appoint any other qualified person to be a Director to fill a casual vacancy. Any person so appointed shall hold office only up to which the Director in whose place he is appointed would have held office if it had not been vacated by him.

### **Qualification of Directors**

A Director shall not be required to hold any qualification shares.

### **Remuneration of Directors**

- (a) Subject to provision of the Act, a Managing Director or Directors, who are in the whole-time employment of the company may be paid remuneration either by way of monthly payment or at specified percentage of the net profit of the Company or partly by one-way and partly by other.
- (b) Subject to the provisions of the Act, a Director who is neither in the whole time employment nor a Managing Director may be paid remuneration either
  - (i) By way of monthly, quarterly or annual payment or
  - (ii) By way of commission, if the Company by a Special resolution authorizes such payment.



- (c) The fee to a Director for attending a meeting of the Board of Committee thereof shall be the maximum sum applicable to the Company as may be prescribed by law or by the Central Government or such other lesser sum as the Board may from time to time determine
- (d) If any Director be called upon to perform extra services or make special exertions or efforts (including any work done by him as a member of any Committee of the board) or provide any guarantee on behalf of the Company or for the purposes of securing any borrowing or liability of the company, the Board may arrange with such Director for special remuneration for such service or exertions or efforts either by fixed sum or otherwise or for payment of guarantee commission as may be determined by the Board and such remuneration maybe either in addition to or in substitution for his remuneration as above provided

#### **Traveling expenses incurred by Director for attending meeting or on Company's business**

The Board may allow and pay to any Director, who is not a bonafide Resident of the place where the meetings of the Board are ordinarily held and who travels for the purpose of attending and returning from meetings of the Board of Directors or any Committee thereof or General Meetings, his domestic travelling and hotel and other expenses incurred by him in consequence or for the purpose of his attendance, or where the Director travels in connection with the business of the Company, his traveling, hotel or other expenses in addition to his fees for attending such meetings as above specified or other remuneration payable to him

Provided that if so desired by the corporation appointing a Director, the Company may instead reimburse the Corporation appointing such Director, any sums that may be paid to that Director in respect of this attendance at the meeting of the Board.

#### **Directors may act notwithstanding any vacancy**

The continuing Directors, may act notwithstanding any vacancy in their body, but if, and so long as their numbers is reduced below the minimum number fixed by Article 135 hereof, may act, for the purpose of increasing the number of Directors to that number, or of summoning a General Meeting but for no other purpose

#### **When office of Director become vacant**

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

- a) He is found to be unsound mind by a Court of Competent jurisdiction or
- b) He applies to be adjudicated an insolvent; or
- c) He is adjudged an insolvent; or
- d) He fails to pay any call made on him in respect of shares of the company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of such call unless the Central Government has by notification in the Official Gazette removed the disqualification incurred by such failure; or
- e) He absents himself from three consecutive meetings of the Directors or from all meeting of the Directors for a continuous period of three months, whichever is longer, without leave of absence from the Board; or
- f) He becomes disqualified by an order of the Court under
- g) Section 203 of the Act.
- h) He removed in pursuance of Section 284; or
- i) He (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private company of which he is a Director accepts a loan or any guarantee or security for a loan from the Company in contravention of Section 295 of the Act; or
- j) He acts in contravention of Section 299 of the Act; or
- k) He is convicted by a Court of an offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months;
- l) Having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company; or
- m) He resigns his office by a notice in writing addressed to the Company

### **Director may contract with company**

- (a) A Director or his relative, firm in which such Director or relative is partner, or any other partner, in such firm or a private company of which the Director is a member or Director, may enter in any contract with the company for the sale, purchase or supply of any goods, materials or services or for underwriting the subscription of any shares in or debentures of the Company, the sanction of the Board and the previous approval of the Central government as may be required shall be obtained in accordance with Section 297 of the Act.
- (b) No sanction shall, however be necessary for
  - (i) Any purchase of goods and material from the Company, or the sale of goods or materials to the Company by any such Director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices; or
  - (ii) Any contract or contracts between the company on one side and any such Director, relative, firm, partner or private company on the other for sale, purchase or supply of any goods, materials and services in which either the Company or the Director, relative, firm, partner or private company as the case may be, regularly trades or does business, where the value of goods and materials or cost of such services does not exceed Rs. 5000/- in the aggregate in any year comprised in the period of the contract or contracts.
- (c) Provided that in circumstances of urgent necessity, a Director, relative, firm, partner or private company as aforesaid may without obtaining the consent of the Board enter into such contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or the cost of such services exceed Rs. 5000/- in the aggregate in any year comprised in the period of the contract if the consent of the Board shall be obtained to such contract or contracts at a meeting within three months of the date on which the contract was entered into.

### **Disclosure of interest**

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

### **General Notice of Interest**

A general notice given to the Board by the Director, to the effect that he is director or a member of specified firm and is to be regarded as concerned or interested in any contract or arrangement which may after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period to one financial year at a time by a fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice and no renewal thereof shall be of effect unless either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

### **Interested Directors not to participate or vote in Board's proceedings**

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

- (a) Any contract of indemnity against any loss which Directors, or any one or more of them, may suffer by reason of becoming or being a surety or sureties for the Company.
- (b) Any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely:



- 
- (i) In his being;
    - (1) A director of such company, and
    - (2) The holder of not more than shares of such number or value therein as is requisite to qualify his appointment as a Director thereof, he having been nominated as such director by the Company
  - (ii) In his being a member holding not more than 2% off its paid-up share capital

#### **Register of Contracts in which Directors are interested**

The Company shall keep a Register in accordance with Section 301(1) and shall, within the time specified in Section 301(2) enter therein such of the particulars as may be relevant having regard to the application thereto of Section 297 or Section 299 of the Act as the case may be. The Register aforesaid shall also specify, in relation to each Director of the Company the names of the bodies corporate and firms of which notice has been given by him under Article 151. The register shall be kept at the office of the Company and shall be open to inspection at such office and extracts may be taken there from and copies thereof may be required by any member of the Company to the same extent, the same manner, the same manner, and on payment of the same fee as in the case of the Register of Members of the Company and the provision of Section 163 of the Act shall apply accordingly

#### **Director may be director of companies promoted by the Company**

A Director may be or become a Director of any company promoted by the Company, or in which it may be interested as a Vendor, shareholder, or otherwise and no such Director shall be accountable for any benefit received as director or shareholder of such company except in so far as Section 309(6) or Section 314 of the Act may be applicable

#### **Retirement and rotation of Directors**

At every 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, the number nearest to one-third shall retire from office. The no-retiring Directors and Debenture Directors, if any, shall not be subject to retirement under this clause and shall not be taken into account in determining the rotation of retirement or the number of Directors to retire.

#### **Ascertainment of Directors retiring by rotation and filling of vacancies**

Subject to provision of the Act, the Directors to retire by rotation under Article 155, at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those who are to retire, shall in default of and subject to any agreement among themselves, be determined by lot

#### **Eligibility of re-election**

A retiring Director shall be eligible for re-election

#### **Company to appoint successors**

Subject to Section 258 of the Act, the Company at the General Meeting at which a Director retires in the manner aforesaid, may fill up the vacated office by electing a person thereto

#### **Provision in default of appointment**

- (a) If the place of the retiring Director is not so filled up and the Meeting has not expressly resolved not to fill the vacancy, the Meeting shall stand adjourned till the same day in the next week, at the same time and 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.
- (b) If at the adjourned Meeting also, the place of the retiring Director is not filled up and that Meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned Meeting unless:
  - (i) At the Meeting or at the previous Meeting, resolution for the re-appointment of such Director has been put to the Meeting and lost
  - (ii) The retiring Director has, by notice in writing addressed to the Company or its Board, expressed his unwillingness to be so appointed



- (iii) He is not qualified or is disqualified for appointment;
- (iv) A resolution, whether special or ordinary, is required for the appointment or reappointment by virtue of any provisions of the Act; or
- (v) The provision to sub-section (2) of Section 263 of the Act is applicable to the case.

#### **Company may increase or reduce the number of Directors**

Subject to Section 258 of the act, the Company may by Ordinary Resolution from time to time, increase or reduce the number of Directors within the limits fixed in that behalf by these Articles and may alter their qualifications and the Company may (subject to the provisions of Section 284 of the Act) remove any Director before the expiry of his period of office and appoint another qualified person in his stead. The person so appointed shall hold office during such time as the Director in whose place he is appointed would have held the same if he had not been removed.

#### **Notice of candidate for office of Director except in certain case.**

- (a) No person, not being a retiring Director, shall be eligible for appointment to the office of a 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 of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose him as a candidate for that office along with a deposit of Rs. 500/- (Rupees Five Hundred only) or such sum as may be the time being prescribed by the Act which shall be refunded to such person or, as the case may be, to such member if the person succeeds in getting elected as a Director.
- (b) Every person (other than a Director retiring by rotation or otherwise or a person who has left at the office of the Company a notice under Section 257 of the Act signifying his candidature for the office of the Director) proposed as a candidate for the office of a Director shall sign and file with the Company the consent in writing to act as a Director, if appointed.
- (c) A person other than a Director re-appointed after retirement by rotation or immediately on the expiry of his term of office or an Additional or Alternate Director, or a person filling a casual vacancy in the office of a Director, under Section 262 of the Act appointed as Director or re-appointed as an Additional Director or Alternate Director, immediately on the expiry of his term of office, shall not act as a Director of the company, unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such Director

#### **Register of Directors**

The Company shall keep at its office a Register containing the particulars of its Directors, Manager, Secretary and other persons mentioned in Section 303 of the Act, and shall otherwise comply with the provisions of the said Section in all respects.

#### **Disclosure by a Director of his appointment to other body corporate and holdings of shares and debentures of the Company**

- (a) Every Director (including a person deemed to be a Director by virtue of the Explanation to Sub-Section (1) of Section 303 of the Act), Managing Directors, Manager or Secretary of the Company shall within twenty days of his appointment to any of the above offices in any other body corporate disclose to the Company, the particulars relating to his office in the other body corporate which are required to be specified under sub-section (1) of Section 303 of the Act.
- (b) Every Director and every person deemed to be Director of the Company by virtue of sub-section (10) of Section 307 of the Act shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section.

#### **MANAGING DIRECTOR**

##### **Board may appoint Managing Director or Managing Directors**

Subject to the provisions of the Act and of these Articles, the Board shall have power to appoint from amongst the Director or Directors as Managing Director or Managing Directors of the Company for such period and upon such



terms and conditions as the Board thinks fit, and subject to the provisions of Article 165, the Board may by resolution vest in such Managing Director or Managing Directors such power may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of a Managing Director may be by way of monthly payment, fee for such meeting or participation in profits, or by any, or all these modes or any other mode not expressly prohibited by the Act.

#### **Restriction on Power**

The Managing Director or Managing Directors shall not exercise the power to:

- (a) Make calls on shareholders in respect of money unpaid on the shares in the Company
- (b) Issue debentures; and except to the extent mentioned in the resolution passed at the Board meeting under Section 292 of the Act shall also not exercise the power to
- (c) Borrow moneys, other than on debentures
- (d) Invest the funds of the Company, and
- (e) Make loans

#### **Special Position of Managing Director**

A Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation, in accordance with Article of 139, if he ceases to hold the office of Directors, he shall ipso facto and immediately cease to be a Managing Director.

#### **WHOLE TIME DIRECTOR**

##### **Appointment of Whole-time Directors**

Subject to the provision of the Act and these Articles, the Board shall have the power to appoint from amongst the Directors any Director or Directors as a Whole-time Director(s) of the Company (to be designated as decided by the Board) for a fixed term not exceeding five years at a time or without prescribing any fixed term and upon such terms and condition as the Board thinks fit, Any Whole-time Director so appointed shall have such duties and responsibilities and shall exercise such powers as the Board may from time to time decide, and such may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as it may determine. A Whole-time Director shall report and be responsible to the Board or may other person appointed by the Board. The remuneration of a Whole time Director may be by way of monthly payment or participation in profits and/or any other mode not prohibited by the Act

##### **Position of the Whole time Director**

Subject to the provisions of Section 255 and other applicable provisions, if any of the Act, a whole-time Director shall not, while he continues to hold office, be subject to retirement by rotation and shall not be reckoned in determining the number of Directors to retire at any General Meeting and shall not be taken into account for the purpose of determining the retirement of Directors of rotation. A whole time Director, subject to the provisions of any contract between him and the Company, shall be subject to the same provisions as to resignation and removal as the other Directors and he shall, ipso facto and immediately, cause to be a Whole-time Director if he ceases to hold the office of a Director

##### **Certain persons not to be appointed Managing Director**

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

- (a) Is an undischarged insolvent, or has at any time been adjudged an insolvent
- (b) Suspends, or has at any time suspended, 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



---

## **PROCEEDINGS OF THE BOARD OF DIRECTORS**

### **Meeting of Directors**

The Directors may meet together as a Board for the dispatch of business from time to time and shall so meet at least once in every three months and at least four such meeting shall be held in every year. The Directors may adjourn and otherwise regulate their meetings, as they think fit.

### **Notice of meeting**

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.

Such notice shall be accompanied by the agenda setting out of the business proposed to be transacted at the meeting of the Board

### **Quorum**

Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength (excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two third of the total of the total strength the number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such meeting.

### **Adjournment of meeting for want of quorum**

If a meeting of the Board could not be held for want of a quorum then the meeting shall stand adjourned to such other date and time, if any, as may be fixed by the Chairman.

### **When meeting to be convened**

The Secretary shall, as and when directed by any Director to do so, convene a meeting of the Board by giving a notice in writing to every other Director

### **Chairman**

The Director shall from time to time, elect from amongst the Directors any one of such Directors to be the Chairman of the Board and determine the period for which he is to hold office. If in any meeting of the Board the Chairman is not present within 15 minutes after the time appointed for holding the same, or if present is unable or unwilling to take the chair, the Director present may elect any other Director to be the Chairman of the Meeting

### **Question by Board how decided**

Questions arising at any meeting of the Board of Directors or in resolution to be passed by circular shall be decided by a majority of votes and in the case of an equality of votes, the Chairman shall have a second or casting vote.

### **Powers of Board**

A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions which by or under the Act or Articles of the Company are for the time being vested in or exercisable by the Board generally.

### **Directors may appoint Committee**

Subject to the restrictions contained in Section 292 of the Act the Board may delegate any of their powers to one or more Committees of the Board consisting of such member or members of its body as it thinks fit, and it may from time to time revoke and discharge any such Committee of the Board either wholly or in part, and either as to persons or purposes; but every Committee of the Board so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise shall have the like force and effect as if done by the Board.



---

### **Meeting of Committee how to be governed**

The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meeting and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last proceeding Article.

### **Resolution by Circulation**

No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation unless the resolution has been circulated in , together with the necessary papers, if any, to all the Directors or all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of Board, or a Committee as the case may be) and to all other Directors or members of the committee at their usual address in India and has been approved by such of the Directors or members as are then in India, or by majority of such of them, as are entitled to vote on the resolution.

### **Acts of Board or Committee valid notwithstanding any defect in appointment**

All acts done by any meeting of the Board or by a Committee of the Board, or by any person acting as a Director shall not withstanding than it shall afterwards be discovered that there was some defect in the appointment of such Director or persons acting as aforesaid or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director and had not vacated his office or his appointment had not been terminated; provided that nothing in this Article shall be deemed to give validity to act done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

### **Minutes of proceeding of Meeting of the Board and Co**

- (a) The Company shall cause minutes of all proceedings of every meeting of the Board and committee thereof to be kept by making, within thirty days of the conclusion of every such meeting, entries thereof in books kept for that purpose with their pages consecutively numbered
- (b) Each page of every such book shall be initiated or signed and the last page of the record of proceeding of each meeting in such book shall be dated and signed by the Chairman of the said meeting or next succeeding meeting.
- (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or coping.
- (d) The minutes of each meeting shall contain a fair correct summary of the proceedings there at.
- (e) All appointment of officers made at any of the meeting aforesaid shall be included in the minutes of the meeting.
- (f) The minutes shall also contain
  - (i) the names of Directors present at the meeting; and
  - (ii) In case of each resolution passed at the meeting the names of the directors, if any, dissenting from or not concurring in the resolution
- (g) Nothing contained in sub-clause (a) to (f) shall be deemed or require the inclusion in any such minutes of any matter which, in the opinion of the Chairman of the meeting:-
- (h) is, or could reasonably be regarded as defamatory of any person;
- (i) is irrelevant or immaterial to the proceedings; or
- (j) Is detrimental to the interest of the Company
- (k) The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the ground specified in this sub clause.
- (l) Minutes of meetings kept in accordance with the aforesaid provision shall be evidence of the proceeding recorded therein.

## **Powers of Directors**

The Board may exercise all such powers of the Company and do all such acts and things as are not, prohibited by the Act or other Act or by the memorandum or by the Articles or the Company required to be exercised by the Company in the General Meeting, subject nevertheless to these Articles to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid regulations as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the company in General Meeting:

- (a) Sell, lease or otherwise dispose off the whole, or substantially the whole, of the undertaking of the Company or where the Company owns more than one undertaking of the whole, or any such undertaking;
- (b) Remit, or give time for the repayment of any debt due by a Director
- (c) Invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;
- (d) Borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company banker in the ordinary course of business), will exceed the aggregate of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose;

Provided further that the power specified in Section 292 of the Act shall subject to these articles be exercised only at meeting of Board, unless the same be delegated to the extent therein stated; or

- (e) Contribute to charitable and other funds not directly relating to the business of the company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately proceeding, whichever is greater.

## **Certain powers of the Board**

Without prejudice to the general powers conferred by the last proceeding Article and so as not in any way to limit or restrict those powers, without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Articles, it is hereby declared that the Directors shall have the following powers, that is to say, power;

- (a) To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company
- (b) To pay and charge to the capital amount of the Company commission or interest lawfully payable thereat under the provisions of Section 76 and 208 of the Act.
- (c) Subject to Section 292 and 297 of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorized to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or be advised to be reasonably satisfactory.
- (d) At their discretion and subject to the provision of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the company and any such shares may be issued either as fully paid-up thereon as may be agreed upon and any such bonds, debentures, mortgages, or otherwise securities of the company and any such shares may be issued either as fully paid up thereon as may be agreed upon and any such bonds, debentures, mortgages, or other securities may be either specifically charged upon all or any part any part of the property of the Company and its uncalled capital or not so charged.
- (e) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in any manner, they may think fit.



- 
- (f) To accept from any member, as may be permissible by law, surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.
  - (g) To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purposes and to execute and do all such deeds and things as may be required in relation to any trust and to provide for the remuneration of such trustee or trustees.
  - (h) To institute, conduct, defend, compound or abandon any legal proceedings by or against the company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due and of may claim or demand by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon.
  - (i) To act on behalf of the Company in all matters relating to bankrupts and insolvents.
  - (j) To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the company.
  - (k) Subject to the provisions of Section 292, 295, 370 and 372 of the Act, to invest and deal with any moneys of the Company not immediately required for the purposes thereof upon such security (not being shares of his company), or without security and in such manner as they may think fit, and from time to time vary or realize such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
  - (l) To execute in the name and on behalf of the Company in favour of any Director or other person who any incur or be about any personal liability whether as principal or surety for the benefit of the company, such mortgages of the company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and other powers, provisions, covenants and agreements as shall be agreed upon.
  - (m) To determine from time to time who shall be entitled to sign, on the Company's behalf bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.
  - (n) To distribute by way of bonus amongst the staff of the Company and to give to any officer or other person employed by the company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as part of the working expenses of the Company.
  - (o) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls or by grants or money, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing provident fund and other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries medical and other attendance and other assistance as the Board shall think fit and to subscribe or contribute or otherwise to assist or to guarantee any charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of public and general utility or otherwise.
  - (p) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation or to depreciation fund, or to an insurance fund, or as Reserve Fund or any special fund to meet contingencies or to repay debentures or debenture stock, or for special dividends or for equalizing dividends or for repairing, improving, extending and maintaining any of the property of the company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest the several sums so set aside or so much thereof as required to be invested upon such investments (other than shares of the Company) as they may think fit and from time to time deal with and vary such investments and dispose off and apply and expend all of any such part thereof for the benefit of the Company in such a manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company not withstanding that the matters to which the Board apply or upon which they expend the same or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the Reserve Fund in such special funds as the Board may think fit with full power to transfer the whole or any portion of Reserve Fund in such special funds as the Board may think fit with full power to transfer the whole or any portion of Reserve Fund or division of a Reserve Fund and with full power to employ

assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of debentures or debenture-stock and without being bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.

- (q) To appoint, and at their discretion remove or suspend such general managers, managers, securities, assistants, supervisors, clerks, agents and servants for permanents, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or else where in such manner as they think fit and the provisions contained in the four next following sub-clauses shall be without prejudice to the general power conferred by their sub-clauses.
- (r) From time to time and at any time to establish any local board for managing any of the affairs of the Company in any specified locality in India or else where and to appoint any person to be members of such local bodies, and to fix their remuneration.
- (s) Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make to make calls or to make loans or borrow moneys, and to authorize the members for the time being of any such local board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit and the Board may at any time remove any person so appointed, and may annual or vary any such delegation.
- (t) At any time and from time to time by Power of Attorney under the seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the company, for such purposes and with such power, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provision of Section 292 of the Act) and for such period and subject to such appointment may (if the Board think fit) be made in favour of the members or any of the members of local board established as aforesaid or in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of person whether nominated directly or indirectly by the Board and any such Power of Attorney may contain such Power for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.
- (u) Subject to Section 294 and 297 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company to enter into all such negotiations and contract and rescind and vary all such contracts, and execute and do all such acts deed and things in the name and on behalf of the Company as they may consider expedient.
- (v) From time to time to make, vary and repeal byelaws for regulations of the business of the company, its officers and servants.

#### **Prohibition of simultaneous appointment of different categories of managerial personnel**

The Company shall not appoint or employ at the same time more than one of the following categories of management personnel namely:

- (a) Managing Director and
- (b) Manager

#### **Secretary**

The Directors shall from time to time appoint a Secretary and at their discretion, remove any such Secretary to perform any functions, which by the Act, are to be performed by the Secretary and to execute any other ministerial or administrative duties, which may from time to time be assigned to the Secretary by the Directors. The Directors may also appoint at any time any person or persons (who need not be the Secretary) to keep the Registers required to be kept by the Company.



---

## **THE SEAL**

### **Custody and Use**

- (a) The Board shall provide a Company Seal for the purpose of the Company and shall have the power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Board shall provide for the safe custody of the Seal for the time being and the Seal shall never be used except by the authority of the Board or a Committee of the Board previously given.
- (b) The Company shall also be at liberty to have an official Seal in accordance with Section 50 of the Act, for use in any territory, district or place outside India.

### **Deeds how executed**

Every deed or other instrument, to which the Seal of the Company is required to be affixed, shall unless the same is executed by a duly constituted attorney, be signed by two directors or one director and secretary or some other person appointed by the Board for the purpose, provided that in respect of the Share Certificate the Seal shall be affixed in accordance with Article 31(a).

## **DIVIDENDS**

### **Division of profits**

The profits of the Company, subject to any special rights relating thereto created or authorized to be created by these Articles and subject to the provisions of to the period during the year for which the capital is paid up on the share held by them respectively.

### **Declaration of dividends**

The company in General Meeting may declare dividends to be paid to members according to their representative rights, but no dividends shall exceed the amount recommended by the board, but the Company in General Meeting may declare a smaller dividend.

### **Dividends only to be paid out of profits**

No dividend shall be declared or paid by the Company for any financial year otherwise than out of profits for that year, arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act, or out of the profits of the Company for any previous financial year or years, arrived at after providing for depreciation in accordance with these provisions, and remaining undistributed or out of both, provided that:

- (a) If the company has not provided for depreciation for any previous financial year or years, the Company shall, before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years.
- (b) If the Company has incurred any loss in any previous financial year or years the amount of loss or any amount which is equal to the amount provided for depreciation for that year those years, whatever is less, shall be set off against the profits of the Company for the years for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases, after providing for depreciation in accordance with the provision of Sub section (2) of Section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid as aforesaid by the Company for any financial year, except after the transfer to the reserves of the Company of such percentage of its profits for that year as may be prescribed in accordance with section 205 of the Act or such higher percentage of its profits as may be allowed in accordance with that Section.

### **Interim Dividends**

The Board may, from time to time pay to the members such interim dividend as in their judgment the position of the Company justifies.



---

**Dividend a/c and payment of dividend**

- (a) The amount of dividend including interim dividend shall be deposited in separate bank a/c within five days from the date of declaration of such dividend and the said amount shall be used for payment of dividend or interim dividend
- (b) Dividends shall be paid out of such A/c within 30 of declaration in cash

**Capitals paid in advance not to earn dividends**

Where Capital is paid in advance of calls, such capital may interest by shall not in respect thereof confer a right to dividend or participation in profits.

**Dividends in proportion to amount paid – up**

All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

**Retention of dividends pending transfer**

The Board may retain the dividends upon shares in respect of which any persons is under Article 82, entitled to become a member, or which any person under that Article is entitled to transfer, until such person shall become a member, in respect of such shares or share duly transfer the same.

**Dividends to joint-holders**

Any one of several persons who are registered as the joint-holders of any shares may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.

**No member to receive dividends whilst indebted to Company and right of reimbursement thereof**

No member shall be entitled to receive payment of nay interest or dividend in respect of his share or shares whilst any money be due or owing from him to the Company in respect of such share or shares otherwise howsoever, either alone or jointly with any other person or persons, and the Board may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

**Transfer of Shares must be registered**

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

**Dividend how remitted**

Unless otherwise directed, any dividend may be paid by cheque or warrant or by a pay slip or a receipt having the force of a cheque or warrant sent through the post to the registered address of the members or person entitled or in case of joint-holders to that one of them first named in the Register in respect of the joint-holders to that one of them first named in the Register in respect of the joint holdings. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission, or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any pay slip or receipt or the fraudulent recovery of the dividend by any means

**Unclaimed dividend**

The Board shall forfeit no unclaimed or unpaid dividend. Where a dividend has been declared by the Company but which has not been paid or claimed within 30 days from the date of declaration to any shareholders entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days open a special account in the that behalf in any scheduled Bank called “The unpaid dividend account of Hilton Metal Forging Limited” and transfer to the said account, the total amount of dividend that has remained unpaid or unclaimed as aforesaid .



Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Protection & Education Fund after giving individual intimation to the Members concerned at least 6 months before the due date of such transfer. In this Article the expression “dividend which remains unpaid” shall mean any dividends the warrant in respect thereof has not been encashed or which has otherwise not been paid or claimed. No unclaimed dividends shall be forfeited by the Board and the Company shall comply with the provisions of Section 205(A) of the Act in respect of such dividends.

#### **No interest on dividends**

No dividend shall bear interest as against the Company.

#### **Dividend and call together**

Any General Meeting declaring a dividend, may on the recommendation of the Directors, make a call on the members of such amount as the Meeting fixes but so that the call on each Member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the member, be set off against the calls.

### **CAPITALISATION OF PROFITS AND RESERVES**

#### **Capitalisation of reserves and Profits and issue of Bonus Shares or debentures etc**

- (a) The Board may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund or the capital redemption reserve accounts, or in the hands of the Company and available for dividends, or representing premium received on the issue of shares and standing to the credit of the share premium account, be capitalized and distributed amongst such of the share holders as would be entitled to receive the same if distributed by way of dividends and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such share holders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or bonds, debentures or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or bonds or debentures or debenture-stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum, provided that a share premium account and a capital redemption reserve account may for the purpose of this Article only be applied in the paying of any unissued shares to be issued to members of the Company as full paid bonus shares.
- (b) A General Meeting may resolve that any surplus moneys arising from the realization of any capital assets of the Company, or in investment representing the same, or any other undistributed profit of the Company not subject to charge for income-tax be distributed among the members on the footing that they receive the same as capital.
- (c) For the purpose of giving effect to any resolution under the preceding paragraphs of this Article, the Board may settle any, difficulty which may arise in regard to the distribution as it thinks expedient and in particular, may issue fractional certificates, or may fix the value for distribution of any specific assets, or may determine that such cash payments shall be made to any members upon the footing of the value so fixed, or that fraction of less value than Rupee 10 (ten) may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the entitled to the dividend or capitalized fund as may seem expedient to the Board. Where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Companies Act 1956, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund, and such appointment shall be effective.

### **ACCOUNTS**

#### **Directors to keep true accounts**

1. The Company shall keep at the office or at such other place in India, as the Board thinks fit, proper Books of Account in accordance with Section 209 of the Act with respect to:
  - (a) All sums of money received and expended by the company and the matters in respect of which the receipts and expenditure take place;



- 
- (b) all sales and purchase of goods of the Company.
  - (c) The assets and liabilities of the Company.
2. Where the Board decides to keep all or any of the Books of Account at any place other than the office of the Company, 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.
  3. The Company shall preserve in good order the Books of Account relating to a period of not less than eight year preceding the current year together with the vouchers relevant to any entry in such books of account.
  4. Where the Company has a branch office, whether in or outside India, the Company shall be deemed to have complied with this Article if proper Books of Account relating to the transactions effected at the branch office are kept at the branch office and proper summarized returns, made up-to-date at intervals of not more than three months, are sent by the branch office to the Company at its office or other place in India, at which the Company's Book of Account are kept as aforesaid.
  5. The Books of Account shall give a true and fair view of the state of affairs of the Company or Branch Office, as the case may be and explain its transactions. The Books of Accounts and other books and papers shall be open to inspection by any Directors during business hours.

#### **Inspection of account by members**

The Board shall from time to time determine whether and to what extent and at what time and to places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members not being Directors and no members (not being a Director) shall have any right of inspecting any account or books or documents of the Company except as conferred by law or authorized by the Board.

#### **Statement of Account to be furnished at General Meeting.**

The Directors shall from time to time, in accordance with Section 210, 212, 215, 216 and 217 of the Act, cause to be prepared and to be laid before the Company in General Meeting, such Balance Sheet, Profit and Loss Account and Reports as are required by these Sections.

#### **Amendment of Accounts of the company**

The Directors shall, if they consider it to be necessary and in the interest of the Company, be entitled to amend the Audited Accounts of the company in General Meeting. The amendment of the Accounts affected by the Directors in pursuance of this Article shall be placed before the members in General Meeting for their consideration and approval.

#### **Copies to be sent to each member**

A copy of every such Profit and Loss Account and Balance Sheet (including the Auditor's Report and every other document required by law to be annexed or attached to the Balance Sheet) shall at least twenty one days before the meeting at which the same are to be laid before the members be sent to the members of the Company, to every trustee for the holder's of any debentures issued by the Company, whether such member or trustee is or is not entitled to have notices of general meetings of the Company, sent to him, and to all persons other than such members or trustees being the persons so entitled. Provided that the Board may if it deems fit instead of sending the said documents, as aforesaid may make copies of said documents available for inspection at the office of the Company during working hours for a period of twenty one days before the date of the meeting and send a statement containing the salient features of such documents in the form prescribed under Section 219 of the Act or any modifications there of to every member of the Company and to every trustees for the holders of any debentures issued by the Company not less than twenty one days before the date of the meeting, they shall, notwithstanding the fact, be deemed to have been duly sent if it is so agreed by all the members entitled to vote at the meeting.

#### **AUDIT**

##### **Accounts to be audited**

Auditors shall be appointed and their rights and duties regulated in accordance with Section 224 to 233 of the Act.



---

## **DOCUMENTS AND NOTICE**

### **Service on members**

A document of notice may be served or given by the Company on any member either personally or by sending it by post to him to his registered address, if any, in India supplied by him to the Company for serving documents or notices on him.

### **Manner of service**

Where a document or notice is sent by post, service of the documents or notice shall be deemed to be effected by properly addressing, preparing and posting a letter containing the document or notice, provided that where a member has intimated to the Company in advance that documents or notices should be sent to him under a certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so; service of the document or notice shall not be deemed to be effected unless it is sent in the manner intimated by the member and such service shall be deemed to have been effected in the case of a notice of a meeting at the expiration of forty-eight hours after the letter containing the document or notice is posted and in any other cases, at the time at which the letter containing the document or notice is posted and in any other cases, at the time at which the letter would be delivered in the ordinary course of post.

### **By Advertisement**

A document or notice advertised in a newspaper circulating in the neighborhood of the office shall be deemed to be duly served or sent to the day on which the advertisement appears on or to every member who has no registered address in India and has not supplied to the Company an address within India for the serving of documents on the sending of notices to him.

### **On Joint Holders**

A document or notice may be served or given by the Company on or to the joint holders of shares by serving or giving the document or notice on or to the joint holder named first in the Register of Members of the share.

### **On personal representatives etc.**

A document or notice may be served or given by the Company on or to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in prepaid letter addressed to them by names or by the title of representative of the deceased, or assignee of the deceased, or assigned of the deceased or assignee of the insolvent or by any like description, at the address (if any) in India supplied for the purpose by the persons claiming to be entitled, or until such an address has been so supplied by serving the document or notice in any manner in which the same might have been given if the death or insolvency had not occurred.

### **To whom document or notice must be served or given**

Documents or notices of every General Meeting shall be served or given in the same manner herein before authorized on or to (a) every member, (b) every person entitled to a share in consequence of the death or insolvency to a member, and (c) the Auditor or Auditors for the time being of the Company.

### **Members bound by documents or notices served or given to previous members**

Every person who, by operation of law, transfer or other means whatsoever, shall become entitled to any share shall be bound by every document or notice in respect of such share, which previously to his name and address being entered on the Register of Members, shall have been duly served or given to the person from whom he derives his title to such shares.

### **Signature on notice and documents**

Any documents or notices to be served or given by the Company may be signed by a Director or some person duly authorised by the Board for such purpose and the signature thereto may be written, printed or lithographed



---

### **Service of notice or documents by members**

All documents or notices to be served or given by members on or to the Company or any other officer there or shall be served or given by sending it to the Company or officer at the office by post under a Certificate of posting or by registered post, or by leaving it at the office.

Provided that where the securities are held in depository, the records of the beneficial ownership may be served by such depositories on the company by means of electronic mode or by delivery of depository floppies or discs.

### **WINDING-UP**

#### **Liquidators may divide assets in specie**

The Liquidator on any winding-up (whether voluntary or under supervision of the Court or compulsory) may, with the sanction of a Special Resolution, but subject to the rights attached to any preference share capital, divide among the contributories in specie any part of the assets of the Company and may b\with the like sanction, vest any part of the assets of the Company in trustees upon such trust for the benefit of the contributories as the Liquidators, with the like sanction, shall think fit.

### **INDEMNITY AND RESPONSIBILITY**

#### **Directors and others right of indemnity**

Subject to Section 201 of the Act, every Director, officer or agent for the time being of the Company shall be indemnified out of the assets of the company against all 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 discharged or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court

### **SECRECY CLAUSE**

#### **Secrecy**

- (a) Every Director, Manager, Auditor, Treasurer, Trustee, members of a Committee, officer, servant, agent, accountant or other person employed in the business of the Company shall, if so required by the Directors, before entering upon his duties sign declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company and in the matters relating to the Company's customers. Collaborations and the state of accounts with individuals and all matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by law or by the persons to whom such matters relate and excepts so far as may be necessary in order to comply with any of the provision in these presents contained
- (b) No member shall be entitled to visit or inspect any works of the company without the permission of the Directors or to require discovery of or any information respecting any details of the company's business or trading, or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process of any other matter which may relate to the conduct of the business of the company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.



---

## SECTION X: OTHER INFORMATION

### I. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts and agreements referred to below (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or contracts entered into more than two years before the date of this prospectus) which are/or may be deemed to be material have been entered into by or on behalf of the Company. Copies of these contracts together with copies of documents referred to below, all of which have been attached to the copy of the prospectus and which have been delivered to the Registrar of Companies, Maharashtra, Mumbai, may be inspected at the Registered Office of the Company between 11.00 a.m. and 3.00 p.m. on any working day from the date of the filing of prospectus with the Registrar until the date of closing of subscription list.

#### A) Material Contracts:

1. Memorandum of Understanding between the Company and Lead Manager, Centrum Capital Limited dated 1<sup>st</sup> June 2006 and SREI Capital Market Limited dated 2<sup>nd</sup> August 2006.
2. Memorandum of Understanding dated 12<sup>th</sup> May 2006, between the Company and the Registrar, Sharex Services (India) Private Limited.
3. Copy of tripartite agreement entered into between CDSL, the Company and the Registrar dated 16<sup>th</sup> August 2006.
4. Copy of tripartite agreement entered into between NSDL, the Company and the Registrar dated 6<sup>th</sup> September 2006.
5. Copies of Ownership and Lease Agreements of the Company as mentioned under the heading "Properties".

#### B) Material Documents:

1. Memorandum of Association and Articles of Association of Hilton Metal Forging Limited as amended from time to time
2. Certificate of Incorporation dated 21<sup>st</sup> July 2005 of Hilton Metal Forging Limited
3. Certificate of Commencement of Business dated 9<sup>th</sup> September 2005.
4. Resolutions passed at the meeting of the Board of Directors held on 22<sup>nd</sup> July 2005 and EGM held on 26<sup>th</sup> August 2005 for affixing the remuneration of the Whole time Directors namely Mr Yuvraj Malhotra, Mr Navraj Malhotra and Mr. Shivcharan Gujral.
5. Certified true copy of the resolution passed under Section 81(1A) of the Companies Act, 1956 at the Board Meeting dated 12<sup>th</sup> April 2006 and Annual General Meeting of the Company held on 8<sup>th</sup> May 2006 authorising the issue of shares.
6. Partnership Deed dated 1<sup>st</sup> August 2003 and 28<sup>th</sup> June 2005 of M/s Hilton Forge.
7. Partnership Deed dated 6<sup>th</sup> July 2004 of Delta Cut Tools.
8. Reports of Auditor M/s R K Chaudhary & Co, Chartered Accountants, dated 17<sup>th</sup> February 2007 as mentioned in Prospectus under the Heading "Financial Information".
9. Copies of Annual Accounts of M/s Hilton Forge for the period from 1.08.2003 to 31.03.2004, 1.04.2005 to 20.07.2005.
10. Copy of Annual Reports of Hilton Metal Forging Limited for the year ended 31<sup>st</sup> March 2006.
11. Copies of Annual Reports of Group/Associates companies as mentioned in the prospectus.
12. Certificate dated 1<sup>st</sup> June 2006 from M/s R K Chaudhary and Associates, Chartered Accountants regarding Compliances of Corporate Governance by the Company as per Clause 49 of the Listing Agreement.

13. Certificate of Statement of Tax Benefit dated 31<sup>st</sup> July 2006 from M/s R K Chaudhary and Associates, Chartered Accountants
14. Certificate dated 5th March 2007 from M/s R K Chaudhary and Associates, Chartered Accountants, regarding sources and deployment of funds in the Project.
15. Consent letter dated 5th March 2007 from M/s R K Chaudhary and Associates, Chartered Accountants for inclusion of his report on Accounts and a statement on tax benefits in the form and in the context in which they appear in the prospectus.
16. Consent letters from the Directors of the Company, Lead Manager to the Issue, Bankers to the Company, Bankers to the Issue, Auditors, Appraising Agency, Legal Advisor to the issue, Financial Advisor to the Company, Registrar to the Issuer, Company Secretary and Compliance Officer to act in their respective capacities and for inclusion of their names in the Prospectus.
17. Power of Attorney(s) executed by the Directors for signing and making correction in the prospectus on their behalf.
18. Copy of Confirmation Letter for sanctioned Loans from State Bank of Hyderabad dated 22<sup>nd</sup> June 2006 to part finance the project.
19. Appraisal Report of SBH dated 16<sup>th</sup> May 2006 included in the Prospectus.
20. Consent from State Bank of Hyderabad for inclusion of their Appraisal Report.
21. No objection certificate received from Sarswat Co-op Bank Limited, UTI Bank Limited and CITI Bank for rising of capital by the Company.
22. Sanction Letters from Sarswat Co-op Bank Limited, CITI Bank and UTI Bank for existing facilities of Term Loan and Working Capital.
23. Copy of Quotation from architect M/s R.K. associates civil engineering & consultants dated 5<sup>th</sup> April 2006.
24. Copies of Quotations received for Fixed Assets for which order has not been placed as mentioned in prospectus and copies of purchase order in respect of fixed assets for which order has been placed.
25. Resolution dated 26<sup>th</sup> August 2005 for Borrowing Powers.
26. Copy of the Board resolution dated 12<sup>th</sup> April 2006 for appointment of Company Secretary and Compliance Officer.
27. Copy of the Board resolution dated 29<sup>th</sup> March 2006 for appointment of Audit Committee, Shareholders and Investor Grievances Committee and Remuneration Committee.
28. Copies of all Government Approvals /Licences as mentioned in prospectus.
29. Copies of Insurance policies
30. Copy of letter dated 6<sup>th</sup> March 2007 from Arpan M. Rajput & Co., Legal Advisor to the Issue for vetting and approval of prospectus.
31. IPO Grading Rationale Report of ICRA dated 12<sup>th</sup> February 2007
32. Due diligence certificate dated 2<sup>nd</sup> September 2006 issued by Lead Manager to the Issue, Centrum Capital Limited
33. SEBI observation letter No. CFD/DIL/ISSUES/PB/PR/86605/2007 dated 15th February 2007 and reply to SEBI observation dated 9<sup>th</sup> March, 2007.
34. Letters from Bombay Stock Exchange Limited, Mumbai (BSE) No. List/Smg/sm/2006 dated 20<sup>th</sup> October 2006 and The National Stock Exchange Limited (NSE) NSE/LIST/33129-N dated 14<sup>th</sup> November 2006 granting the 'in-principle' approval to the Listing of Shares.

Any of the Contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliances of the provisions contained in the Companies Act and other relevant statutes.



---

## DECLARATION

This is to confirm that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government have been complied with and no statement made in this prospectus is contrary to the provisions of the Companies Act, 1956 and rules made thereunder. All the legal requirements connected with this said offer as also the guidelines, instructions etc., issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with.

We the Directors of Hilton Metal Forging Limited and the Issuer (s), declare and confirm that no information/material likely to have a bearing on the decision of the investor in respect of the equity shares offered in terms of this prospectus have been suppressed/withheld and/or incorporated in a manner that would amount to misstatement/misrepresentation and in the event of it 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 misstatement/misrepresentation, we undertake to refund the entire application moneys to all the subscribers within seven days thereafter, without prejudice to the provisions of Section 63 of the Act.

The Directors of the Company certify that all disclosures made in the prospectus are true and correct.

### SIGNED BY ALL THE DIRECTORS

(Sd/-)

Mr. Yuvraj Malhotra

(Sd/-)

Mr Navraj Malhotra

(Sd/-)

Mr. Shivcharan Gujral

(Sd/-)

Mr. Navin C. Chokshi

(Sd/-)

Mr. Manoj Kumar More

(Sd/-)

Mr. Harmohindar Singh Dingra

Mr. Sanjay Jain\*

Mr. Joseph William McKay\*

(Sd/-)

Mr. Suryakant Mayani (CFO)

\* Through his Constituted Attorney Mr. Yuvraj Malhotra

**Date** : 19<sup>th</sup> March, 2007

**Place** : Mumbai