



## RED HERRING PROSPECTUS

Dated April 24, 2007

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue

**NITIN FIRE PROTECTION INDUSTRIES LIMITED**

(Our Company was incorporated on September 4, 1995 as a Public Limited Company and our Company has received the Certificate for Commencement of Business vide certificate number 11-92323, dated on 3rd November 1995. The registered office of our Company was shifted from 29, Vadhani Industrial Estate, L.B.S. Marg, Ghatkopar (W), Mumbai - 400 086 to the present address w.e.f. March 02, 2006.)

Registered Office: 501, Delta, Technology Street, Hiranandani Gardens, Powai, Mumbai - 400 076, Maharashtra, India.

Telephone No.: +91 22 4045 7000 Fax: + 91 22 2570 1110, Website: www.nitinfire.com E-mail: ipo@nitinfire.com

Contact Person: Mr. Abhishek Shrivastava, Company Secretary & Compliance Officer

**PUBLIC ISSUE OF 33,90,000 EQUITY SHARES OF THE FACE VALUE RS.10/- EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING SHARE PREMIUM OF RS.[●] PER SHARE) AGGREGATING RS. [●] LACS (HEREINAFTER REFERRED TO AS "THE ISSUE"), INCLUDING EMPLOYEE RESERVATION OF 1,50,000 EQUITY SHARES OF THE FACE VALUE RS.10/- EACH AT A PRICE OF RS.[●] FOR CASH AGGREGATING RS. [●] LACS ("EMPLOYEE RESERVATION PORTION") AND NET ISSUE TO THE PUBLIC OF 32,40,000 EQUITY SHARES OF FACE VALUE RS.10/- EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING RS. [●] LACS BY NITIN FIRE PROTECTION INDUSTRIES LIMITED (THE "COMPANY") (THE "NET ISSUE TO THE PUBLIC") AND THE NET ISSUE TO THE PUBLIC WOULD CONSTITUTE 25.71% OF THE POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.**

**PRICE BAND: RS. 171/- TO RS. 190/- PER EQUITY SHARE OF FACE VALUE RS.10/-**

**THE FACE VALUE OF THE SHARE IS RS 10/- AND THE FLOOR PRICE IS 17.1 TIMES THE FACE VALUE AND THE CAP PRICE IS 19 TIMES THE FACE VALUE**

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

The Issue is being made through the 100% Book Building Process wherein atleast 50% of the Net offer to the public shall be available for allocation to Qualified Institutional Buyers (QIBs) on a proportionate basis (out of which 5% shall be allocated proportionately to mutual funds. Mutual fund applicants shall also be eligible for proportionate allocation under the balance available for Qualified Institutional Buyers). Further, not less than 15% of the Net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net offer to the public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.

**RISK IN RELATION TO FIRST ISSUE**

This being the first public issue of Equity Shares of our Company, there has been no formal market for the Equity Shares of our company. The face value of the shares is Rs 10/- and the issue price is [●] times of the face value. The Issue Price (as determined by our Company in consultation with the Book Running Lead Managers ("BRLMs"), on the basis of assessment of market demand for the Equity Shares offered by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing. We have not opted for the grading of this Issue from any credit rating agency.

**GENERAL RISKS**

Investments 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 Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" beginning on page xii of this Red Herring Prospectus.

**ISSUER'S ABSOLUTE RESPONSIBILITY**

The Issuer having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring 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 Red Herring 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 makes this Red Herring 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 offered through this Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. We have received in-principle approval from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated January 18, 2007 and January 22, 2007, respectively. For purposes of this Issue, the Designated Stock Exchange is the Bombay Stock Exchange Limited.

**Book Running Lead Managers****Registrar to the Issue**

**KARVY INVESTOR SERVICES LIMITED**  
SEBI Reg. No.:INM 000008365  
"Karvy House", 46, Avenue 4, Street No.1  
Banjara Hills, Hyderabad - 500 034  
Tel: 91 40 23320251/23374714  
Fax: 91 40 23374714  
e-mail: mbd@karvy.com  
Website: www.karvy.com  
Contact Person: Mr. T.R. Prashanth Kumar



**UTI SECURITIES LIMITED**  
(Subsidiary of Securities Trading Corporation of India Ltd.)  
SEBI Reg. No.:INM 000007458  
Dheeraj Arma, 1st Floor, Anant Kanekar Marg,  
Bandra (East), Mumbai - 400 051  
Tel: 91 22 6751 5828 / 815, Fax : 91 22 67023194  
Email: nfpilipo@utisel.com  
Website: www.utisel.com  
Contact Person: Mr. Sumeet Lath / Ms. Sujaya Shetty



**BIGSHARE SERVICES PVT LTD**  
E-2, Ansa Industrial Estate,  
Sakivihar Road, Saki Naka,  
Andheri East, MUMBAI 400 072.  
Tel: +91 - 22 - 2847 3747 / 3474  
Fax: +91 - 22 - 2847 5207  
Email: bigshare@bom7.vsnl.net.in

**ISSUE SCHEDULE****BID/ ISSUE OPENS ON****Tuesday, May 15, 2007****BID/ ISSUE CLOSES ON****Friday, May 18, 2007**



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## SECTION I: GENERAL

### Definitions and Abbreviations

Term	Description
“Nitin Fire”, “NFPIL”, “the Company”, and “our Company”, “we” or “us”	Unless the context otherwise requires, refers to, Nitin Fire Protection Industries Limited, a public limited company incorporated under the Companies Act
“our Group” or “our Companies” or “Group Companies”	Unless the context otherwise requires, refers to the company on a consolidated basis and the subsidiary companies comprising Logicon Building Systems Private Limited, Alert Fire Protection Systems Private Limited, Eurotech Cylinders Private Limited and Nitin Cylinders Limited and a partnership concern Eurotech Corporation
Subsidiaries	The subsidiary companies of Nitin Fire Protection Industries Limited namely Logicon Building Systems Private Limited, Alert Fire Protection Systems Private Limited, Eurotech Cylinders Private Limited and Nitin Cylinders Limited and Eurotech Corporation.

### Conventional/General Terms

Terms	Description
Companies Act / The Act	The Companies Act, 1956, as amended from time to time
Depository	A Body Corporate registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time
Depositories Act	Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FIs	Financial Institutions
FII/Foreign Institutional Investors	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
FY / Fiscal / Financial Year	Period of twelve months ending March 31 unless otherwise stated
Government/ GOI	The Government of India.
Indian GAAP	Generally accepted accounting principles in India
I.T. Act	The Income Tax of India, 1961, as amended from time to time
Memorandum/Memorandum of Association / MoA	The Memorandum of Association of Nitin Fire Protection Industries Limited
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
Non-Resident Indians	Non-Resident Indian, as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
OCB/Overseas Corporate Body	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 Issue of Security by a Person Resident Outside India) Regulations, 2000. OCBs are not permitted to invest in this issue.



Terms	Description
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000
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

#### Issue Related Terms

Term	Description
Allotment /Allotted	Unless the context otherwise requires, the Issue of Equity Shares pursuant to the Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being/have been allotted
Banker(s) to the Issue	ICICI Bank Limited, Standard Chartered Bank and Deutsche Bank AG
Beneficiary Account	The demat account of the successful allottee to whom the shares are allocated
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to or purchase our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date/ Issue Closing date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper and a regional newspaper with wide circulation
Bid Opening Date/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper and a regional newspaper with wide circulation
Bid-cum-Application Form/ Bid Form	The form in terms of which the bidder shall make an offer to subscribe to or purchase the Equity Shares of our Company and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process/Method	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLMs	Book Running Lead Manager(s) to the Issue, in this case being Karvy Investor Services Limited and UTI Securities Limited



Term	Description
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated equity shares in the Book Building Process
Cap Price	The higher end of the Price Band, Rs.190/- per Equity Share in the Issue, above which the Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	Any price within the price band finalized by our Company in consultation with the BRLMs. A Bid submitted at Cutoff Price is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the escrow account (s) to the public issue account after the Prospectus is filed with the ROC, following which the allotment will be made to successful bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
DIP Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Draft Red Herring Prospectus	The Draft Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue.
Eligible Employee of our Company	<p>a) a permanent employee of our Company working in India or out of India; or</p> <p>b) a director of our Company, whether a whole time director, part time director or otherwise; other than Promoter Directors.</p> <p>c) an employee as defined above in (a) or (b) of a subsidiary, in India or out of India.</p> <p>d) an employee, as on date of filing of Red Herring Prospectus with RoC and who is physically present in India at the time of Bidding of his/her application.</p>
Employee Reservation Portion	1,50,000 Equity Shares reserved for employees of our Company as on cut-off date, i.e. the date of filing of Red Herring Prospectus with the RoC.
Equity Shares	Equity shares of our Company of face value of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement dated April 20, 2007 entered into amongst our Company, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and remitting refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	Banks which are clearing members and registered with SEBI as Banker(s) to the Issue at which the Escrow Account of our Company will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, Rs.171/- per Equity Share in the Issue, below which the Issue Price will not be finalized and below which no Bids will be accepted



Term	Description
IPO	Initial Public Offering
Issue/Issue Size	The fresh issue of 33,90,000 Equity Shares of Rs. 10 each at the Issue Price by our Company pursuant to this Red Herring Prospectus
Issue Account / Public Issue Account	Account opened with the Banker(s) to the issue to receive monies from the Escrow Accounts on the Designated Date
Issue Management Team	The team managing the Issue as set out in the section titled “General Information” on page 8 of the Red Herring Prospectus
Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Issue Price	The final price at which the Equity Shares will be allotted in terms of this Prospectus as determined by our Company in consultation with the BRLMs on the Pricing Date
Issuer	Nitin Fire Protection Industries Limited
Karvy	Karvy Investor Services Limited, a company incorporated under the Companies Act and having its registered office as indicated on the cover page of this Red Herring Prospectus
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 10% to 100% of the Bid Amount
Members of the Syndicate	The BRLMs and the Syndicate Members
Mutual Fund(s)	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
NEFT	National Electronic Funds Transfer
Net Issue to Public	The portion of the Issue being a minimum of 32,40,000 Equity Shares available for allocation to Retail Individual Investors, Non-Institutional Bidders and Qualified Institutional Investors
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have bid for equity shares for an amount of more than Rs.1,00,000/-.
Non-Institutional Portion	The portion of the Issue being a minimum of 4,86,000 Equity Shares available for allocation to Non-Institutional Bidders
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
Pay-In-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in Period	Means (i) with respect to Bidders whose margin amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose margin amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.





Term	Description
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000.
Price Band	Being the price band of a minimum price of Rs. 171/- per Equity Share (Floor Price) and the maximum price of Rs. 190/- per Equity Share (Cap Price) and includes revisions thereof
Pricing Date	Means the date on which our Company in consultation with the BRLMs finalizes the Issue Price
Promoters	Mr. Nitin M. Shah alias Sanghavi, Mr. Rahul N. Shah alias Sanghavi and Mr. Kunal N. Shah alias Sanghavi
Prospectus	The Prospectus, filed with the RoC containing, inter-alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2,500 Lacs and pension funds with minimum corpus of Rs. 2,500 Lacs
QIB Margin	An amount representing minimum of 10% of the Bid Amount
QIB Portion	The portion of the Issue being 16,20,000 Equity Shares of Rs. 10/- each available for allocation to QIBs
Red Herring Prospectus / RHP	Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are issued and size of the Issue. The Red Herring Prospectus would be filed with the RoC at least three days before the opening of the Bid/ Issue and will become a Prospectus after filing with the RoC after the pricing and allocation
Registrar/Registrar to the Issue	Registrar to the Issue in this case being Bigshare Services Private Limited having its registered office as indicated on the cover page of this Red Herring Prospectus.
Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who apply or bid for Equity Shares of or for a value of not more than Rs. 1,00,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being a minimum of 11,34,000 Equity Shares available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RoC or Registrar of Companies	Registrar of Companies, Maharashtra at Mumbai situated at Everest 100, Marine Drive, Mumbai - 400 002, India.
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time.



Term	Description
Stock Exchanges	BSE and NSE
Syndicate	BRLMs and the Syndicate Members
Syndicate Agreement	Agreement dated April 20, 2007 between the Syndicate and our Company
Syndicate Member(s)	Intermediaries registered with SEBI and eligible to act as Underwriters.
Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	Agreement dated [●] among the members of the Syndicate and our Company to be entered into on or after the Pricing Date
UTISEL	UTI Securities Limited, a company incorporated under the Companies Act and having its registered office as indicated on the cover page of this Red Herring Prospectus

#### Company/Industry related terms

Term	Description
Articles / Articles of Association / AoA	Articles of Association of Nitin Fire Protection Industries Limited
Auditors	The statutory auditors of our Company, M/s Tolia & Associates, Chartered Accountants, Mumbai.
ALERT	Alert Fire Protection Systems Private Limited, the wholly owned subsidiary of NFPI.
Board / Board of Directors	Board of Directors of our Company
Class A Fires	Fires involving solid combustible materials of organic nature such as wood, paper, rubber, plastics, etc., for which the cooling effect of water is essential for fires to be extinguished.
Class B Fire	Fires involving inflammable liquids or liquefiable solids or the like for putting out which a blanketing effect is essential.
Class C Fire	Fires involving inflammable gases under pressure including liquified gases, for containing which it is necessary to inhibit the burning gas at fast rate with an Inert Gasses, powder or vaporizing liquid.
Class D Fire	Fires involving combustible metals, such as magnesium, aluminium, zinc, sodium, potassium, etc. they burn on a metal surface on at a very high temperature. Water should be not used on such fire as it may add to the intensity and cause the molten metal to splatter, which in turn will extend the fire. These fires require special media and techniques to extinguish.
Class E Fire	Where energized electrical equipment is involved in a fire, non-conductivity of the extinguishing media is of utmost importance, and while putting such fires out, only extinguishers expelling dry powder, carbon dioxide (without metal horn) or vaporizing liquids should be used.
CNG	Compressed Natural Gas
Compliance Officer	Compliance Officer of our Company in this case being Mr. Abhishek Shrivastava, Company Secretary
Director(s)	Director(s) of NFPI unless otherwise specified
ECPL	Eurotech Cylinders Private Limited, the wholly owned subsidiary of NFPI.





<b>Term</b>	<b>Description</b>
Equity Shareholders	Persons holding Equity Shares of our Company unless otherwise specified in the context thereof.
Equity Shares	Equity Shares of face value of Rs. 10 each
Project	Setting up of a High Pressure Seamless Cylinders plant at Visakhapatnam Special Economic Zone (VSEZ).
Face Value	Face Value of equity shares of our Company being Rs. 10 each
HFC 227EA	HFC 227EA is a Clean Agent Gas that is a replacement to Halon 1301. It is a clean, non-corrosive gas, which is designed to extinguish fire. It extinguishes Class A, B, and C fire by interrupting the chemical chain reaction. It also absorbs heat, thus accelerating the suppression process.
IMM	Mott MacDonald Private Limited
IPO Committee	Committee of the Board of Directors of NFPI authorised to take decisions on matters related to or incidental to the Issue.
Memorandum / Memorandum of Association	The Memorandum of Association of Nitin Fire Protection Industries Limited
NGV	Natural Gas Vehicles
NCL	Nitin Cylinders Limited, a wholly owned subsidiary of our Company
Promoter Group	The Promoters, the immediate relatives of the Promoters and such entities/ partnership firms as prescribed under Explanation II to Clause 6.8.3.2 of the SEBI (DIP) Guidelines
Registered Office of our Company	Registered Office of our Company situated at 501, Delta, Technology Street, Hiranandani Gardens, Powai, Mumbai - 400076.
Registrar of Companies or RoC	Registrar of Companies, Maharashtra at Mumbai.
UL	Underwriters Laboratories Inc.
VSEZ	Visakhapatnam Special Economic Zone

#### **Abbreviation of General Terms**

<b>Abbreviation</b>	<b>Full Form</b>
AGM	Annual General Meeting of the shareholders
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BIFR	Board for Industrial and Financial Reconstruction
BIS	Bureau of India Standards
BSE	Bombay Stock Exchange Limited
BTIC	Beijing Tianhai Industry Company Limited
C&F	Clearing and Forwarding
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIF	Cost, Insurance and Freight



Abbreviation	Full Form
DGS	Directorate General of Shipping (Previously known as MMD or Merchantile Marine Department)
RHP	Red Herring Prospectus
EBIDTA	Earnings Before Interest, Depreciation, Tax and Amortization
EGM/ EOGM	Extraordinary General Meeting
EPCG	Export Promotion Capital Goods Scheme
EPS	Earnings Per Equity Share
EU	European Union
EXIM Bank	Export-Import Bank of India
FCNR	Foreign Currency Non Resident
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FIPB	Foreign Investment Promotion Board
FOB	Freight on Board
GOI	Government of India
HNI	High Net-worth Individual
HSE	Health, Safety & Environment
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961
IMM	Mott Macdonald Private Limited
KVA	Kilo Volt Ampere
KW	Kilo Watt
KWh	Kilo Watt Hour
LC	Letter of Credit
LIBOR	London Inter Bank Offer Rate
MOP&NG	Ministry of Petroleum & Natural Gas
NAV	Net Asset Value
NOC	No Objection Certificate
NRE Account	Non Resident External Account
NRI	Non Resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
P.A./ p.a.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit after Tax



Abbreviation	Full Form
R&D	Research and Development
RBI	Reserve Bank of India
ROE	Return on Equity
RONW	Return on Net Worth
Rs.	Indian Rupees
SEB	State Electricity Boards
SSI	Small Scale Industries
TAN	Tax Deduction Account Number
TRS	Transaction Registration Slip
UL	Underwriters Laboratories
UK	United Kingdom
UNDP	United Nations Development Program
USA/US	United States of America
USD/US\$	United States Dollar
VSEZ	Visakhapatnam Special Economic Zone
w.e.f.	With effect from
WOS	Wholly Owned Subsidiary
WTO	World Trade Organization
YOY	Year on Year



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## SECTION II: RISK FACTORS

### **CERTAIN CONVENTIONS; USE OF MARKET DATA**

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. The statistical and operational data in this Red Herring Prospectus is presented on an unconsolidated basis as well as on a consolidated basis for our Company. Our fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

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

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

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from public sources, industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although our Company believes that industry data as well as internal Company reports used in this Red Herring Prospectus are reliable, the same have not been independently verified.



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## FORWARD LOOKING STATEMENTS

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

All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from expectations include, but are not limited to, the following:

- Cost and time overruns in the implementation of the proposed Project;
- Variation in the demand for our Company’s products;
- Our ability to successfully implement strategy, growth, expansion plans, exposure to market risks and technological changes;
- Increasing competition in the global and Indian industry;
- General political, business and economic conditions which have impact on our business and investments;
- Unanticipated fluctuations in the foreign exchange rates, interest rates, equity prices, inflation, deflation, monetary and interest policies of India; and
- Changes in laws, regulations and taxes, as are applicable to our Company’s products

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



## RISK FACTORS

**An investment in Equity Shares involves a high degree of risk. The investors are requested to carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the trading price of the Equity Shares could decline, and the investors may lose all or part of their investment.**

**Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Red Herring Prospectus, including financial statements included in this Red Herring Prospectus beginning on page 102. The financial data in this section is as per our financial statements prepared in accordance with Indian GAAP.**

*Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.*

### Materiality

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

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

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

### Internal Risk Factors

- 1. NFPIIL is the flagship company and derives value from its subsidiaries as a consolidated entity. Any adverse development in its subsidiaries will affect us**

We have four subsidiaries carrying on various business activities. Any adverse development in these subsidiaries shall have an impact on NFPIIL as a consolidated entity. Funds raised through the IPO will be deployed in proposed project to be set up in NCL, our wholly owned subsidiary

- 2. NCL, our wholly owned subsidiary which is implementing the project has been incorporated recently and does not have any track record. In case of any delay in implementing the project there may be time and cost overruns which may have an adverse impact on us.**

The main object of this IPO is to part finance the project being implemented by Nitin Cylinders Limited, our wholly owned subsidiary. NCL has been incorporated in September 2006 and they are yet to have business track record. In case of any delay in implementing the project there may be time and cost overruns which may have an adverse impact on us.

- 3. NCL may not receive the tax benefits in case of change in Government policies or may lose the tax benefits due to non fulfillment of certain conditions stipulated by SEZ. The loss of the concessions and benefits provided to NCL under the SEZ Act would have a material adverse effect on the business, results of operations and financial condition of NCL**

The high pressure seamless cylinder manufacturing facility is proposed to be located in the VSEZ. As per the Special Economic Zones Act, 2005 and the rules and orders made thereunder, Units operating from an SEZ are entitled to significant tax and other fiscal benefits. There may be a change in Government policies in the future. Hence, we cannot guarantee that NCL will continue to receive such benefits. NCL's entitlement to such benefits is subject to the condition that it achieves positive Net Foreign Exchange (NFE) to be calculated cumulatively for a period of five years from the date of commencement of commercial operations from the aforesaid facilities and at the end of every subsequent five-year period. Positive NFE earnings are achieved if NCL's foreign earnings are greater than foreign spending and we cannot assure you that NCL will achieve positive NFE earnings. The loss of the concessions and benefits provided to NCL under the SEZ Act would have a material adverse effect on the business, results of operations and financial condition of NCL and it shall be subject to penal action pursuant to SEZ Rules, 2006 under the provisions of the Foreign Trade (Development and Regulation) Act, 1992.

NCL is required to file Annual Performance Returns within a period of ninety days following the close of financial year in terms of SEZ Rules 2006. In case of wrong submission of such information or failure to submit such information in a stipulated time, the permission granted to NCL for carrying out the authorized operations may be withdrawn or permission for further imports or exports might be stopped.





In case non payment or delay in payment of lease rentals NCL shall be required to pay a penal interest of 12% p.a. on the lease rentals. This shall have an adverse affect on the financial position of NCL.

4. **NCL is yet to receive certain statutory / regulatory licenses / clearances and approvals relating to the proposed plant at VSEZ. Failure by NCL to obtain the required approvals may result in the interruption of the operations and may have a material adverse effect on NCL's business, financial condition and results of operations.**

NCL has already acquired land on lease basis from VSEZ and the agreement for the same has been signed. NCL will require certain approvals for which it shall make the necessary applications at an appropriate time. These approvals shall be obtained in due course. However failure by NCL to obtain the required approvals may result in the interruption of the operations and may have a material adverse effect on NCL's business, financial condition and results of operations. For further information, please refer to the section "Government and Other Approvals" on page 184.

5. **NCL has not placed orders for certain plant and machinery, equipment etc. as stated on page no.28., we may face cost overrun due to this.**

NCL has finalized the list of plant and machinery, including the machineries to be imported. NCL has placed orders for machineries worth of Rs. 2752.23 lacs (99.59% of Phase I) while that for Rs.11.25 lacs in Phase I is yet to be ordered. Of the Machineries forming part of Phase II worth Rs. 3086.85 lacs , NCL has placed orders for machineries worth of Rs. 1,228.61 lacs (39.80% of Phase II) while that for Rs.1,858.24 lacs in Phase II are yet to be ordered.

6. **The objects of the Issue have not been appraised by any bank or financial institution.**

All the figures included under the "Objects of the Issue" are based on our own estimates, and there has been no independent appraisal of the same. Our estimation is based on quotation received from vendors and hence is subject to change at the time of placing final orders.

7. **There has been a delay in the implementation of the project, due to which there is a revision in the schedule and deployment of funds of the proposed project. For details of the revised implementation schedule and reason for revision please refer page 35.**

8. **The future growth and success is highly dependent upon the development of a substantial and widespread market for the new application of NCL's products. The development of a commercially feasible market for its products may be affected by many factors. Any adverse development in these factors may have a material effect on NCL's business, financial condition and results of operations.**

The market for high-pressure seamless steel gas cylinders has been in existence for decades but the new applications for these products, both for industrial and CNG cylinders, is evolving rapidly. Since NCL plans to manufacture these products, its future success is dependent upon the development of a substantial and widespread market for such new applications. The development of a commercially feasible market for its products may be affected by many factors, some of which include the emergence of newer, more competitive technologies and products, regulatory and statutory requirements, consumer perceptions of the safety of cylinders, consumer reluctance to try new products and the overall cost of commercial production.

9. **NCL's operations may be adversely affected by a shortage of raw materials. An increase in the prices of raw materials will raise its manufacturing costs and could adversely affect its profitability.**

NCL's business depends on the adequate supply of high quality raw materials such as high pressure seamless steel tubes obtained at reasonable prices on a timely basis which NCL intends to import. High pressure Seamless tubes form a major portion of the total cost of the product. This makes NCL's operations vulnerable to interruptions or other changes in the raw material supply. We cannot assure that all the raw material requirements will continue to be satisfied by our suppliers. NCL's inability to obtain high-quality raw materials in a timely and cost-effective manner would cause delays in its production and delivery schedules, which may result in the loss of its customers and revenues. Should there be any increase in the cost of raw material, the profitability will be affected to the extent NCL is unable to pass on such increase to its customers.

10. **NCL shall be subject to various laws, regulations and regulatory actions by authorities of individual countries where it may intend to export. Change in laws of those countries may require NCL to change or amend the specifications or requirements of the products which it may not be in a position to carry out. This will adversely affect the business of NCL.**

It may also happen that the government of a particular country decides to impose anti-dumping duty on NCL's products to protect its domestic industry.



- 11. Our promoters do not have any adequate background and experience in manufacturing of cylinders and are dependent on senior executives and other key members of management to implement the Project and business strategy.**

NCL depends on the continued employment and performance of senior executives and other key employees and directors. Hiring key management personnel and employees in requisite numbers is required to successfully complete the Project and start of its operations. If any of these individuals resign or become unable to continue in his or her present role and is not adequately replaced, the business operations and its ability to successfully implement the Project and business strategies could be materially affected. NCL's performance is also dependent on its ability to identify, hire and retain key technical, support, sales and other qualified personnel.

- 12. There are certain Threats and Concerns as per the SCOT analysis in the IMM Report for the Proposed project carried out for Our Company.**

Mott MacDonald Private Limited (IMM) have carried out the Technical Feasibility Study of the proposed project for High pressure Cylinders for our Company. For details of the scope of the IMM report, please refer to the chapter titled "Objects of the Issue" on page 24. There are following threats and concerns as per the SCOT analysis in the IMM report, which are as follows:

**Concerns**

- Have to build brand image in emerging markets
- Second phase of the proposed project is being funded through IPO. The actual funds mobilised would depend on the investment scenario prevailing and IPO pricing

**Threats**

- Threat of new entrants
- Threat of backward / forward integration

- 13. NCL has not tied up with Banks/Financial Institutions for the portion of proposed working capital to be funded by way of borrowings from Banks, for which margin is being raised from the IPO.**

For the year 2007-08, NCL requires Bank Borrowings for working capital of Rs. 2196.50 Lacs. Of this it has received sanction for a limit of Rs. 1000.00 Lacs from Standard Chartered Bank, The balance portion is yet to be tied up by NCL.

- 14. NCL is subject to the restrictive loan covenants of Banks in respect of the Term Loans and working capital facilities availed from them.**

NCL would be subject to usual and customary restrictive covenants in agreements that it has entered into with State Bank of India and State Bank of Hyderabad for the Term Loans and working capital facilities availed from them.

Following are the some of the restrictive covenants which are material in nature for which NCL shall require consents of the Banks for:

- Formulation of any schemes for amalgamation or reconstruction.
- Investment by way of Share Capital, lending, advanced funds or deposits shall not be done with any other concern.
- It shall not enter into any borrowing arrangement with any bank, financial institution or company or accept deposited apart from the arrangement indicated in the funds flow statement submitted to the Bank.
- Any guarantee obligation on behalf of any other company shall not be undertaken.
- It shall not create any charge, lien or encumbrances over its undertaking or any part thereof.
- No fixed assets charged to the Bank may be sold, assigned, mortgaged or disposed off.
- No transfer of the controlling interest or drastic change in the management shall be permitted.

- 15. As required under clause 49 of Listing Agreement at least one independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of a material non listed Indian subsidiary company. NCL, our 100% subsidiary, does not have any independent director of our company on its Board of Directors.**



**16. We may face severe competition for our products both from domestic and overseas manufacturers.**

We are at present operating our Fire Extinguishers Business, Fire Detection and Protection Systems, and High Pressure Cylinders business in an extremely competitive environment. We face competition from the Indian organized as well as unorganised sector in this business.

**17. Our operations could be affected in case of industrial unrest at any of the units.**

**18. There is one outstanding litigation against our Company and Directors.**

Mr. Sushilchand R. Singh, our ex-employee has filed a complaint of Unfair Labour Practices against our Company and the Directors in the Labour Court at Mumbai under Section 30(2) of Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1972 requested for ad-interim relief to the Court. The case is still pending in the Labour Court. The next hearing is to be held on 25th May 2007.

For further details of outstanding litigations against our Company, our Directors, our Promoters and our Promoter Group, please see the section titled "Outstanding Litigations and Material Developments" on page 182.

**19. Our Trade mark 'NITIE' which is registered for Fire Protection business in India, is not registered in any other country. Any misuse of our trademark abroad may cause damage to our reputation and goodwill and may also result in loss of business. Further, we have applied for registration of NITIE brand for marketing of cylinders. Failure to do so successfully may hamper marketing/selling of cylinders.**

Presently, our trademark is registered only in India for fire protection business. Any misuse of this trademark by an unscrupulous person or entity in any country to which we or our subsidiaries plan to export our products in future may cause damage to our reputation and goodwill and may also result in a loss of business opportunities. Further, if in any of these countries to which we or subsidiaries intend to export goods in future do not have effective Trademark Protection Laws it may impact our business by causing serious damage to our reputation, goodwill, and/or sales.

**20. We would be subject to liability in case of manufacturing defects in our products and/or unsatisfactory rendering of services.**

In case of contracts for fire protection and security solutions, 5% retention is allowed to few of our clients for one year by way of bank guarantee, after which the bank guarantee is released. No insurance has been obtained for contingent risks. However, a situation may arise where our Company is subjected to litigation which may give rise to potential claims to the extent of the supply value.

**21. We have issued Equity Shares in past one year before the date of filing of this Red Herring Prospectus and the price of such issuances may be lower than the Issue Price.**

Date of Allotment / Fully Paid-up	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of issue & reason for Allotment
September 28, 2006	12,50,000	10	50	Cash	Rights Issue
December 30, 2006	1,23,000	10	160	Cash	Preferential Allotment
April 6, 2007	2,19,818	10	162	Cash	Preferential Allotment
April 9, 2007	1,17,182	10	162	Cash	Preferential Allotment

**22. We have certain contingent liabilities for which we have not provided for and which may adversely affect our financial condition.**

Contingent liabilities not provided for are as follows

(Rs. in Lacs)

Particulars	31.03.06	31.03.2007
Guarantees given by the bankers of our Company in favour of our customers*	127.52	66.36
Bills discounted but not matured	57.68	Nil
Corporate guarantee on behalf of subsidiaries for credit facilities extended to them	Nil	1,048.93
	<b>185.20</b>	<b>1,115.29</b>

\* None of the customers in whose favour guarantees have been issued are related to our Company/Promoters. For details please refer to Point 18 of "Notes to Accounts" on page no.112.



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**23. There are qualifications in Auditors Report of NFPIL, which are reproduced below:**

- **Financial Year 2002-2003**

AS-2 Valuation of Inventories:

The basis adopted for Valuation of Inventories is not ascertainable due to non-maintenance of stock records by the company.

- **Financial Year 2003-2004**

AS-2 Valuation of Inventories:

The basis adopted for valuation of Inventories is based on cost or market price whichever is lower & certified / valued by the Company.

- **Financial Year 2004-2005**

AS-2 Valuation of Inventories:

The basis adopted for valuation of Inventories is based on cost or market price whichever is lower & certified / valued by the Company.

Note: As the amounts pertaining to qualifications made cannot be quantified, figures of the respective financial years have not been restated.

**24. Eurotech Corporation, a partnership firm, being a venture promoted by us is engaged in the similar line of business as ours. There could therefore be a conflict of interest with Eurotech Corporation.**

Eurotech Corporation is engaged in the business of manufacturing fire extinguishers, Modular Type Fire Protection System UL Listed range of Products, an activity in which our Company is also engaged. We are 95% Partner in Eurotech Corporation and Mr. Kunal Shah one of the promoters is holding the remaining 5%. Since both our Company and Eurotech Corporation, are engaged in similar activities, there is a conflict of interest to the extent of 5% share of Mr Kunal Shah.

**25. ECPL and NCL may face severe competition both from domestic and overseas manufacturers.**

ECPL gets the cylinders contract manufactured from China as per the required specifications and it may face competition from domestic and international manufacturers for high pressure gas cylinders. Moreover, these competitors may enter into strategic or commercial relationships with large companies on more favourable terms. Additionally, these competitors may have research and development capabilities that would allow them to develop new or improved products that may compete with ECPL's products. New technologies and the expansion of existing technologies may also increase competitive pressures on ECPL.

Similarly NCL may face competition from domestic and overseas manufacturers.

**26. As per the audited results as on March 31, 2005 Logicon Building Systems Pvt Ltd., now a wholly-owned subsidiary had incurred losses.**

We have acquired Logicon Building Systems Private Limited w.e.f. January 01, 2006 and for the period of three months ended March 31, 2006 Logicon has made a profit of Rs.5.39 Lacs. However, prior to our acquisition, Logicon had incurred loss of Rs. 13.19 Lacs, during fiscal year 2004-2005.

**27. ECPL and NCL would be subject to liability in case of manufacturing defects in cylinders and/or unsatisfactory rendering of services.**

In case of cylinders, they are contract manufactured as per the desired specifications and are subjected to inspection by a third party inspection agency approved by Chief Controller of Explosives, Government of India or the overseas buyer. However, ECPL takes product liability insurance in case of these cylinders. On commencement of production, NCL also intends to take such product liability insurance for its products.

**28. There is no activity in our Group companies. Therefore our Group companies have incurred losses in the previous years.**

Three out of the four group companies have incurred losses in past three years. However there is no business activity in the all the four group companies. The details of the three of the loss making group companies is as given below.



Rs. in lacs

Name of the Company	FY 2004	FY 2005	FY 2006
Integrated Rural Services Private Limited	-	0.789	(0.720)
Alliance Pharma - Chem Private Limited	-	1.462	(0.940)
Aanant Developers Private Limited	-	(0.440)	-

**29. We utilize various properties on a leasehold / license basis and any termination of these leases/licenses and/or non-renewal could adversely affect our operations.**

We have entered into lease agreement with various authorities or with the promoter. Any change or non renewals/ termination of lease agreement may entail relocation of our business operations. For details on the properties please refer section Property Details of Current Owned/Leased Premises page no.70.

**30. One of our promoters, Mr. Nitin M Shah alias Sanghavi has interest other than reimbursement of expense incurred or normal remuneration or benefits.**

One of the properties of our Company situated at 29, Vadhani Industrial Estate, Ghatkopar, Mumbai - 400086 has been taken on lease from one of our promoters, vide agreement dated 18th November 2006, for a lease rent of Rs. 40,000/- per month. As per letter dated 20th March 2007 from Swift Industrial Consultants, the lease rent paid is commensurate with the prevailing market rate. Mr. Nitin M Shah alias Sanghavi is deemed to be interested to the extent of the lease rent receivable from our company.

**31. NCL may not be able to meet its export obligations as per the SEZ policy**

NCL's proposed facility is being implemented as a unit in Visakhapatnam SEZ. The SEZ Rules 2006 requires that a Unit situated in a SEZ should achieve positive net foreign exchange earning at the end of five years from the date of commercial production. Positive net foreign exchange earnings are achieved if the foreign exchange inflows of the Unit are greater than its foreign exchange outflow calculated as per the rules prescribed in the SEZ Act, thereafter the Unit will need to be a positive net foreign exchange earner at the end of every subsequent five year period. If it is determined that the Unit has not achieved positive net foreign exchange earning, the Unit will be liable for penal action under Foreign Trade (Development and Regulation) Act, 1992.

**32. There has been a negative cash flow in the operating activity of Rs. 148.68 Lacs for the year ended on 31st March 2006.**

**33. There is no tested installed capacity in Nitin Cylinders Limited**

Nitin Cylinders Limited does not have any installed capacity as on date, since the proposed plant is yet to be set up. However, NCL intends to set up manufacturing capacity of 5,00,000 cylinders per annum.

**34. Our Company has applied for renewal of two Licenses which are pending for receipt**

Sr. No	License	Authority to whom application has been made	Date of Application for Renewal	Place of Business
1.	License to Store Compressed Gas in the Cylinder License	Chief Controller Of Explosives	Applied for the renewal vide letter dated January 04, 2007	D-20-4, TTC Industrial Area, Turbhe
2.	License to fill compressed gas in cylinders License.	Chief Controller Of Explosives	Applied for the renewal vide letter dated January 04, 2007	D-20-4, TTC Industrial Area, Turbhe

**35. Our proposed investment in the crude oil block in Rajasthan State may impact our cashflows and consequently affect our mainstay of operations**

In March 2007, under NELP VI of Government of India, our Company along with Gujarat State Petroleum Corporation Limited (GSPC), Gail (India) Limited (GAIL), Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL), Hallworthy Shipping Limited SA, (HALLWORTHY) and Silverware Energy Pte. Ltd (SILVERWARE) entered into a Production Sharing Contract with Government of India for the exploration and prospecting of crude oil block in Rajasthan State bearing No. RJ-ONN-2004/1 admeasuring a contract area of 4613 sq km, in which our participating interest is 10%. The cost of operating the oil block is estimated at about USD 30.67 million out of which our share works out to USD 3.07 million. This may have an impact on our cash flows and restrict our ability to meet the investment needs of the main business operations of our Company.





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## External Risk Factors

### 1. Adverse movements in foreign exchange rates may affect our operations and financial condition.

As a part of our business activity, we are exposed to foreign exchange risks. Adverse movements in foreign exchange rates may impact our business. NCL proposed to import and export in dollar currency hence there is a natural hedge. Imports by NFPIIL, ALERT, LOGICON and ECPL, are in dollar currency and to the extent of our inability to hedge, any adverse movement in foreign exchange rates will affect our performance and profitability.

### 2. ECPL may face decline in demand for industrial cylinders in case of slow down in off take from industrial users

Certain large industries require huge quantities of industrial gas for their manufacturing process. Such gases are transported from the gas manufacturing plants to the user's site through cylinders and such companies make considerable investments in purchase and transportation of cylinders. Any slow down in industrial growth will affect the growth of ECPL, one of our wholly owned subsidiary.

### 3. An investor may face volatility in prices or may be affected by an inactive market for the Equity Shares.

After this Issue, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop. The prices of our Equity Shares on the Stock Exchanges may fluctuate as a result of several factors, including:

- Volatility in the Indian and global securities market;
- Our results of operations and performance, in terms of market share;
- Performance of the Indian economy;
- Changes in Government policies;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Perceptions about our future performance or the performance of our industry segments;
- Performance of the Company's competitors and market perception of investments in the industry segments that we currently operate in;
- Adverse media reports on Our Company or our industry segments;
- Changes in the applicable tax incentives;
- Significant developments in India's economic liberalization and deregulation policies; and
- Significant developments in India's fiscal and environmental regulations.

### 4. The project coming up at VSEZ, in Andhra Pradesh is on the shore of Bay of Bengal, which is prone to natural disasters and may cause serious disruption to its production and financial loss.

Visakhapatnam and the towns nearer to it are prone to natural disasters like cyclones which in their wake could cause serious destruction to property and life. NCL shall be ensuring suitable insurance cover for risks in future. However, despite such measures any natural calamity of such magnitude may cause serious disruption/damage to NCL's business entailing financial losses.

### 5. Any further issuance of Equity Shares by our Company or sales of Equity Shares by any significant shareholders may adversely affect the trading price of the Equity Shares.

Any future issuance of our Equity Shares by our Company could dilute shareholding of the investors. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

### 6. The Issue price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue.

The Issue Price of our Equity Shares will be determined by the Book Building Process. This price will be based on numerous factors (discussed in the section 'Basis of Issue Price' on page 40 and may not be indicative of the market price of our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to resell your Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:





- a) Quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- b) Changes in revenue or earnings estimates or publication of research reports by analysts;
- c) Speculation in the press or investment community;
- d) General market conditions; and
- e) Domestic and international economic, legal and regulatory factors unrelated to our performance.

#### Notes to Risk Factors

1. The net worth of our Company as per Audited Financial Accounts on standalone basis as on March 31, 2006 is Rs. 1,124.35 Lacs and as on March 31, 2007 is Rs.2,276.88 lacs
2. The average cost of acquisition of Equity Shares of the Promoters is as follows:

Name of the Promoter	Average Cost of Acquisition (in Rs.)
Nitin M. Shah alias Sanghavi	14.25
Rahul N. Shah alias Sanghavi	14.10
Kunal N. Shah alias Sanghavi	14.69

3. The book value per share on standalone basis as on March 31, 2006 is Rs. 14.99 and as on March 31, 2007 is Rs. 23.65.
4. Other than as disclosed either in sections herein which pertain to related party transactions or otherwise, the promoters / directors / key management personnel of our Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits arising out of the shareholding in our Company or out of any business relation with any of the ventures in which they are interested. For interests of Promoters and Directors, please refer page 94 of the Red Herring Prospectus.
5. For details of loans and advances, transactions between the group companies and any other related parties, please refer to the “Statement of Related Party Transactions” on page 117.
6. Investors are advised to refer to the paragraph on “Basis for Issue Price” on page 40 before making any investment in this Issue.
7. Investors may note that in case of oversubscription, allotment to QIBs, Retail Investors, Non Institutional Investors, and employees shall be on proportionate basis and will be finalized in consultation with the Designated Stock Exchange. If the Issue is oversubscribed, the Designated Stock Exchange along with the Book Running Lead Managers and Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.
8. The Issue size consists of 33,90,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. [●] per share aggregating to Rs. [●] Lacs with a reservation of 1,50,000 Equity shares for eligible employees.
9. The Issue is being made through the 100% Book Building Process wherein atleast 50% of the Net offer to the public shall be available for allocation to Qualified Institutional Buyers (QIB's) on a proportionate basis (out of which 5% shall be allocated proportionately to mutual funds. Mutual fund applicants shall also be eligible for proportionate allocation under the balance available for Qualified Institutional Buyers). Further, not less than 15% of the Net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net offer to the public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price.
10. The Promoter Group / Directors of our Company have not purchased and / or sold / financed any shares of our Company during the past six months other than further allotments as disclosed in the notes to the Capital Structure on page 14.
11. The investors may contact the BRLMs or the Compliance Officer for any complaint / clarification / information pertaining to the Issue, who will be obliged to attend to the same.
12. All information shall be made available by our Company and the BRLMs 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.
13. Trading in equity shares of our Company for all the Investors shall be in Dematerialized form only.
14. For details of transactions between the related parties, please refer to the “Statement of Related Party Transactions” on page 117.
15. The Draft Red Herring Prospectus contained a provision of 5,50,000 equity shares for pre-ipo placement, however our Company has allotted 4,60,000 equity shares as a part of this pre-ipo placement. For details of the same please refer to the chapter titled “Capital Structure” on page 14.



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## SECTION III: INTRODUCTION

### SUMMARY

You are requested to read the following summary along with the Risk Factors included from page numbers xii to xix and the more detailed information about us and our financial statements included in this Red Herring Prospectus.

#### Industry Overview

##### (i) Overview of Fire Protection, Safety and Security

###### Fire Protection

Over the years, Fire Extinguishers have evolved need-based. Types of Fire Extinguishers range from Water, CO<sub>2</sub>, Fire Extinguishers for dealing with Class A fires, Foam Extinguishers for Class B fires, Dry Chemical Powder Extinguishers for Class B and Class C fires and Extinguishers using Clean Agent for Class D and Class E fires.

Fire suppression systems can be broadly classified into two groups - Water-based Systems and Gas based systems. There are a number of Companies engaged in the business of fire protection and security solutions some of whom manufacture the back-end products like extinguishers, cylinders etc and some outsource the critical of these components from the manufacturers. A number of players are small-time.

Fire Protection also includes conventional and intelligent Fire Alarm detection system which includes Smoke detectors, control panel, manual call point, and alarms.

Source : Company

###### Safety and Security Equipment

The Security Systems industry is generally classified into the following categories:

- Surveillance systems
- Access control devices
- Physical equipment

The Indian protection market today is estimated close to US \$18.7 crores. It is expected to grow approximately by about 25%. Though an important sector there are no major industry associations for this sector. This sector is still largely unorganized and the only visible apparatus of the industry is the security guard that is almost a regular routine in all walks of the Indian life. Though electronic gadgets and other hi-tech security equipment are extensively used very few security systems integrators are there in the market, providing holistic solutions to the varied security and safety related issues.

Source : Safety and Security Equipment in India Report, [www.internationalbusinessstrategies.com](http://www.internationalbusinessstrategies.com)

###### Overview of the High Pressure Seamless Cylinders & Re-fueling systems

Broadly, cylinders can be split into two basic categories. The first is the low-pressure cylinders, usually welded and mainly used in the transportation and distribution of LPG and similar gases, which liquefy at low pressure. The other category is the high-pressure gas cylinders, usually formed in one piece (seamless) and used for the distribution and dispensing of compressed gases.

With increase in the use of gases and gas-mixtures the demand for cylinders has grown. Simultaneously, the gas cylinder industry also improvised on gas storage solutions by developing storage cylinders with advanced steel materials such as Manganese steel and Chrome-moly etc. Presently, high-pressure gas cylinders are used for storage of variety of industrial, automotive and medical gases, a few illustrations of which are as under:

- Storage of Industrial gases for various applications like welding, beverage industry, scuba diving etc.;
- Storage of medical gases such as: Oxygen, Nitrous Oxide, etc.;
- Storing Carbon-Dioxide and other gases for fire fighting;
- As storage Cylinders in CNG Vehicles; and
- Storage of gases / gas mixtures for defense and space applications.

In many countries, which are concerned with air quality and environmental and health reasons, have formulated statutory provisions and statutory benefits for using CNG as fuel in automotive vehicles. This is creating a major demand for CNG cylinders in many countries including India. Source : Company

For additional information on the above mentioned industries please refer to Industry Overview on page no.47.

## Business Overview

Our business is broadly focused in two areas (i) Fire Protection, Safety and Security, including Intelligent Building management systems and (ii) High Pressure Seamless Cylinders and Refuelling Systems.

**Fire Protection, Safety and Security including Intelligent Building Management Systems:** We are an end-to-end solutions provider for fire protection, safety and security, with capabilities in manufacturing, designing, engineering, commissioning and maintenance. Our specific areas of operation are: Fire Protection (gas and water based), Fire Detection and Alarm, Building Automation and Security. The business is being done in three companies and one partnership concern: Nitin Fire Protection Industries Limited, Alert-Fire Protection Systems Private Limited, Logicon Building Systems Private Limited and Eurotech Corporation. NITIE is our established brand within the fire protection business.

**High Pressure Seamless Cylinders & Re-fueling systems:** Our Subsidiary company, Eurotech Cylinders Private Limited, is an established player in the domestic market for high pressure seamless cylinders for which the demand from industrial and CNG applications is growing. ECPL gets these cylinders contract manufactured as per its specifications. Presently, in the domestic market these cylinders are sold under the brand EURO.

We also make CNG cascades which are used for transportation of CNG gases to CNG stations.

We have also incorporated Nitin Cylinders Limited, a wholly owned subsidiary, for setting up manufacturing unit of High Pressure Seamless Cylinders at VSEZ, primarily for the purpose of exports.

To further benefit from the evolving market for CNG applications, Nitin Cylinders Limited also intends to make and sell Fuel dispensers for which it has entered into a Memorandum of Understanding for the technology transfer with Kraus Global Inc., Canada and for the supply of Kraus Global Inc.'s proprietary products in India, Bangladesh and UAE.

The group structure activity-wise is as given below

	Entity	Relationship with the Issuer	Activity	Business activity
	Nitin Fire Protection Industries Limited	Self	Fire Protection, Cascades.,	We make fire-fighting equipment (gas based and water based fire extinguishers) under the brand name "NITIE", and also provide turnkey solutions including procurement, designing, system integration, commissioning, and installation of safety and security solutions. We are also in the business of manufacturing CNG Cascades.
(a)	Alert-Fire Protection Systems Private Limited	Wholly owned subsidiary	Fire and Smoke Detection	Alert exclusively distributes in India, fire detection products from U.K. based Apollo Fire Detectors, optical beam smoke detectors from Fire Fighting Enterprise U.K., both Halma Group Companies (listed on London Stock Exchange). Alert also provides customized fire detection products and technical support.
(b)	Eurotech Corporation (Partnership Concern)	95% partner	Fire Extinguishers	It is in the business of manufacturing of fire extinguishers. The unit is located in Parwanoo, Himachal Pradesh, to avail of tax benefits.
(c)	Logicon Building Systems Private Limited	Wholly owned subsidiary	Building Automation	Logicon undertakes turnkey contracts for intelligent building management systems, clean agent and fire detection alarm system and water based hydrant systems, CCTV and Security systems. Its activities include designing, integration, installation of these systems and also maintenance services.
(d)	Eurotech Cylinders Private Limited	Wholly owned subsidiary	Industrial & CNG Cylinders - Domestic market	ECPL sells High Pressure Seamless Cylinders for Industrial and CNG use in the domestic market. These Cylinders are contract manufactured in China and sold under the brand name EURO.
(e)	Nitin Cylinders Limited	Wholly owned subsidiary	Manufacture and export of Industrial & CNG Cylinders, Fuel Dispenser	Nitin Cylinders Limited has been set up to undertake manufacturing of High Pressure seamless cylinders to cater to the demand from export market and utilize the benefits available to SEZ units. NCL also intends to make and sell Fuel Dispensers.



## THE ISSUE

<b>Equity Shares offered:</b>	
Through Fresh Issue of Equity Shares	33,90,000 Equity shares of face value of Rs. 10 each
<b>Of which:</b>	
Reservation for our eligible employees	1,50,000 Equity Shares of face value of Rs. 10 each <b>(Allocation on a proportionate basis)</b>
Net Offer to the Public	32,40,000 Equity Shares of face value of Rs. 10 each (*)
<b>Of which:</b>	
1) Qualified Institutional Buyers portion (QIBs) <i>of which:</i>	Atleast 16,20,000 Equity Shares of face value of Rs. 10 each <b>(Allocation on a proportionate basis)</b>
i) Available for allocation to Mutual Funds	Not more than 81,000 Equity Shares of face value of Rs. 10 each <b>(Allocation on a proportionate basis)</b>
ii) Balance for all QIBs including Mutual Funds	Atleast 15,39,000 Equity Shares of face value of Rs. 10 each <b>(Allocation on a proportionate basis)</b>
2) Non-Institutional portion	Not less than 4,86,000 Equity Shares of face value of Rs. 10 each <b>(Allocation on a proportionate basis)</b>
3) Retail portion	Not less than 11,34,000 Equity Shares of face value of Rs. 10 each <b>(Allocation on a proportionate basis)</b>
Equity Shares outstanding prior to the issue	92,10,000 Equity Shares of face value of Rs. 10 each
Equity Shares outstanding after the issue	1,26,00,000 Equity Shares of face value of Rs. 10 each
Use of proceeds	Please see section entitled “Objects of the Issue” on Page 24 of this Red Herring Prospectus for additional information.

Under-subscription, if any, in any of the categories other than the QIB category would be met with the spill over from any other category at the sole discretion of our Company in consultation with the BRLMs. If atleast 50% of the Net Issue is not subscribed to by the QIBs the application monies shall be refunded forthwith. Under-subscription, if any, in the reservation category shall be added back to the net offer to the public portion.

## SUMMARY FINANCIAL, OPERATING AND OTHER DATA

### A. Summary of unconsolidated Financial Data under Indian GAAP

The following table sets forth the selected historical unconsolidated financial information of Nitin Fire Protection Industries Limited derived from its restated and audited financial statements as of March 31, 2003, 2004, 2005, 2006 and 2007, all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines and restated as described in the Auditors' Report of Messrs. Tolia & Associates, Chartered Accountants, Mumbai dated 5th April 2007, included in the Section titled "Financial Information".

#### Summary Statement of Unconsolidated Assets and Liabilities as restated:

(Rs. In Lacs)

	As at	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
<b>A)</b>	<b>Fixed Assets</b>					
	Gross Block	568.87	632.83	652.90	717.22	768.57
	Less: Depreciation/Amortisation	151.49	193.62	243.80	307.70	377.40
	Net Block	417.38	439.21	409.10	409.52	391.17
	Less: Revaluation Reserve	234.36	204.14	178.10	155.65	136.31
	<b>Net Block after adjustment for Revaluation Reserve</b>	<b>183.02</b>	<b>235.07</b>	<b>231.00</b>	<b>253.87</b>	<b>254.86</b>
<b>B)</b>	<b>Investments</b>	<b>0.23</b>	<b>0.23</b>	<b>0.23</b>	<b>105.73</b>	<b>1,454.60</b>
<b>C)</b>	<b>Current Asset, Loans &amp; Advances</b>					
	Current Assets:					
	Inventories	241.28	35.91	127.60	281.45	296.38
	Sundry Debtors	321.71	253.62	652.19	1,052.26	1,161.92
	Cash & Bank Balances	102.89	56.96	40.74	51.32	144.06
	Loans & Advances	146.05	241.33	278.08	132.26	315.73
	Other Current Assets	0.00	0.00	5.28	1.22	2.80
		<b>811.93</b>	<b>587.82</b>	<b>1,103.89</b>	<b>1,518.51</b>	<b>1,920.89</b>
<b>D)</b>	<b>Liabilities &amp; Provisions</b>					
	Secured Loans	0.00	0.00	0.00	0.00	6.94
	Unsecured Loans	0.00	0.00	7.00	0.00	100.00
	Current Liabilities	336.41	148.28	545.74	625.34	964.91
	Provisions	163.12	124.32	175.25	118.90	270.09
	Deferred Tax Liability	(0.04)	5.28	9.74	9.53	11.53
		<b>499.49</b>	<b>277.88</b>	<b>737.73</b>	<b>753.77</b>	<b>1,353.47</b>
<b>E)</b>	<b>Net Worth, as restated (A+B+C-D)</b>	<b>495.69</b>	<b>545.24</b>	<b>597.39</b>	<b>1,124.35</b>	<b>2,276.88</b>
<b>F)</b>	<b>Represented by</b>					
	Share Capital	350.00	350.00	350.00	750.00	887.30
	Share Application Money	-	-	-	-	178.51
	Reserves & Surplus	380.05	399.38	425.49	540.39	1,431.24
	Less: Revaluation Reserve	234.36	204.14	178.10	155.65	136.31
	Reserves (Net of Revaluation Reserves)	145.69	195.24	247.39	384.74	1,294.93
	Less: Miscellaneous Expenditure (to the extent not written off)	0.00	0.00	0.00	10.39	83.86
	Equity Share Issue Expenses					
	<b>Net Worth, as restated</b>	<b>495.69</b>	<b>545.24</b>	<b>597.39</b>	<b>1,124.35</b>	<b>2,276.88</b>


**Summary statement of unconsolidated Profits & Losses as restated:**

(Rs. In Lacs)

	For the year ended 31.03.03	For the year ended 31.03.04	For the year ended 31.03.05	For the year ended 31.03.06	For the year ended 31.03.07
<b>Income</b>					
Sales					
Of products manufactured by the Company	27.59	31.66	75.12	82.53	79.26
Of turnkey contracts executed by the Company	3,222.40	1,872.09	1,932.16	2,694.45	2,704.96
<b>Total Sales</b>	<b>3,249.99</b>	<b>1,903.75</b>	<b>2,007.28</b>	<b>2,776.98</b>	<b>2784.22</b>
Other Income	8.22	7.32	4.31	9.21	34.26
Increase/(decrease) in Inventories	88.24	(199.63)	92.40	(10.71)	14.93
<b>Total Income</b>	<b>3,346.45</b>	<b>1,711.44</b>	<b>2,103.99</b>	<b>2,775.47</b>	<b>2,833.41</b>
<b>Expenditure</b>					
Materials, components and & spare parts	2,684.01	1,106.03	1,429.32	1,924.53	1,643.65
Staff Costs	87.67	85.64	91.11	131.66	165.82
Other manufacturing expenses	2.21	1.55	1.66	1.72	1.98
Administrative& other expenses	196.07	219.69	199.78	197.46	324.43
Selling& distribution expenses	243.56	176.99	224.79	156.58	183.29
<b>Total Expenditure</b>	<b>3,213.51</b>	<b>1,589.90</b>	<b>1,946.66</b>	<b>2,411.95</b>	<b>2,319.18</b>
<b>Profit before Depreciation, Interest and Tax</b>	<b>132.94</b>	<b>121.54</b>	<b>157.33</b>	<b>363.52</b>	<b>514.23</b>
Depreciation (Net of transfer from Revaluation Reserve)/ Amortisation	27.52	27.70	29.13	41.54	64.95
<b>Profit before Interest and Tax</b>	<b>105.42</b>	<b>93.84</b>	<b>128.20</b>	<b>321.98</b>	<b>449.28</b>
Interest and Finance Charges	-	-	0.87	3.08	0.54
<b>Net Profit before Tax</b>	<b>105.42</b>	<b>93.84</b>	<b>127.33</b>	<b>318.90</b>	<b>448.74</b>
Less: Taxation	42.31	40.32	49.46	118.68	153.19
Net Profit after Taxation before adjustments	63.11	53.52	77.87	200.22	295.55
<b>Adjustments for</b>					
Excess / (Short) provision for tax	1.66	(3.13)	(1.08)	-	-
<b>Net Profit as restated</b>	<b>64.77</b>	<b>50.39</b>	<b>76.79</b>	<b>200.22</b>	<b>295.55</b>
Add: Balance brought Forward as restated	132.75	113.42	138.81	147.83	269.34
<b>Balance available for appropriation</b>	<b>197.51</b>	<b>163.81</b>	<b>215.60</b>	<b>348.05</b>	<b>564.88</b>
Less: Appropriations					
Interim Dividend	-	-	17.50	54.12	61.25
Tax on Interim Dividend	-	-	2.29	7.59	8.59
Final Dividend	52.50	-	7.00	-	-
Tax on Final Dividend	6.60	-	0.98	-	-
Transferred to General Reserve	25.00	25.00	40.00	17.00	26.25
	<b>84.10</b>	<b>25.00</b>	<b>67.77</b>	<b>78.71</b>	<b>96.09</b>
<b>Balance carried forward as restated</b>	<b>113.42</b>	<b>138.81</b>	<b>147.83</b>	<b>269.34</b>	<b>468.79</b>



## B. Summary of consolidated Financial Data under Indian GAAP:

The following table sets forth selected historical consolidated financial information of Nitin Fire Protection Industries Limited derived from consolidated financial statement as on 31st March 2006 and 31st March 2007 prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and as described in the auditors' report of Messrs. Tolia & Associates, Chartered Accountants, Mumbai dated 5th April 2007, included in the section titled "Financial Statements" of this Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

### Statement of Consolidated Assets and Liabilities:

(Rs. In Lacs)

		As at 31.03.06	As at 31.03.07
<b>A)</b>	<b>Fixed Assets</b>		
	Gross Block	910.13	1,103.43
	Less: Depreciation/Amortisation	348.51	478.42
	Net Block	561.62	625.01
	Less: Revaluation Reserve	155.65	136.31
	Add: Capital Work in Progress -at cost (including capital advances)	-	2,972.82
	Pre-Operative Expenses	-	127.68
	<b>Net Block after adjustment for Revaluation Reserve</b>	<b>405.97</b>	<b>3,589.20</b>
<b>B)</b>	<b>Investments</b>	0.28	0.28
<b>C)</b>	<b>Current Asset, Loans &amp; Advances</b>		
	Current Assets:		
	Inventories	714.20	809.01
	Sundry Debtors	1,765.96	2,652.02
	Cash & Bank Balances	134.19	608.34
	Loans & Advances	316.36	1,383.53
	Other Current Assets	1.26	5.94
		<b>2,931.97</b>	<b>5,458.84</b>
<b>D)</b>	<b>Current Liabilities &amp; Provisions</b>		
	Secured Loans	8.30	1,058.60
	Unsecured Loans	270.00	120.00
	Current Liabilities & Provisions	1,484.15	4,426.03
	Deferred Tax Liability	11.51	22.93
	Minority Interest	- -	2.76
		<b>1,773.96</b>	<b>5,630.32</b>
<b>E)</b>	<b>Net Worth (A+B+C-D)</b>	<b>1,564.26</b>	<b>3,418.00</b>
<b>F)</b>	<b>Represented by:</b>		
	Share Capital	750.00	887.30
	Share Application Money	-	178.52
	Reserves & Surplus	981.76	2,575.69
	Less: Revaluation Reserve	155.65	136.31
	Reserves (Net of Revaluation Reserves)	826.11	2,439.38
	Less: Miscellaneous Expenditure (to the extent not written off or adjusted)	11.85	87.20
	<b>Net Worth</b>	<b>1,564.26</b>	<b>3,418.00</b>


**Statement of Consolidated Profits and Losses:**

(Rs. In Lacs)

	<b>For the year ended 31.03.06</b>	<b>For the year ended 31.03.07</b>
<b>Income</b>		
Sales	6,842.43	10,054.17
Other Income	9.5	21.30
Increase in Inventories	408.68	95.66
<b>Total Income</b>	<b>7,260.61</b>	<b>10,171.13</b>
<b>Expenditure</b>		
Materials, Purchases, Stores & Spares	5,317.93	7,114.66
Staff Costs	226.32	372.66
Other Manufacturing Expenses	20.33	15.10
Administrative & Other Expenses	333.88	567.74
Selling & Distribution Expenses	221.96	380.06
Interest and Finance Charges	41.23	31.10
Depreciation /Amortisation (net of transfer from Revaluation Reserve)	46.12	104.81
Amortisation of Preliminary Expenses	2.9	22.51
Goodwill Amortised	20.35	20.35
<b>Total Expenditure</b>	<b>6,231.02</b>	<b>8,628.99</b>
<b>Net Profit before Tax</b>	<b>1,029.59</b>	<b>1,542.14</b>
Less: Minority Interest in Income	- -	0.88
<b>Net Profit before Tax (after share of minority interest in income)</b>	<b>1,029.59</b>	<b>1,541.26</b>
Taxation	376.96	542.63
<b>Net Profit after Taxation, as restated</b>	<b>652.63</b>	<b>998.63</b>
Add: Balance brought forward, as restated	136.29	710.21
<b>Balance available for Appropriation</b>	<b>788.92</b>	<b>1,708.84</b>
Less: Appropriations		
Transferred to General Reserve	17	26.25
Interim Dividend	54.12	61.25
Tax on Interim Dividend	7.59	8.59
	<b>78.71</b>	<b>96.09</b>
<b>Balance carried forward, as restated</b>	<b>710.21</b>	<b>1,612.75</b>



## GENERAL INFORMATION

### Nitin Fire Protection Industries Limited

#### Registered Office of our Company

501, Delta, Technology Street,  
Hiranandani Gardens, Powai,  
Mumbai - 400076.  
INDIA

#### Registration Number

11-92323

#### CIN Number

U29193MH1995PTC092323

#### Name and Address of Registrar of Companies

Registrar of Companies, Maharashtra  
100, Everest,  
Marine Lines,  
Mumbai - 400 002.  
INDIA

#### Board of Directors

The Board of Directors of our Company:

Name of the Director	Designation
Nitin M. Shah alias Sanghavi	Chairman and Managing Director
Rahul N. Shah alias Sanghavi	Executive Director
Gopal Krishna Shahi	Executive Director
Mukund R. Sheth	Independent Director
Krishna Kant Jha	Independent Director
Dr. Surendra A. Dave	Independent Director

#### Brief Details of Chairman & Managing Director, Executive Directors

For details of our Chairman & Managing Director, Executive Directors please refer to chapter titled “Promoter’s and their Background” and “Our Management” on page 99 and page 87.

Company Secretary and Compliance Officer	Legal Advisors to the Issue
<b>Mr. Abhishek Shrivastava</b> Nitin Fire Protection Industries Limited 501, Delta, Technology Street, Hiranandani Gardens, Powai, Mumbai - 400076 Telephone no:022-40457000 Fax no:022-25701110 Email: ipo@nitinfire.com	<b>Kanga and Company</b> Advocates and Solicitors Readymoney Mansion, 43, Veer Nariman Road, Fort, Mumbai - 400 001 Telephone no:022-66332288 Fax no:022-66339656 Email: kalpana.merchant@kangacompany.com
<b>Banker to Our company</b>	
<b>Andhra Bank</b> 8-A Damodar Park, LBS Marg, Ghatkopar west, Mumbai - 400 086 Tel: 022-25001450 / 25003951 Fax: 022-25000346 E-mail: bmmum238@andhrabank.co.in	



### Book Running Lead Managers To The Issue

<b>KARVY INVESTOR SERVICES LIMITED</b> “Karvy House”, 46 Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034 Tel: 91 40 23320251 / 23374714 Fax: 91 40 23374714 e-mail: mbd@karvy.com Website: www.karvy.com Contact Person: Mr. T. R. Prashanth Kumar	<b>UTI SECURITIES LIMITED</b> (Subsidiary of Securities Trading Corporation of India Ltd.) Dheeraj Arma, 1st Floor, Anant Kanekar Marg, Bandra (East), Mumbai - 400 051 Tel: 91 22 6751 5828/ 815 Fax : 91 22 67023194 Email: nfpilipo@utisel.com Website: www.utisel.com Contact Person: Mr. Sumeet Lath/ Ms.Sujaya Shetty
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### Bankers to the Issue/ Escrow Collection Banks

<b>ICICI Bank Limited</b> Capital Markets Division 30, Mumbai Samachar Marg, Mumabi -400 001 Tel : 022-22627600 Fax :022-22611138 Contact Person: Mr Sidhartha Sankar Routray Email : sidhartha routray@icicibank.com Website : www.icicibank.com	<b>Standard Chartered Bank</b> 270 D.N.Road, Fort, Mumbai -400 001 Tel :022-2268 3965/22092213 Fax :022-2209 6069 Contact Person :Mr. Banhid Bhattacharya Email :banhid.bhattacharya@in.standardchartered.com website : www.standardchartered.co.in	<b>Deutsche Bank AG</b> Kodak House, 222, Dr D N Road Fort, Mumbai - 400 001 Tel :022-56584045 Fax : 022-2207 6553 Contact Person:Mr. Shyamal Malhotra Email:shyamal.malhotra@db.com Website:www.db.com
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### Syndicate Members

<b>KARVY STOCK BROKING LIMITED</b> “Karvy House”, 46 Avenue 4 Street No.1, Banjara Hills, Hyderabad - 500 034 Andhra Pradesh, India Tel : 91 40 23320751/23312454 Fax : 91 40 66621474 Contact Person: Mr. K.Sridhar Email : sridhark@karvy.com Website : www.karvy.com	<b>BIGSHARE SERVICES PVT LTD</b> E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri East, MUMBAI 400 072. Tel: +91 - 22 - 2847 3747/ 3474 Fax: +91 - 22 - 2847 5207 Email: bigshare@bom7.vsnl.net.in SEBI Regn No. INR000001385 Contact person: Mr N.V.K Mohan
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### Auditors of our Company

<b>Tolia &amp; Associates</b> Chartered Accountants B/7, Madhu Parag, 69, Swastik Society, Road No. 4, JVPD Scheme, Vile Parle (W), Mumbai 56. Tel.: 022-56004034 E-mail : kptolia@vsnl.com
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**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 CANs, credit of allotted shares in the respective beneficiary accounts, refund orders etc.**

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

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

No.	Activity	Responsibility	Coordination
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	KARVY, UTISEL	KARVY
2.	Conducting a due diligence of the Company's operations / management / business plans / legal, etc. Drafting and designing the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus. Ensuring compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.	KARVY, UTISEL	KARVY
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.	KARVY, UTISEL	KARVY
4.	Primary coordination of drafting/proofing of bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.	KARVY, UTISEL	KARVY
5.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.	KARVY, UTISEL	KARVY
6.	Appointing the Registrars, Appointing Bankers to the Issue, Appointing other intermediaries viz. printers and advertising agency	KARVY, UTISEL	KARVY
7.	Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"> <li>• Formulating marketing strategies, preparation of publicity budget,</li> <li>• Finalizing media &amp; public relations strategy,</li> <li>• Finalizing centers for holding conferences for press and brokers etc.</li> <li>• Finalizing collection centers,</li> <li>• Following-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material,</li> <li>• Preparing all road show presentations,</li> <li>• Appointment of brokers to the issue and,</li> <li>• Appointment of underwriters and entering into underwriting agreement.</li> </ul>	KARVY, UTISEL	KARVY
8.	Coordinating institutional investor meetings, coordinating pricing decisions and institutional allocation in consultation with the Company.	KARVY, UTISEL	UTISEL
9.	Managing the Book, Co-ordination with the Stock Exchanges, Finalizing of Pricing & Allocation	KARVY, UTISEL	KARVY
10.	Finalizing the Prospectus and RoC filing	KARVY, UTISEL	KARVY
11.	Co-ordinating post bidding activities including management of escrow accounts, coordinating Non-Institutional allocation, intimating allocation and despatch of refunds to Bidders, etc.	UTISEL	UTISEL
12.	Follow - up with the bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.	UTISEL	UTISEL
13.	The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing basis of allotment / weeding out of multiple applications, the listing of instruments and dispatch of certificates and dematerialized delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.	UTISEL	UTISEL



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## **CREDIT RATING**

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

## **TRUSTEES**

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

## **MONITORING AGENCY**

We have not appointed a monitoring agency to monitor the utilization of Issue Proceeds. However, we have constituted an Audit Committee which will monitor the utilization of Issue Proceeds.

## **APPRAISAL OF THE PROJECT**

The Project is not appraised by any bank or financial institution or Merchant Banker. However Mott MacDonald Private Limited (IMM) has prepared a High Pressure Cylinders Feasibility study for the Project. IMM is not an accredited institution. Technical Appraisal by IMM has been used as a basis for this document wherever required. IMM vide their letters dated November 21, 2006 has given its consent for inclusion of their name as Technical appraising agency and for their feasibility report being used in this document.

### **Address:**

Mott MacDonald Private Limited  
44, Dr. R. G. Thadani Marg,  
Worli,  
Mumbai - 400 018  
India  
Telephone: (022) 24934821

## **IPO GRADING**

We have not opted for the grading of this Issue from a credit rating agency.

### **Book Building Process**

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

1. Our Company;
2. Book Running Lead Managers, in this case being Karvy Investor Services Ltd and UTI Securities Ltd.
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLMs;
4. Escrow Collection Bank(s); and
5. Registrar to the Issue, in this case being Bigshare Services Pvt. Ltd.

The SEBI Guidelines permit an issue of securities to the public through the 100% Book Building Process, under Clause 2.2.2 wherein atleast 50% of the Net offer to the public shall be available for allocation to Qualified Institutional Buyers (QIB's) on a proportionate basis (out of which 5% shall be allocated proportionately to mutual funds. Mutual fund applicants shall also be eligible for proportionate allocation under the balance available for Qualified Institutional Buyers), failing which the full subscription monies shall be refunded. Further, not less than 15% of the Net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net offer to the public shall be available for allocation on a proportionate basis to Retail Bidders subject to valid Bids being received at or above the Issue Price. We will comply with the SEBI Guidelines for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and to procure subscriptions to the Issue.

In accordance with SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. In addition, as per the recent amendments to the SEBI Guidelines, QIBs are required to pay 10% Margin Amount upon submission of the Bid cum Application Form during the Bidding Period and allocation to QIBs will be on a proportionate basis. For further details see section titled "Issue Structure" on page 195.



Illustration of Book Building and Price Discovery Process (Investors should note that the following is solely for the purpose of illustration and is not specific to the present issue)

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

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative Equity Shares bid for	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

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

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see section entitled “Issue Procedure - Who Can Bid” on page 201);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see section entitled “Issue Procedure - ‘PAN’ Number” on page 215);
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form; and
5. The Bidder should ensure the correctness of his or her Demographic Details (as defined in the section “Issue Procedure- Bidder’s Depository Account Details” on page 211) given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant so as to ensure receipt of allotment advice/refund orders with correct details at his/her present address.

#### Withdrawal of the Issue

Our Company, in consultation with the BRLMs reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefore.

#### Bidding period/Issue period

<b>BID/ISSUE OPENS ON</b>	<b>TUESDAY, MAY 15, 2007</b>
<b>BID/ISSUE CLOSES ON</b>	<b>FRIDAY, MAY 18, 2007</b>

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

Investors please note that as per letter no. List/smd/sm/2006 dated July 03, 2006 and letter no. NSE/IPO/25101-6 dated July 06, 2006 issued by BSE and NSE respectively, Bids and any revision in Bids shall not be accepted on Saturdays and Holidays as declared by the exchanges.

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



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

### Underwriting Agreement

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in Lacs)
Karvy Investor Services Limited "Karvy House", 46, Avenue 4, Street No.1 Banjara Hills, Hyderabad - 500 034 Tel: 91 40 23320251/23374714 Fax: 91 40 23374714 e-mail: mbd@karvy.com Website: www.karvy.com Contact Person: Mr. T.R. Prashanth Kumar	[●]	[●]
UTI Securities Limited Dheeraj Arma, 1st Floor, Anant Kanekar Marg, Bandra (East), Mumbai - 400 051 Tel: 91 22 6751 5828 / 815 Fax : 91 22 67023194 Email: nfpilipo@utisel.com Website: www.utisel.com Contact Person: Mr. Sumeet Lath / Ms. Sujaya Shetty	[●]	[●]
Karvy Stock Broking Limited "Karvy House", 46, Avenue 4, Street No.1 Banjara Hills, Hyderabad - 500 034 Tel : 91 40 23374714/23320751 Fax : 91 40 23374714 Contact Person: Mr. K.Sridhar Website : www.karvy.com	[●]	[●]
Total	[●]	[●]

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with RoC)

The above is indicative underwriting and this would be finalised after the pricing and actual allocation. The above Underwriting Agreements are dated [●].

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

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

## CAPITAL STRUCTURE

Our share capital as at the date of filing of this Red Herring Prospectus with RoC (before and after the Issue) is set forth below:

Particulars	Nominal Value (Rs.)	Aggregate Value (Rs.)
<b>(A) Authorized Share Capital</b> 1,50,00,000 Equity Shares of Rs.10 each	15,00,00,000	
<b>(B) Issued, Subscribed and Paid-Up Capital before the Issue</b> 92,10,000 Equity Shares of Rs.10 each	9,21,00,000	21,17,74,000
<b>(C) Present Issue in terms of this Red Herring Prospectus*</b> 33,90,000 Equity Shares of Rs.10 each	3,39,00,000	[•]
<b>Out of which</b> 1,50,000 Equity Shares of Rs. 10 each are reserved for the Eligible Employees of our Company on a competitive basis	15,00,000	[•]
<b>(D) Net offer to the Public</b> 32,40,000 Equity Shares of Rs. 10 each at a premium of Rs. [•] per share	3,24,00,000	[•]
<b>(E) Paid up Equity Capital after the Issue</b> 1,26,00,000 Equity Shares of Rs. 10 each	12,60,00,000	[•]
<b>(F) Share Premium Account</b> Before the Issue After the Issue		11,96,74,000 [•]

Note: \* As mentioned in the DRHP in line with clause 8.7.1 our Company has placed 4,60,000 equity shares with investors as Pre-IPO placement. Consequently our issue size stands reduced from 38,50,000 equity shares to 33,90,000 equity shares.

### Notes to Capital Structure:

#### 1. Details of Increase in Authorized Share Capital of our Company since incorporation:

Sr. No.	Particulars of Increase	Date of Shareholder's Meeting	Type of Meeting
1.	Rs. 1,00,00,000	On Incorporation	
2.	Rs. 1,00,00,000 to Rs. 3,00,00,000	March 22, 1999	EGM
3.	Rs. 3,00,00,000 to Rs. 8,00,00,000	September 24, 2001	EGM
4.	Rs. 8,00,00,000 to Rs. 12,00,00,000	March 16, 2006	EGM
5.	Rs.12,00,00,000 to Rs. 15,00,00,000	September 28, 2006	EGM

#### 2. Share Capital History of our Company:

Date of Allotment / Fully Paid-up	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of issue & reason for Allotment	Cumulative Share Premium (Rs.)	Cumulative Paid-up Share Capital (Rs.)
September 10, 1995	700	10	10	Cash	Subscription to MoA	Nil	7,000
March 21, 1996	1,79,500	10	10	Cash	Further Allotment	Nil	18,02,000
September 27, 1997	2,05,300	10	10	Cash	Further Allotment	Nil	38,55,000



Date of Allotment / Fully Paid-up	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of issue & reason for Allotment	Cumulative Share Premium (Rs.)	Cumulative Paid-up Share Capital (Rs.)
September 27, 1997	1,80,000	10	10	Consideration other than Cash	Allotted against acquisition of Nitin Industries*	Nil	56,55,000
March 30, 1999	14,34,500	10	10	Cash	Further Allotment	Nil	2,00,00,000
December 20, 2001	10,00,000	10	-	Bonus	Bonus Issue in the ratio of 1:2#	Nil	3,00,00,000
January 24, 2002	5,00,000	10	10	Cash	Further Allotment	Nil	3,50,00,000
April 7, 2005	10,10,000	10	10	Cash	Rights Issue	Nil	4,51,00,000
February 10, 2006	29,90,000	10	10	Cash	Rights Issue	Nil	7,50,00,000
September 28, 2006	12,50,000	10	50	Cash	Rights Issue	5,00,00,000	8,75,00,000
December 30, 2006	1,23,000	10	160	Cash	Preferential Allotment	6,84,50,000	8,87,30,000
April 6, 2007	2,19,818	10	162	Cash	Preferential Allotment	10,18,62,336	9,09,28,180
April 9, 2007	1,17,182	10	162	Cash	Preferential Allotment	11,96,74,000	9,21,00,000

\* 1,80,000 Equity Shares of Rs.10 each issued to Mr. Nitin M. Shah alias Sanghavi for consideration other than cash towards the acquisition of the business of M/s. Nitin Industries, a proprietary concern of Mr. Nitin M. Shah alias Sanghavi pursuant to an agreement dated August 31, 1997.

# Our Company issued bonus shares in the ratio of one equity share for every two equity shares held vide Board Resolution dated December 20, 2001 by capitalizing Rs. 1,00,00,000/- out of the Free Reserves.

#### Details of allottees of shares reserved for Pre-IPO placement:

Sr. No	Name First Holder	No. of Shares
<b>A</b>	<b>Allotment made as on December 30, 2006 at a price of Rs. 160/-</b>	
1.	Hema J. Malde	1000
2.	Jayant S. Malde	1000
3.	Sachin J. Malde	1000
4.	Dhiraj Mehta	57000
5.	Rajesh Morabia	2500
6.	Kanchanben Rasiklal Sheth	2000
7.	Rasiklal M. Sheth	2000
8.	Sadhana Shah	1000
9.	Kantaben Kubadia	5500
10.	Miksha Kubadia	3500
11.	Shankarlal D. Gehlot	1000
12.	Soubhagyachand Kubadia	5000
13.	Sanjeev Sanghavi	10000
14.	Bhadra Shah	1000

Sr. No	Name First Holder	No. of Shares
15.	Saroj Navin Shah	1000
16.	Priyang N. Shah	1000
17.	R. M. Sheth (HUF)	2000
18.	Arti Dedhia	500
19.	Mukesh Dedhia	500
20.	Tarulatta V. Batavia	1000
21.	Madhu Morabia	2500
22.	Hiren Shantilal Batavia	500
23.	Sanjay S. Batavia	500
24.	Shantilal H. Batavia	500
25.	Rupa P. Batavia	1000
26.	Vinodrai Batavia	1000
27.	Chetan S. Batavia	500
28.	Pankaj M.Shah HUF	500
29.	Manoharlal Shah	500
30.	Hiren Kubadia	3500
31.	Dipesh Kubadia	3500
32.	Bhavesht Kubadia	3500
33.	Taruna Kubadia	3500
34.	Aditi Gaurav Dedhia	1000
35.	Manish D. Dedhia	1000
	Sub - Total (A)	123000
<b>B</b>	<b>Allotment made as on April 06, 2007 at a price of Rs. 162/-</b>	
1.	Parag mahendra doshi	100
2.	Bharat K. Shah	200
3.	Gopal Krishana Shahi	250
4.	M. N. Sanghavi	306
5.	Manan Rajesh Shah	400
6.	Kalpana N. Shah	500
7.	Mahendrakumar Kantilal Doshi	500
8.	Ramila R. Shah	500
9.	Varsha Mahendra Doshi	500
10.	Manhar S. Broker	612
11.	Bhupesh H. Shah	1,000
12.	Chompaben K. Doshi	1,000
13.	Hasmukhrai Doshi	1,000
14.	Hasmukhrai Doshi Jt. Usha Doshi	1,000
15.	Hemant P. Karani	1,000
16.	Hiral H. Karani	1,000
17.	Ila B. Shah	1,000
18.	Jignesh H. Shah	1,000
19.	Jyoti Shailesh Shah	1,000
20.	Jyoti Suresh Doshi	1,000



Sr. No	Name First Holder	No. of Shares
21.	Jyotsna Shah	1,000
22.	Krunal Mahipal Shah	1,000
23.	Naresh H. Shah	1,000
24.	Tannavi Anil Bhayani	1,000
25.	Tejas Vardhilal Sheth	1,000
26.	Usha Anil Bhayani	1,000
27.	Nitin S. Doshi	1,500
28.	Ashok K. Shah (HUF)	1,850
29.	Chandrakala Himatlal Shah	2,000
30.	Hitesh Anopchand Shah	2,000
31.	Krupa P. Bhanushali	2,000
32.	Rajesh Himatlal Shah	2,000
33.	Bharti D. Shah	3,100
34.	Hetal A. Doshi	4,300
35.	Ashok S. Shah	4,500
36.	S. M. Doshi (HUF)	7,500
37.	Maya doshi	9,000
38.	Zimith Properties Pvt. Ltd.	50,000
39.	Neetish Doshi	1,10,200
	Sub - Total (B)	<b>2,19,818</b>
<b>C</b>	<b>Allotment made as on April 09, 2007 at a price of Rs. 162/-</b>	
1.	Swagatam Trade-Link P. Ltd	1000
2.	Sakshi Vincom Pvt. Ltd.	4000
3.	Rabindra K. Jalan	1000
4.	Swati Jalan	1000
5.	Aditya Jalan	500
6.	Mahendra Kumar Jalan	1000
7.	Rajesh Kumar Jalan	1000
8.	Kapish Jalan	500
9.	Anil Vadera	1250
10.	Kiran Vadera	1250
11.	Ashok Darolia	1000
12.	Kalash Tex Trading Private Limited	65782
13.	Rushabh Shah	1500
14.	Mrs. L. Vaidhyanathan	2500
15.	Damyanti C. Vora	2100
16.	Sanjeev Kamath	1000
17.	Kirti G. Sanghvi	5000
18.	Mukesh Ajmera	6500
19.	A. C. Seker	6200
20.	Meeta Doshi	5000
21.	Sangeeta Doshi	5000
22.	Pushpa S	3100
	Sub - Total (C)	<b>117182</b>
	<b>Total (A+B+C)</b>	<b>460000</b>

3. Promoters Contribution and Lock-in: Our Company has three promoters namely Mr. Nitin M. Shah alias Sanghavi, Mr. Rahul N. Shah alias Sanghavi and Mr. Kunal N. Shah alias Sanghavi; whose name figures in the Red Herring Prospectus as Promoters in the paragraph on section titled “Our Promoters and their Background” on page no.99. Details of Equity Shares held by them and locked-in pursuant to the Issue are as follows:

**Promoters Capital Built Up and Lock-In Details:**

Name of the Promoters	Date of Allotment/ Transfer and Made Fully Paid-up	Conside- ration	No. of Equity Shares	Face Value (Rs.)	Issue/ Transfer Price (In Rs.)	% of Post Issue Paid- up Capital	Lock-In Period
Mr. Nitin M. Shah alias Sanghavi	On Incorporation	Cash	100	10	10	0.00%	1 year
	21-Mar-96	Cash	42,000	10	10	0.33%	1 year
	26-Dec-96	Cash Transfer	90,000	10	10	0.71%	1 year
	27-Sep-97	Cash	10,300	10	10	0.08%	1 year
	27-Sep-97	Other than Cash	1,29,000	10	10	1.02%	1 year
	27-Sep-97	Other than Cash	51,000	10	10	0.40%	3 years
	30-Mar-99	Cash	1,87,600	10	10	1.49%	3 years
	8-Oct-01	Cash Transfer	2,00,000	10	10	1.59%	3 years
	20-Dec-01	Bonus Issue	3,55,000	10	-	2.82%	3 years
	4-Mar-02	Cash Transfer	5,00,000	10	10	3.97%	3 years
	7-Apr-05	Cash	5,05,000	10	10	4.01%	3 years
	10-Feb-06	Cash	7,050	10	10	0.06%	1 year
	28-Sep-06	Cash	3,46,250	10	50	2.75%	1 year
	<b>Total</b>		<b>24,23,300</b>			<b>19.23%</b>	
Mr. Rahul N. Shah alias Sanghavi	On Incorporation	Cash	100	10	10	0.00%	1 year
	21-Mar-96	Cash	5,000	10	10	0.04%	1 year
	27-Sep-97	Cash	32,000	10	10	0.25%	1 year
	27-Sep-97	Cash	13,000	10	10	0.10%	3 years
	30-Mar-99	Cash	2,10,000	10	10	1.67%	3 years
	20-Dec-01	Bonus Issue	1,30,050	10	-	1.03%	3 years
	10-Feb-06	Cash	3,00,000	10	10	2.38%	1 year
	28-Sep-06	Cash	1,15,025	10	50	0.91%	1 year
	<b>Total</b>		<b>8,05,175</b>			<b>6.39%</b>	
Mr. Kunal N. Shah alias Sanghavi	27-Sep-97	Cash	35,500	10	10	0.28%	1 year
	27-Sep-97	Cash	14,500	10	10	0.12%	3 years
	30-Mar-99	Cash	2,20,000	10	10	1.75%	3 years
	20-Dec-01	Bonus Issue	1,35,000	10	-	1.07%	3 years
	24-Jun-02	Cash Transfer	150	10	10	0.00%	1 year
	10-Feb-06	Cash	7,19,850	10	10	5.71%	1 year
	28-Sep-06	Cash	1,87,500	10	50	1.49%	1 year
	<b>Total</b>		<b>13,12,500</b>			<b>10.42%</b>	
<b>Grand Total</b>			<b>45,40,975</b>			<b>36.04%</b>	

In accordance with clause 4.13.1 of SEBI DIP Guidelines, 25,21,150 Equity Shares held by the Promoters representing 20.01% of the post-Issue paid-up share capital of our Company, being the minimum promoters’ contribution, will be locked-in on LIFO basis (i.e. shares that have been issued last shall be locked in first) for a period of 3 years from the date of allotment of equity shares in this Issue. The balance pre-Issue share capital shall be locked in for a period of one year from the date of allotment of Equity Shares in this Issue.

The locked in Equity Shares held by the Promoters, as specified above, can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions as collateral security, provided pledge is one of the terms of sanctions of loan.





Further, in terms of Clause 4.16.1 (b) of the SEBI Guidelines, the pre-Issue Equity Shares held by the Promoter may be transferred to and amongst the Promoter Group or to new promoters or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Specific written consents have been received from the above mentioned promoters to lock - in their shares for a period of 3 years to ensure minimum Promoters' contribution to the extent of 20% of Post-Issue Paid-up Capital.

For the purpose of calculating Promoters contribution, the same has been brought in the specified minimum lot of Rs. 25,000/- per application from individuals and Rs. 1,00,000/- from companies.

**Individual shareholding of persons who constitute Promoters Group (other than core Promoters):**

Name of the Promoters	Date of Allotment/ Transfer and Made Fully Paid-up	Consideration	No. of Equity Shares	Face Value (Rs.)	Issue/ Transfer Price (in Rs.)	% of Post Issue Paid-up Capital
Mrs. Saroj N. Shah alias Sanghavi	On Incorporation	Cash	100	10	10	0.00%
	21-Mar-96	Cash	17,500	10	10	0.14%
	27-Sep-97	Cash	50,000	10	10	0.40%
	30-Mar-99	Cash	5,12,400	10	10	4.07%
	20-Dec-01	Bonus Issue	2,90,000	10	-	2.30%
	7-Apr-05	Cash	5,05,000	10	10	4.01%
	10-Feb-06	Cash	8,75,000	10	10	6.94%
	28-Sep-06	Cash	3,75,000	10	50	2.98%
	<b>Total</b>		<b>26,25,000</b>			<b>20.83%</b>
Mrs. Reshma N. Shah	27-Sep-97	Cash	50,000	10	10	0.40%
	30-Mar-99	Cash	2,14,500	10	10	1.70%
	8-Oct-01	Cash Transfer	(2,00,000)	10	10	-1.59%
	20-Dec-01	Bonus Issue	32,250	10	-	0.26%
	10-Feb-06	Cash	6,53,250	10	10	5.18%
	12-Feb-06	Cash Transfer	(2,90,000)			-2.30%
	28-Sep-06	Cash	76,667	10	50	0.61%
	<b>Total</b>		<b>5,36,667</b>			<b>4.26%</b>
Nitin Mansukhlal Shah HUF	21-Mar-96	Cash	25,000	10	10	0.20%
	30-Mar-99	Cash	90,000	10	10	0.71%
	20-Dec-01	Bonus Issue	57,500	10	-	0.46%
	12-Feb-06	Cash Transfer	2,90,000	10	10	2.30%
	28-Sep-06	Cash	77,083	10	50	0.61%
	<b>Total</b>		<b>5,39,583</b>			<b>4.28%</b>
Rahul Nitin Shah HUF	10-Feb-06	Cash	4,34,850	10	10	3.45%
	28-Sep-06	Cash	72,475	10	50	0.58%
	<b>Total</b>		<b>5,07,325</b>			<b>4.03%</b>
Bharti d. Shah	06-Apr-07	Cash	3,100	10	162	0.02%
	<b>Total</b>		<b>3,100</b>			<b>0.02%</b>
Pushpa S	09-Apr-07	Cash	3,100	10	162	0.02%
	<b>Total</b>		<b>3,100</b>			<b>0.02%</b>

Details of issue of shares during the preceding one year, at a price lower than the issue price are as follows: -

Date of Allotment / Fully Paid-up	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of issue & reason for Allotment
September 28, 2006	12,50,000	10	50	Cash	Rights Issue
December 30, 2006	1,23,000	10	160	Cash	Preferential Allotment
April 6, 2007	2,19,818	10	162	Cash	Preferential Allotment
April 9, 2007	1,17,182	10	162	Cash	Preferential Allotment

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the pre-Issue Equity Shares held by persons other than Promoters, may be transferred to any other person holding the Equity 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 (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Promoters and persons forming part of promoter group shall not participate in the present issue.

4. The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue:

Name of Shareholder	Equity Shares owned before the Issue		Equity Shares owned after the Issue*	
	Number of shares	% Holding	Number of shares	% Holding
<b>Promoters</b>				
Nitin M. Shah alias Sanghavi	24,23,300	26.31%	24,23,300	19.23%
Rahul N. Shah alias Sanghavi	8,05,175	8.74%	8,05,175	6.39%
Kunal N. Shah alias Sanghavi	13,12,500	14.25%	13,12,500	10.42%
<b>Sub Total (A)</b>	<b>45,40,975</b>	<b>49.30%</b>	<b>45,40,975</b>	<b>36.04%</b>
<b>Promoter Group</b>				
Saroj N. Shah alias Sanghavi	26,25,000	28.50%	26,25,000	20.83%
Reshma N. Shah	5,36,667	5.83%	5,36,667	4.26%
Nitin M. Shah H.U.F.	5,39,583	5.86%	5,39,583	4.28%
Rahul N. Shah H.U.F.	5,07,325	5.51%	5,07,325	4.03%
Bharti d. Shah	3,100	0.03%	3,100	0.02%
Pushpa S	3,100	0.03%	3,100	0.02%
<b>Sub Total (B)</b>	<b>42,14,775</b>	<b>45.76%</b>	<b>42,14,775</b>	<b>33.45%</b>
<b>Total (A) +(B)</b>	<b>87,55,750</b>	<b>95.06%</b>	<b>87,55,750</b>	<b>69.49%</b>
<b>Employees (C)</b>	<b>750</b>	<b>0.01%</b>	<b>1,50,750</b>	<b>1.20%</b>
<b>Others(D)</b>	<b>4,53,500</b>	<b>4.92%</b>	<b>4,53,500</b>	<b>3.60%</b>
<b>Public Holding (E)</b>	<b>0</b>	<b>0.00%</b>	<b>32,40,000</b>	<b>25.71%</b>
<b>Grand Total (A+B+C+D+E)</b>	<b>92,10,000</b>	<b>100.00%</b>	<b>1,26,00,000</b>	<b>100.00%</b>

\* The above shareholding pattern is indicative, and is based on the fact that all the shareholders in their respective categories will subscribe to 100% of the shares offered in their respective categories. The final post-issue shareholding pattern will be determined after the Book Building process.



5. Our shareholders and the number of Equity Shares held by them as of the date of filing this Red Herring Prospectus with RoC is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	Percentage Holding pre-issue
1	Saroj N. Shah alias Sanghavi	26,25,000	28.50%
2	Nitin M. Shah alias Sanghavi	24,23,300	26.31%
3	Kunal N. Shah alias Sanghavi	13,12,500	14.25%
4	Rahul N. Shah alias Sanghavi	8,05,175	8.74%
5	Nitin M. Shah HUF	5,39,583	5.86%
6	Reshma N. Shah	5,36,667	5.83%
7	Rahul N. Shah HUF	5,07,325	5.51%
8	Neetish Doshi	1,10,200	1.20%
9	Kalash Tex Trading Pvt. Ltd.	58,782	0.64%
10	Dhirajlal Mehta	57,000	0.62%
	<b>TOTAL</b>	<b>89,75,532</b>	<b>97.45%</b>

- Our shareholders and the number of Equity Shares held by them ten days prior to filing this Red Herring Prospectus with RoC is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	Percentage Holding pre-issue
1	Saroj N. Shah alias Sanghavi	26,25,000	29.58%
2	Nitin M. Shah alias Sanghavi	24,23,300	27.31%
3	Kunal N. Shah alias Sanghavi	13,12,500	14.79%
4	Rahul N. Shah alias Sanghavi	8,05,175	9.07%
5	Nitin M. Shah HUF	5,39,583	6.08%
6	Reshma N. Shah	5,36,667	6.05%
7	Rahul N. Shah HUF	5,07,325	5.72%
8	Dhirajlal Mehta	57,000	0.64%
9	Sanjeev Sanghvi	10,000	0.11%
10	Kantaben Kubadia	5,500	0.06%
	<b>TOTAL</b>	<b>88,22,050</b>	<b>99.43%</b>

- Our shareholders and the number of Equity Shares held by them two years prior to the date of filing this Red Herring Prospectus with RoC is as follows:

Sr. No.	Name of the Shareholder	Number of Shares	Percentage Holding pre-issue
1	Saroj N. Shah alias Sanghavi	13,75,000	30.49%
2	Rahul N. Shah alias Sanghavi	3,90,150	8.65%
3	Nitin M. Shah alias Sanghavi	20,70,000	45.90%
4	Kunal N. Shah alias Sanghavi	4,05,150	8.98%
5	Reshma N. Shah	96,750	2.15%
6	Nitin M. Shah HUF	1,72,500	3.83%
7	Hiren Gor	150	0.003%
8	Vijay Shelar	150	0.003%
9	Mukesh Ajmera	150	0.003%
	<b>Total</b>	<b>45,10,000</b>	<b>100.00%</b>

The securities, which are subject to lock-in and the non-transferability details shall be informed to the depositories. The details of lock-in shall also be provided to BSE and NSE, where the shares are to be listed, before the listing of the securities.

6. The Promoters/Directors of Our Company/ Promoters Group have not purchased and/or sold/financed any securities of Our Company during the past 6 months.
7. Except as disclosed in the section entitled “Our Management” on page 87, none of our Directors or Key Managerial Personnel hold any shares in our Company
8. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed issue. As and when, options are granted to our employees under the ESOP scheme, Our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999
9. As on date of filing of this Red Herring Prospectus with ROC, the entire Issued Share Capital of our Company is fully paid-up.
10. Our Company, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of our Company from any person.
11. Other than set out in “Share Capital History of our Company” our Promoters have not been issued equity shares for consideration other than cash.
12. As of the date of the Red Herring Prospectus, there are no outstanding financial instruments or any other rights, which would entitle the existing promoters or shareholders or any other person any option to acquire our Equity Shares after the IPO.
13. Our Company has not raised any bridge loan against the proceeds of the Issue.
14. We have revalued our assets during FY 2002. However we have not issued any Equity Shares out of revaluation reserves.
15. Details of capitalization of reserves by Our Company in the past

Company has capitalized its free reserves by way of issuing bonus shares as stated below:

Date of Allotment	Number of Equity Shares	Face Value Per Share (In Rs.)	Ratio
10.12.2001	10,00,000	10	1:2

16. Previous Issue of Shares Otherwise than for Cash

We have made following allotments of Equity Shares for consideration other than cash.

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Nature of Allotment
September 27, 1997	180,000	10	Allotment for acquisition of Nitin Industries

17. As on the date of filing of this Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.
18. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential basis or issue of bonus, or rights or further public issue of shares. However, during such period or at a later date, we may issue Equity Shares pursuant to the ESOP or issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us 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 our Board to be in the interest of our Company.
19. There shall be only one denomination of the Equity Shares of our Company, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
20. No single applicant can make an application for number of shares, which exceeds the number of shares offered herein, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.



21. The total numbers of members of our Company as on the date of the Red Herring Prospectus are One Hundred Eight (108).
22. The Issue is being made through the 100% Book Building Process wherein atleast 50% of the Net Issue to the Public shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Net Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Under-subscription, if any, in any of the categories other than the QIB category would be met with the spill over from any other category at the sole discretion of our Company in consultation with the BRLMs. If atleast 50% of the Net Issue is not subscribed to by the QIBs the application monies shall be refunded forthwith.
23. An over subscription to the extent of 10% of the Issue size can be retained for the purpose of rounding off to the nearest multiple of one Equity Share while finalising the allotment. Consequently, the actual allotment may go up by a maximum of 10% of the Net Issue to the Public, as a result of which, the post Issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by the Promoters and subject to lock- in shall be suitably increased, so as to ensure that 20% of the post Issue paid-up capital is locked in.
24. 1,50,000 Equity Shares has been reserved for allocation to the Eligible Employees on a proportionate basis, subject to valid bids being received at or above the issue price. Only Eligible employees would be eligible to apply in this issue under reservation for its Employees. Employees may bid in the Net Issue portion as well , and such Bids shall not be treated as multiple Bids. Under-subscription in this category, if any, shall be added back to the Net Issue to the public.
25. Bids in the Employee Reservation Portion are subject to a maximum bid for 1,50,000 Equity Shares. If the aggregate demand in the Employee Reservation Portion is greater than 1,50,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis.
26. In the case of over-subscription in all categories, at least 50% of the Net Issue to the Public shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be reserved for Mutual Funds. Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above this Issue Price.
27. No shares have been allotted through a public issue in the last two years nor has our Company bought back its equity shares in the last six months.
28. The entire pre-issue capital other than that locked-in for a period of three years as promoters' contribution shall be locked-in for a period of one year from the date of allotment in the public issue.
29. The Equity shares held by the promoters and promoter group are not subject to any pledge.
30. No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by us or our promoters to the persons who receive allotments, if any, in this Issue.

## OBJECTS OF THE ISSUE

The Objectives of the Issue are:

A. To raise financial resources for

I. Setting-up of a high-pressure seamless cylinder plant at Visakhapatnam Special Economic Zone through investment in our wholly owned subsidiary, Nitin Cylinders Limited.

II. Meeting the Public Issue Expenses.

B. To get our Company's shares listed on the BSE and the NSE.

The net proceeds of the Issue, after deducting all issue related expenses are estimated to be Rs. [●] Lacs. The main and ancillary objects clause of the MoA of our Company enable us to undertake our existing activities and investment in subsidiary for which the funds are being raised through this Issue.

### Cost of Project

NCL is setting up a manufacturing facility to produce high-pressure seamless cylinders with a capacity of 5,00,000 cylinders per annum at Visakhapatnam Special Economic Zone. In order to derive the commercial benefits of the proposed investment in shortest possible time, the implementation of the project was divided into two phases with a manufacturing capacity of 250,000 cylinders p.a. in each phase. Accordingly, we had requested IMM to examine the feasibility of the said Project. Based on the feasibility report, we approached the Banks for part funding of the Phase I of the Project. State Bank of India(SBI) and State Bank of Hyderabad(SBH) have sanctioned term loan of Rs. 2,000.00 Lacs and Rs. 1,700.00 Lacs vide their letter dated 27th October, 2006 and 16th November 2006 respectively in favour of our wholly owned subsidiary, Nitin Cylinders Ltd.

The total requirement of funds including the phase-wise cost of the cylinders project is estimated as under:

(Rs. in Lacs)

Sr. No.	Particulars	Phase I	Phase II	Total
I.	Investment in our wholly owned subsidiary, Nitin Cylinders Limited for Setting-up of a high-pressure seamless cylinder plant at Visakhapatnam Special Economic Zone(including Bank Term Loan)	6,127.08	5,681.15	11,808.23
II.	Public Issue Expenses	[●]		[●]
	<b>Total</b>			<b>[●]</b>

### Means of Finance

We propose to fund the above cost of project as under:

(Rs. in Lacs)

Sr. No.	Particulars	Phase I	Phase II	Total
I.	Bank Term Loan to NCL	3,700.00	-	3,700.00
II.	Rights Issue on September 28, 2006	625.00	-	625.00
III	Internal Accruals	1100.00	[●]	[●]
IV.	Initial Public Offer (including Pre-IPO Placement)	702.08	[●]	[●]
		<b>6,127.08</b>	<b>[●]</b>	<b>[●]</b>

Note: Any increase in the cost of project or shortfall in the funding would be financed through additional internal accruals/private placement and/or loan funds.

No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, Key Management Personnel or companies promoted by our Promoters.

Excess money, if any, will be deployed for general corporate purposes including but not restricted to meeting working capital requirements, strategic initiatives, entering into strategic alliances, partnerships, joint ventures and acquisitions, investment in research and technology up-gradation, investment in other segments of the industry, meeting exigencies, which our Company in the ordinary course of business may not foresee, reducing the working capital loan or other term loans, repayment of debts or any other purposes as approved by our Board of Directors.



We confirm that firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed Public issue, have been made.

### Appraisal

The Project is not appraised by any bank or financial institution or Merchant Banker. However Mott MacDonald Private Limited (IMM) has prepared a High Pressure Cylinders Feasibility study for the Project. Technical Appraisal by IMM has been used as a basis for this document wherever required. IMM vide their letters dated November 21, 2006 has given its consent for inclusion of their name as Technical appraising agency and for their feasibility report being used in this document.

### COST OF PROJECT DETAILS

#### I. INVESTMENT IN OUR WHOLLY OWNED SUBSIDIARY, NITIN CYLINDERS LIMITED FOR SETTING-UP OF A HIGH-PRESSURE SEAMLESS CYLINDER PLANT AT VISAKHAPATNAM SPECIAL ECONOMIC ZONE:

We have set up a 100% subsidiary, Nitin Cylinders Limited, in which we propose to set up a High-pressure seamless gas cylinder plant at Visakhapatnam, Special Economic Zone. We shall be investing the net proceeds of the issue in form of equity and / or unsecured loan in the Nitin Cylinders Limited.

#### Summary of Capital Investment

(Rs. in Lacs)

Sr.	Description	Phase I	Phase II	Total
1	Land Development	37.50	12.50	50.00
2	Buildings	1,747.90	962.50	2,710.40
3	Plant & Machinery	2,763.48	3,086.85	5,850.33
4	Miscellaneous Fixed Assets	140.30	43.00	183.30
5	Preliminary & Pre-operative Expenses	499.40	481.50	980.90
6	Margin Money for Working Capital	300.00	684.30	984.30
7	Contingency	468.90	410.50	879.40
8	IDC	169.60	-	169.60
	<b>Total Investment</b>	<b>6,127.08</b>	<b>5,681.15</b>	<b>11,808.23</b>

#### 1. Land Development

NCL has obtained the land at the Special Economic Zone at Visakhapatnam (VSEZ) on a long term lease basis. IMM has estimated a cost of Rs. 50.00 Lacs towards the development of land.

#### 2. Buildings

The total cost under this head is estimated at about Rs. 2,710.40 Lacs. The architect fees are considered at 10% which includes the supervision fees. For the plant we have gone for all steel structure as against conventional RCC structure. The break-up of total cost of buildings is mentioned hereunder:

(Rs. in Lacs)

Description	Area (M2)	Rate (Rs./Unit)	Phase I	Phase II	Total Cost
Factory Building	25,000	7,000	875.00	875.00	1,750.00
Administration Building	7,000	8,000	560.00	-	560.00
Security, Canteen, Parking etc.	2,000	5,500	110.00	-	110.00
Roads & Drainage	4,000	1,100	44.00	-	44.00
Architect fees	10%		158.90	87.50	246.40
<b>Total</b>			<b>1,747.90</b>	<b>962.50</b>	<b>2,710.40</b>



### 3. Plant & Machinery

The total cost of Plant and Machinery for the Project is estimated at about Rs. 5,850.33 Lacs. The Unit at VSEZ, where the proposed project will be set up, will not have to pay taxes and duties (excise duty, sales tax and customs duty). The break-up of total cost of Plant & Machinery is mentioned hereunder:

(Rs. in Lacs)

Description	Phase I	Phase II	Total Amount
Spinning Machine	1,321.88	881.25	2,203.13
Induction Machine	126.00	84.00	210.00
Milling, Drilling, Cutting, Lathe, HST, Packing	191.06	1,181.06	1,372.12
Heat Treatment Facility	180.00	180.00	360.00
Material Handling Equipment - EOT Cranes, Forklifts etc.	252.85	197.85	450.70
Utilities - Boiler, Compressor, Cooling tower & pumps, oxygen and LPG bullets	74.38	64.38	138.76
Power Reticulation - Substation, Distribution Network, transformers	70.00	70.00	140.00
Weighbridge	0.75	0.50	1.25
Test Facilities	99.37	80.62	179.99
Tool Room Equipment	175.09	75.09	250.18
Pipeline system	25.00	25.00	50.00
Other Equipment - Shot Blasting, Painting etc.	247.10	247.10	494.20
<b>Total Cost</b>	<b>2,763.48</b>	<b>3,086.85</b>	<b>5,850.33</b>

IMM has verified the cost of critical equipments based on quotations while the remaining cost has been estimated from the database. The total cost of Plant and Machinery for the Project is estimated at about Rs.5850.33 Lacs.

NCL does not propose to purchase any second hand machinery for the purpose of the aforesaid project.

Details of machineries are as follows:

#### 1. Phase I :

##### A. Details of Plant and Machinery received:

Description of the Equipment	Operation	Qty	Cost Per Unit (Amount Rs. in Lacs)	Total cost (Amount Rs. in Lacs)	Name of Supplier
Spinning Machine	Neck/Bottom forming	3	440.63	1,321.89	MJC
Induction Furnace		3	42.00	126.00	Electrotherm
<b>Milling, Drilling, Cutting, Lathe, HST, Packing mc</b>					
Band Saw	Tube Cutting	2	19.06	38.12	Indore Tools Limited
Band Saw	Neck Cutting	1	18.13	18.13	Indore Tools Limited
CNC Turning Lathe	Neck Machining	2	50.00	100.00	Taurus
Milling Machine	Bottom Milling	1	10.63	10.63	Drilling Machine
	Centre Port Drilling	1	10.00	10.00	
HST Machine	HST	1	11.69	11.69	
Packing Machines	Dispatching	1	2.50	2.50	
				<b>191.07</b>	



Description of the Equipment	Operation	Qty	Cost Per Unit (Amount Rs. in Lacs)	Total cost (Amount Rs. in Lacs)	Name of Supplier
<b>Heat Treatment Facility</b>					
<b>HQT</b>	<b>Heat Treatment</b>	<b>1</b>	<b>180.00</b>	<b>180.00</b>	<b>Dynatech Furnace</b>
<b>Material Handling Equipment</b>					
Cranes & Structurals	Material Handling	2	43.75	87.50	Radiant Engineers
Turn conveyor	Material Handling	4	0.60	2.40	Chika Products
Conveyors & Rollers (200 mtr) - Sets		2	61.00	122.00	Chika Products
Elevator		6	1.20	7.20	Bonfigoli
Mobile Crane & Forklift (Sets)	Pipe Unloading Facility	2	11.25	22.50	Escorts
				<b>241.60</b>	
<b>Utilities - Boiler, Compressor, Cooling tower &amp; pumps, Oxygen and LPG bullets</b>					
Boilers	Utility	1	5.00	5.00	Thermax
Compressors	Utility	3	10.00	30.00	Buckhart & Chicago Pnumatics
Cooling Towers & Pumps	Utility	2	7.19	14.38	National Cooling Towers
LPG Bullets	Utility	1	12.50	12.50	Globe Gas
Liquid Oxygen Bullet	Utility	1	12.50	12.50	
				<b>74.38</b>	
<b>Power Reticulation - Substation, Distribution Network, transformers</b>			70.00	70.00	Manshu Comptel & Annapurna Electricals, Gemscab
<b>Weighbridge</b>					
<b>Weighing Scale</b>	<b>Weighing</b>	<b>3</b>	<b>0.25</b>	<b>0.75</b>	<b>Elder</b>
<b>Test Facilities</b>					
Cyclic Testing Machine	Pressure Cyclic Testing	2	22.50	45.00	
Burst Testing Machine	Burst Testing	2	5.94	11.88	
ALT Testing Machine	ALT Test	1	5.00	5.00	
Testing Machines (Sets)	Mechanical Testing	1	18.75	18.75	
Bonfire Test	Testing	1	18.75	18.75	
				<b>99.38</b>	
<b>Tool room Equipment</b>					
Hydraulic Press	Bottom Press	1	81.25	81.25	
UT	NDT	1	47.59	47.59	
NDT Facility		4	4.38	17.52	
Tool Room Machinery	Tool Room Repairs	1	18.75	18.75	
Miscellaneous	Tool Room Repairs	1	10.00	10.00	
				<b>175.11</b>	

Description of the Equipment	Operation	Qty	Cost Per Unit (Amount Rs. in Lacs)	Total cost (Amount Rs. in Lacs)	Name of Supplier
<b>Pipeline System</b>					
<b>Pipelines System</b>		<b>1</b>	<b>25.00</b>	<b>25.00</b>	<b>Jindal</b>
<b>Other Equipment</b>					
Jackets	HST	8	0.45	3.60	Disha Industries
Internal Shot Blasting Machine	Internal Cleaning	1		-	Shree Equipment
External Shot Blasting Machine	External Cleaning	1	62.50	62.50	Shree Equipment
Steam	Drying	1	3.13	3.13	
Drying Facility	Drying	1	2.50	2.50	
Stamping Machine	Data Stamping	2	46.13	92.26	Taurus
Painting Machine	Painting	1	75.00	75.00	Intech
Other Tools	Valve Fitting	1	8.06	8.06	
				<b>247.05</b>	
<b>Total (A)</b>				<b>2,752.23</b>	

**B. Details of Plant and Machinery yet to be ordered:**

Description of the Equipment	Operation	Qty	Cost Per Unit (Amount Rs. in Lacs)	Total cost (Amount Rs. in Lacs)
Mobile Crane & Forklift (Sets)	Pipe Unloading Facility	1	11.25	11.25
	<b>Total (B)</b>			<b>11.25</b>
	<b>Grand Total (A+B)</b>			<b>2,763.48</b>

**2. Phase II :**

**A. Details of Plant and Machinery received:**

Description of the Equipment	Operation	Qty	Cost Per Unit (Amount Rs. in Lacs)	Total cost (Amount Rs. in Lacs)	Name of Supplier
<b>Material Handling Equipment</b>					
Cranes & Structurals	Material Handling	1	43.75	43.75	Radiant Engineers
Turn conveyor	Material Handling	4	0.60	2.40	Chika Products
Conveyors & Rollers (200 mtr) - Sets		2	61.00	122.00	Chika Products
Elevator		6	1.20	7.20	Bonfigoli
<b>Utilities - Boiler, Compressor, Cooling tower &amp; pumps, Oxygen and LPG bullets</b>					
Compressors	Utility	1	10.00	10.00	Buckhart & Chicago Pnumatics
LPG Bullets	Utility	1	12.50	12.50	Globe Gas
Pipeline System	Pipelines System	1	25.00	25.00	Jindal
<b>Total (A)</b>				<b>222.85</b>	



**b. Details of Plant and Machinery ordered but yet to be delivered:**

Description of the Equipment	Operation	Qty	Cost Per Unit (Amount Rs. in Lacs)	Total cost (Amount Rs. in Lacs)	Date of Order	Expected Delivery Date	Name of Supplier
Spinning Machine	Neck/Bottom forming	2	440.63	881.26	22-Mar-07	September '07	MJC
Induction Furnace		1	42.00	42.00	23-Mar-07	August '07	Electrotherm
<b>Utilities - Boiler, Compressor, Cooling tower &amp; pumps, Oxygen and LPG bullets</b>							
Liquid Oxygen Bullet	Utility	1	12.50	12.50	1-Mar-07	May '07	Manshu Comptel & Annapurna Electricals, Gemscab
Power Reticulation - Substation, Distribution Network, transformers			70.00	70.00	21-Mar-07	May '07	
<b>Total (B)</b>				<b>1,005.76</b>			

**c. Details of Plant and Machinery yet to be ordered**

Description of the Equipment	Operation	Qty	Cost Per Unit(Amount Rs. in Lacs)	Total cost (Amount Rs. in Lacs)	Name of Supplier
Induction Furnace		1	42.00	42.00	Electrotherm
<b>Milling, Drilling, Cutting, Lathe, HST, Packing mc</b>					
Band Saw	Tube Cutting	2	19.06	38.12	Indore Tools Limited
Band Saw	Neck Cutting	1	18.13	18.13	Indore Tools Limited
CNC Turning Lathe	Neck Machining	1	50.00	50.00	Taurus
U Axis CNC Machining Centre	Neck Machining	1	92.50	92.50	Milling Machine
Milling Machine	Bottom Milling	1	10.63	10.63	
Drilling Machine	Centre Port Drilling	1	10.00	10.00	
HST Machine	HST	1	11.69	11.69	
Tube Spinning Machine		1	500.00	500.00	
Flow forming Machine		1	375.00	375.00	
Composite winding machine		1	75.00	75.00	
				<b>1,181.07</b>	
<b>Heat Treatment Facility</b>					
HQT	Heat Treatment	1	180.00	180.00	Dynatech Furnace
<b>Material Handling Equipment</b>					
Mobile Crane & Forklift (Sets)	Pipe Unloading Facility	2	11.25	22.50	
<b>Utilities - Boiler, Compressor, Cooling tower &amp; pumps, Oxygen and LPG bullets</b>					
Boilers	Utility	1	5.00	5.00	Thermax
Compressors	Utility	1	10.00	10.00	Buckhart & Chicago Pnumatics
Cooling Towers & Pumps	Utility	2	7.19	14.38	National Cooling Towers
				<b>29.38</b>	

Description of the Equipment	Operation	Qty	Cost Per Unit(Amount Rs. in Lacs)	Total cost (Amount Rs. in Lacs)	Name of Supplier
<b>Weighbridge</b>					
Weighing Scale	Weighing	2	0.25	0.50	Elder
<b>Test Facilities</b>					
Cyclic Testing Machine	Pressure Cyclic Testing	2	22.50	45.00	
Burst Testing Machine	Burst Testing	2	5.94	11.88	
ALT Testing Machine	ALT Test	1	5.00	5.00	
Testing Machines (Sets)	Mechanical Testing	1	18.75	18.75	
				<b>80.63</b>	
<b>Tool room Equipment</b>					
UT	NDT	1	47.59	47.59	
NDT Facility		4	4.38	17.52	
Miscellaneous	Tool Room Repairs	1	10.00	10.00	
				<b>75.11</b>	
<b>Other Equipment</b>					
Jackets	HST	8	0.45	3.60	Disha Industries
Internal Shot Blasting Machine	Internal Cleaning	1		-	Shree Equipment
External Shot Blasting Machine	External Cleaning	1	62.50	62.50	Shree Equipment
Steam	Drying	1	3.13	3.13	
Drying Facility	Drying	1	2.50	2.50	
Stamping Machine	Data Stamping	2	46.13	92.26	Taurus
Painting Machine	Painting	1	75.00	75.00	Intech
Other Tools	Valve Fitting	1	8.06	8.06	
				<b>247.05</b>	
<b>Total (C)</b>				<b>1,858.24</b>	
<b>Grand Total (A+B+C)</b>				<b>3,086.85</b>	

#### 4. Miscellaneous Assets

The total cost of Miscellaneous Fixed Asset for the Project is estimated at about Rs 183.30 Lacs.

(All figures in Rs. Lacs)

Description	Phase I	Phase II	Amount
Furniture & Fixtures	12.80	-	12.80
Telecommunications	5.00	5.00	10.00
Computers	16.50	-	16.50
Fire fighting equipment	30.00	20.00	50.00
Vehicles	34.00	-	34.00
HVAC	27.00	18.00	45.00
Others	15.00	-	15.00
<b>Total</b>	<b>140.30</b>	<b>43.00</b>	<b>183.30</b>



## 5. Preliminary and Pre operative Expenses

The pre-operative and preliminary expenses have been estimated at Rs 980.90 Lacs and the break-up of the same is as given below:

(All figures in Rs. Lacs)

Description	Phase I	Phase II	Total
Insurance (7.5% of P&M Cost)	207.30	231.50	438.80
Engineering & Project Management (7.5% of P&M Cost)	207.30	231.50	438.80
Deposits	5.50	0.00	5.50
Commissioning Costs	10.00	5.00	15.00
Manpower Costs	22.50	7.50	30.00
Travel	9.00	3.00	12.00
Certification	20.00	0.00	20.00
Communication	9.00	3.00	12.00
Lease Rentals	8.80	0.00	8.80
<b>Total</b>	<b>499.40</b>	<b>481.50</b>	<b>980.90</b>

## 6. Margin Money for Working Capital

(All figures in Rs. Lacs)

Sr.	Description	No. of days	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>A.</b>	<b>Current Assets</b>								
1	Raw Materials	30	1,452.00	1,452.00	1,572.90	1,693.90	1,693.90	1,814.90	1,814.90
2	Stores & Spares	60	39.00	39.00	42.30	45.50	45.50	48.80	48.80
3	Work - in - Progress	15	805.20	798.60	865.10	932.00	935.20	999.50	999.50
4	Finished Goods	10	545.20	545.20	590.60	636.00	636.00	681.50	681.50
5	Debtors	7	539.00	539.00	583.90	628.80	628.80	673.70	673.70
	<b>Total Current Assets</b>		3,380.30	3,373.70	3,654.70	3,936.30	3,939.40	4,218.30	4,218.30
<b>B.</b>	<b>Current Liabilities</b>								
1	Creditors	7	338.80	338.80	367.00	395.30	395.30	423.50	423.50
<b>C.</b>	<b>Working Capital Requirement</b>		3,041.50	3,034.90	3,287.70	3,541.00	3,544.20	3,794.80	3,794.80
<b>D.</b>	<b>Margin Money</b>		845.10	843.40	913.70	984.10	984.90	1,054.60	1,054.60
<b>E.</b>	<b>Bank Borrowings</b>		2,196.50	2,191.50	2,374.00	2,556.90	2,559.30	2,740.30	2,740.30

The working capital margin requirements of the Project are estimated at Rs. 984.30 Lacs. The same has been calculated by IMM by taking the average Margin Money requirement from the Financial Year 2008-2009 to the Financial Year 2013-2014. Further in 2013-2014 IMM has assumed no change in the working capital requirement as compared to Financial Year 2012-2013.

Of the total Bank Finance required initially 2196.50 lacs, NCL has been sanctioned working capital limit of Rs.1000 lacs by Standard Chartered Bank. Balance amount is yet to be tied up.

## 7. Contingency

Provision for contingency has been estimated at Rs. 879.40 Lacs being 10% on all hard costs.

## 8. Interest during Construction Period (IDC)

Interest during Construction (IDC) is considered only for 5 months for 2006-07 and is estimated at Rs 169.60 Lacs.

## II. PUBLIC ISSUE EXPENSES

The expenses of the issue include fees of the Brims, underwriting commission, selling commission, distribution expenses, statutory fees, fees to advisors, auditors, printing and stationary costs, registrar costs, advertisement expenses and listing fees payable to the stock exchanges among others. The total expenses for this public issue are estimated at Rs. [●] Lacs, which will be paid by our Company.

Sr No	Particulars	Amount (Rs in Lacs)
1	Fees to Book Running Lead Manager	[●]
2	Fees to Registrar to the Issue	[●]
3	Fees to Legal Advisors to the Issue	[●]
4	Fees to Auditors	[●]
5	Underwriting & Selling Commission	[●]
6	Printing and Stationary	[●]
7	Advertising Expenses	[●]
8	Other Expenses (including filing fees, listing fees, depository charges etc)	[●]
9	Contingencies	[●]
	Total	[●]

## DETAILS OF MEANS OF FINANCE

### I. BANK TERM LOAN TO NCL

SBI and SBH have sanctioned term loans aggregating Rs. 2,000 Lacs and Rs. 1,700 Lacs to Nitin Cylinders Ltd. vide their sanction letter dated October 27, 2006 and November 16, 2006, respectively.

The brief terms and conditions of term loans are mentioned hereunder:

A) As per means of finance, the rupee term loan requirement has been estimated at Rs. 2,000 Lacs, which has been sanctioned by State Bank of India, Mumbai vide sanction letter no. AGM/RM/SSV/4 dated October 27, 2006. The main terms of the said term loan sanctioned are as follows:

Security Primary: Hypothecation of Plant and Machinery and other assets purchased out of bank finance situated at Block H, Visakhapatnam Special Economic Zone, Duvvada, Andhra Pradesh.

#### Collateral :

- Extension of hypothecation charge of Plant and Machinery and other assets purchased out of bank finance situated at Block H, Visakhapatnam Special Economic Zone, Duvvada, Andhra Pradesh.
- Equitable mortgage of land and building and hypothecation of plant and machinery situated A-117, TTC Industrial Area, MIDC, Thane in the name of Nitin Fire Protection Industries Ltd.
- Equitable mortgage of office premises admeasuring 4,500 sq. ft at 501/502, Delta, Technology Street, Hiranandani Gardens, Powai, Mumbai in the name of Nitin Fire Protection Industries Ltd.

Guarantee: Personal Guarantee of Mr. Rahul N. Shah alias Sanghavi and Mr. Nitin M. Shah alias Sanghavi

Rate of Interest :At SBAR. Effective rate will be 11.00 % pa at monthly rests.

Margin : 39%

#### Negative Covenants

- An undertaking has to be furnished by the promoters that any change in NCL's capital structure in all cases of Term Loan whereby disinvestment by the promoters are prohibited.
- Any schemes for amalgamation or reconstruction shall not be formulated.
- Investment by way of Share Capital, lending, advanced funds or deposits shall not be done with any other concern.





- NCL shall not enter into any borrowing arrangement with any bank, financial institution or company or accept deposited apart from the arrangement indicated in the funds flow statement submitted to the Bank.
- Any guarantee obligation on behalf of any other company shall not be undertaken.
- NCL shall not create any charge, lien or encumbrances over its undertaking or any part thereof.
- No fixed assets charged to the Bank may be sold, assigned, mortgaged or disposed off.
- No transfer of the controlling interest or drastic change in the management shall be permitted.

B) As per means of finance, a term loan of Rs. 1,700 Lacs, has been sanctioned by State Bank of Hyderabad, vide sanction letter no. F/OSB/Nitin/1849 dated November 16, 2006. The main terms of the said term loan sanctioned are as follows:

Security Primary: Pari-Passu charge over plant and machinery and other assets of NCL proposed at Block -H, VSEZ, Duvvada, Andhra Pradesh along with State Bank of India

**Collateral:**

- Equitable mortgage of land and building and hypothecation of plant & machinery situated at A-117, TTC Industrial Area, MIDC, Thane standing in the name of M/s Nitin Fire Protection Industries Ltd. on pari passu basis with State Bank of India.
- Equitable mortgage of office premises measuring 4,500 sq. ft at 501/502, Delta, Technology Street, Hiranandani Gardens, Powai, Mumbai standing in the name of M/s Nitin Fire Protection Industries Ltd. on pari passu basis with State Bank of India.

**Guarantee:**

- Personal guarantee of Mr. Rahul N. Shah alias Sanghavi and Mr. Nitin M. Shah alias Sanghavi
- Corporate guarantee of M/s Nitin Fire Protection Industries Ltd. (TNW Rs. 1134 Lacs as on 31.03.2006)

**Rate of Interest :** 0.5% below SBH PLR i.e. 11% p.a at present with monthly rests in line with State bank of India against the applicable pricing of 1.50% above SBH PLR i.e. 13% for CRA rating of SBH TL-2. The rate of interest is subject to approval by Sub-PLR committee of the Bank.

Margin : 39%

**Negative Covenants**

- An undertaking has to be furnished by the promoters that any change in NCL's capital structure in all cases of Term Loan whereby disinvestment by the promoters are prohibited.
- Any schemes for amalgamation or reconstruction shall not be formulated.
- No new project shall be undertaken, further, no scheme for expansion or acquiring fixed assets would be implemented apart from the arrangement indicated in the funds flow statement submitted to the Bank.
- Investment by way of Share Capital, lending, advanced funds or deposits shall not be done with any other concern
- NCL shall not enter into any borrowing arrangement with any bank, financial institution or company or accept deposited apart from the arrangement indicated in the funds flow statement submitted to the Bank.
- Any guarantee obligation on behalf of any other company shall not be undertaken.
- NCL shall not create any charge, lien or encumbrances over its undertaking or any part thereof.
- No fixed assets charged to the Bank may be sold, assigned, mortgaged or disposed off.
- Further, optional covenants state that NCL shall offer the Bank the first right to first refusal basis at least prorata business relating to remittances, bills/cheques purchase, non fund based transactions including LC's and BG's forex transactions and any interest rate or currency hedging business contemplated.
- At a mutually acceptable formula, the Bank shall have the right to convert the debt into equity at a time felt appropriate by the Bank.

## II. RIGHTS ISSUE ON SEPTEMBER 28, 2006

We had issued 12,50,000 Equity Shares on September 28, 2006 of Rs. 10/- each on Rights basis in the ratio of 1:6 at a price of Rs. 50/- per equity share aggregating to Rs. 625.00 Lacs.

## III. INTERNAL ACCRUALS

We propose to deploy Rs. [●] Lacs from internal accruals of our Company. As on 31st March 2007, our Company has internal accruals of Rs. 1,146.30 Lacs.

## III. INITIAL PUBLIC OFFER

We propose to raise Rs. [●] Lacs by way of public issue of 33,90,000 Equity Shares of Rs. 10/- each of our company at a price of Rs. [●] in terms of this Red Herring Prospectus.

## IMPLEMENTATION SCHEDULE

### Phase I

	Start Date	Completion Date	Remarks
<b>Civil</b>			
Land Acquisition	August 2006	September 2006	Completed
Civil Construction and Electrification	September 2006	January 2007	Commenced
<b>Procurement</b>			
Place orders for long lead Equipments	June 2006	December 2006	Commenced
Receipt of Equipments and Items	November 2006	February 2007	Commenced
Installation of Equipment and items	January 2007	February 2007	-
<b>Erection and Commissioning</b>			
Commissioning & Production Trial Run	March 2007	March 2007	-
Obtaining Certification and Approvals	March 2007	March 2007	-
Production	April 2007		-

### Phase - II

	Start Date	Completion Date	Remarks
<b>Civil</b>			
Land Acquisition	August 2006	September 2006	Completed
Civil Construction and Electrification	April 2007	July 2007	-
<b>Procurement</b>			
Place orders for long lead Equipments	February 2007	June 2007	-
Receipt of Equipments and Items	May 2007	August 2007	-
Installation of Equipment and items	June 2007	August 2007	-
<b>Erection and Commissioning</b>			
Commissioning & Production Trial Run	September 2007	September 2007	-
Production	October 2007		-

There has been a delay in the implementation schedule of Phase I. The implementation of the project has been delayed due to non-availability of construction material and delay in obtaining power connection from Andhra Pradesh State Electricity Board. The revised implementation schedule is as follows:



## Phase I

	Start Date	Completion Date	Remarks
<b>Civil</b>			
Land Acquisition	August 2006	September 2006	Completed
Civil Construction and Electrification	September 2006	January 2007	Completed
<b>Procurement</b>			
Place orders for long lead Equipments	June 2006	December 2006	Completed
Receipt of Equipments and Items	November 2006	April 2007	Commenced
Installation of Equipment and items	March 2007	April 2007	-
<b>Erection and Commissioning</b>			
Commissioning & Production Trial Run	April 2007	April 2007	-
Obtaining Certification and Approvals	April 2007	April 2007	-
Production	May 2007		-

The above revision in the implementation schedule has been intimated to the State Bank of India and State Bank of Hyderabad vide NCL's letter dated 9th April 2007.

## FUNDS DEPLOYED BY OUR COMPANY

Our Statutory Auditors, M/s Tolia & Associates, Chartered Accountants, Mumbai have certified vide their letter dated 7th April 2007, that an amount of Rs. 1,425.58 Lacs has been incurred upto 31st March 2007 towards the objects of the Issue.

(Rs. in Lacs)

Particulars	Amount
Investment in Nitin Cylinders Limited (Wholly owned Subsidiary)	1,330.00
Amount spent towards Public Issue Expenses	95.58
<b>TOTAL</b>	<b>1,425.58</b>

The above mentioned investment and expenses has been funded from the following sources:

(Rs. in Lacs)

Particulars	Amount
Rights Issue of 12,50,000 Equity shares of Rs. 10 each at a premium of Rs. 40 per share	625.00
Preferential Allotment of 1,23,000 equity shares of Rs. 10 each at a premium of Rs. 150 per share	196.80
Internal Accruals	603.78
<b>Total</b>	<b>1,425.58</b>

## FUNDS DEPLOYED BY NITIN CYLINDERS LIMITED.

The Statutory Auditors, M/s Tolia & Associates, Chartered Accountants, Mumbai have certified vide their letter dated 7th April 2007 that an amount of Rs. 2,304.93 Lacs has been incurred by Nitin Cylinders Limited upto 31st March 2007 towards the objects of the Issue.

(Rs. in Lacs)

Particulars	Amount
Land Development	27.01
Building Construction	456.49
Plant and Machinery	1,318.87
Preliminary and Pre-Operative Expenses	364.89
Other Fixed Assets	49.67
Working Capital Margin	88.00
<b>Total</b>	<b>2,304.93</b>



The above mentioned expenses have been funded from the following sources:

(Rs. in Lacs)

Particulars	Amount
Issue of 50,000 Equity Shares of Rs. 10 each at par	5.00
Issue of 662,500 Equity Shares of Rs. 10 each at a premium of Rs. 190 per share	1,325.00
Term Loan from Banks	974.93
<b>Total</b>	<b>2,304.93</b>

#### PROPOSED DEPLOYMENT OF FUNDS OF NITIN FIRE PROTECTION INDUSTRIES LIMITED

(Rs. In Lacs)

Sr. No.	Description	Till March 31, 2007	From April 1, 2007 till September 30, 2007	Total
1	Investment in Nitin Cylinders Limited (Wholly owned subsidiary)	1,330.00	6778.23	8,108.23
2	Issue Expenses	95.58	[●]	[●]
	<b>Total</b>	<b>1,425.58</b>	<b>[●]</b>	<b>[●]</b>

#### PROPOSED DEPLOYMENT OF FUNDS OF NITIN CYLINDERS LIMITED

(Rs. In Lacs)

Sr. No.	Description	Till March 31, 2007	From April 1, 2007 till September 30, 2007	Total
1	Building Construction	456.49	2,253.91	2,710.40
2	Land Development	27.01	22.99	50.00
3	Preliminary and Pre-Operative Expenses	364.89	616.01	980.90
4	Plant and Machinery	1,318.87	4,531.46	5,850.33
5	Additional Working Capital margin	88.00	896.30	984.30
6	Other Miscellaneous Assets	49.67	133.63	183.30
7	Contingency	-	879.40	879.40
8	Interest During Construction	-	169.60	169.60
	<b>Total</b>	<b>2,304.93</b>	<b>9,503.30</b>	<b>11,808.23</b>

#### INTERIM USE OF FUNDS

Pending utilization we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market, mutual funds, deposit with banks for necessary duration. GILT edged securities and other 'AAA+' rated interest bearing securities as may be approved the Board of Directors or a Committee thereof. Such transactions would be at the prevailing commercial rates at the time of investment.

Our Company has not appointed any Monitoring Agency for monitoring the utilization of issue proceeds.

#### FEASIBILITY REPORT BY MOTT MACDONALD PRIVATE LIMITED (IMM)

Feasibility study of the proposed project was carried out by IMM for our Company.

Scope and Purpose of the Feasibility Study conducted by IMM:

The Scope of Work conducted by IMM is given below -

##### 1. Market Assessment

- Identify the key markets for the study product.



- Study the end use market pattern in the key markets Middle East, South Asia and few S.E. Asian nations.
- Estimate current market size of study products in the key markets
- Review trends in pricing, distribution network, packing requirements etc.
- Assess the existing demand-supply scenario.
- Identify demand drivers for the study products.
- Estimate the market size for the study products during 2006-11.
- Review the supply scenario, including impact of new capacity additions.
- Assess the future demand-supply scenario.
- SCOT for the company.
- Estimate the target markets and market size.

## **2. Technical Assessment**

- Assess the Plant & Machinery, land, utilities and manpower requirement for the Project.
- Identify and evaluate technology options and equipment providers
- Estimate the Project Cost
- Estimate the Operating Costs
- Suggest suitable plant and machinery, plant size
- Project phasing and structuring
- Site selection analysis and suggestions
- Raw material scenario analysis

## **3. Financial Assessment**

- Determine the Financial feasibility of the Project which includes break-even analysis, payback period, IRR, DSCR, cash flows, working capital requirement, debt equity structure etc.
- Sensitivity analysis for different scenarios
- Comment on the viability of the Project along with suitable risk mitigation measures.

## **1. Market of Assessment**

### **Demand**

The number of CNG NGV vehicles is growing steadily every year due to the following reasons:

- o Emissions from diesel vehicles leading to high particulate matter
- o Global and local fuel pricing (Gasoline and Diesel)
- o Availability of Natural Gas reserves across the globe
- o Governmental support in encouraging clean and cheaper alternative
- o Development of Gas supply infrastructure to enhance availability

The global demand for CNG cylinders for automotive applications is likely to grow at an average rate of about 20%. The key determinants of this demand are the rising oil prices, CNG infrastructure, Natural gas pricing policy against gasoline and increasing air pollution. The Asia Pacific region is the emerging market and is expected to drive demand for CNG cylinders for automotive application. Most countries in this region are currently meeting its demand through imports from established CNG markets, as there is little or no manufacturing activity. The European market is aiming for converting 10-15% of its vehicles on CNG by 2012-15 and this will be mainly in the trucks/bus segment.

India has been exporting cylinders and Indian quality and standards are well accepted in international markets.

## 2. Technical Assessment

### Technology Evaluation

New plant will manufacture CNG Cylinders in three sizes of 232, 279 and 356 diameters.

Based on the evaluation of alternate technologies the Consultants recommended the Hot Spinning technology for the Project. NCL will be using the Hot Spinning technology for the Proposed Project. The major factors favouring the Hot Spinning technology include -

- Offers better cost economy for smaller size of operations
- Easier technology absorption and highly skilled manpower is not required
- Project implementation is easier
- Ease in maintaining the plant
- Offers better process flexibility to handle wide range of products.

## 3. Financial Assessment

### Plant capacity

NCL intends to install facility to manufacture 5,00,000 numbers of high pressure cylinders per annum the configuration shown as below:

S.No.	Category	Cylinder Sizes	Capacity/Annum
1	CNG Cylinder- Small	232 Dia	1,00,000
2	CNG Cylinder- Medium	279 Dia	2,50,000
3	CNG Cylinder- Large	356 Dia	1,50,000

The SCOT Analysis as per the IMM report is as given below:

### Strength

- The promoters have experience in related business of fire extinguishers, fire protection and safety
- Eurotech Cylinders, a group company is one of the suppliers of CNG and industrial cylinders
- The proposed location is strategically located in VSEZ which is an ideal location to fast emerging markets such as Middle East and South East Asia which caters almost all of its demand through imports
- VSEZ offers various tax incentives such as duty free import for export purposes and tax exemptions
- Machinery and equipments proposed are from reputed and established suppliers.
- The company has properly planned for the implementation of the project and has built up a technical team of qualified and experienced professionals to manage the project and the plant operations on commencement
- Sound financial track record.

### Concerns

- Have to build brand image in emerging markets
- The company proposes to fund the second phase through IPO, the actual funds mobilised would depend on the investment scenario prevailing and IPO pricing

### Opportunities

- Favourable global demand-supply scenario.
- Proximity to growing markets like Iran, Egypt, UAE, Pakistan, South East Asia
- OEM tie ups in key target markets

### Threats

- Threat of new entrants
- Threat of backward / forward integration



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### **BASIC TERMS OF ISSUE**

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



## BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares offered by way of book building process and after considering the following qualitative and quantitative factors. The face value of the Equity Shares is Rs. 10 and the Issue Price is 17.1 times the face value at the lower end of the Price Band and 19 times the face value at the higher end of the Price Band.

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

### QUALITATIVE FACTORS

1. Our Promoters are qualified and have wide experience in our area of business. Mr. Nitin M. Shah alias Sanghavi, founder promoter of our Company is in the business of Fire fighting equipments for over three decades. For details of other promoters please refer chapter titled “Promoters and their Background” on page 99.
2. Our Company has executed projects for Government, Public and Private Sector undertakings. For details refer chapter titled “Our Business” on page 57.
3. During FY 03, our Company completed 2 major contracts from ONGC worth approximately Rs. 1900 Lacs for replacement of Ozone depletion systems. This global tender contract was awarded against stiff competition.
4. Our Company has an established track record of design, supply, erection and commissioning of Fire Protection Systems on a turnkey basis
5. Our products are well accepted by the customers like Reliance Industries Limited, ONGC, Maruti Udyog Limited, Bombay Stock Exchange Limited, National Stock Exchange of India Limited, National Stock Depository Limited, Hutch, Life Insurance Corporation of India, Tata Consultancy Services Limited, Credit Suisse First Boston.
6. We are ISO 9001-2000 certified for our Quality Management Systems.
7. We have entered into marketing related tie-ups with various international companies for their wide variety of products and services. For details refer paragraph titled “Our Tie-ups” in chapter titled “Our Business” on page 57.
8. We have our in-house Design and Development facilities

### QUANTITATIVE FACTORS

#### 1. Earnings per Share (EPS)

Year	Weight	Standalone EPS (Rs.)	Consolidated EPS (Rs.)*
31.03.05	1	2.19	2.19
31.03.06	2	4.08	13.30
31.03.07	3	3.62	12.23
Weighted Average		3.54	10.91

\* *All our wholly owned subsidiaries were acquired in the Financial Year 2005-2006. For the purpose of calculation of Weighted Average EPS, we have taken into account standalone numbers for FY 05.*

Note: Earnings per share (EPS) is calculated as per Accounting Standard (AS -20) - Earnings Per Share

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

Based on the results of March 31, 2007 EPS of Rs. 3.62 on standalone basis and Rs.12.23 on consolidated basis on Equity Share of face value of Rs.10 each, the P/E ratio is [●], and [●] respectively.

Based on weighted average EPS, of Rs. 3.54 for the past 3 years calculated on standalone basis, the P/E ratio is [●]

#### 3. Industry P/E Details:

There is no proper industry classification of the business, our company is engaged in. However the details of the nearest peer group companies are mentioned in point no.7 herein below.



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

Year	Weight	Standalone RONW %	Consolidated RONW %
31.03.05	1	12.85	12.85
31.03.06	2	17.81	41.72
31.03.07	3	14.08	29.22
Weighted Average		15.12	30.66

*\* All our wholly owned subsidiaries were acquired in the Financial Year 2005-2006. For the purpose of calculation of Weighted Average RONW, we have taken into account standalone numbers for FY 05.*

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

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

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

- a) NAV as on March 31, 2007 (standalone basis) Rs. 23.65
- b) NAV as on March 31, 2007 (consolidated basis) Rs. 38.52
- c) Issue Price [●]
- d) NAV after the Issue [●]

##### Note:

Net Asset Value per share = (Equity Share Capital + Reserves & Surplus, net of Revaluation Reserve - Miscellaneous Expenditure to the extent not written off) / Number of Equity shares outstanding at the end of year/period

#### 7. Comparison with Peer Group

Nitin Fire Protection Industries Ltd. is in the business of Fire protection and Security solutions, Building Automation Systems and manufacturing CNG Cascades with High Pressure Seamless Gas Cylinders. At present there is no listed Company operating in both these segments. However the following table provides peer comparison of the companies which are operating in one of the two different segments where we are operating. Therefore the peer comparison given below is of limited relevance.

Name of the Peer Group	Net Asset Value per share (Rs)	RONW %	P/E	EPS (Rs)
Nitin Fire Protection Industries Limited (Consolidated figures as on March 31, 2007)	38.52	29.22	[●]	12.23
<b>Peer Group</b>				
ZICOM (Fire protection and Security Solutions)	58.90	14.70	18.70	8.40
Everest Kanto Cylinders Limited (High pressure Seamless Cylinders)	124.20	35.10	30.00	26.50

Source: Capital Market, April 09 - 22, 2007; Volume XXII/03

- 8. The face value of Equity Shares of Nitin Fire Protection Industries Ltd is Rs. 10 /- and the issue price is [●] times of the face value. The Issue Price of Rs. [●] has been determined by our Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.
- 9. The BRLMs believe that the Issue Price of Rs. [●] per share is justified in view of the above qualitative and quantitative parameters. The investors may also want to pursue the Risk Factors and our financials as set out in the Auditors Report in the RHP to have a more informed view about the investment proposition

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## STATEMENT OF TAX BENEFITS

To,  
The Board of Directors,  
Nitin Fire Protection Industries Limited,  
501, Delta, Technology Street,  
Hiranandani Gardens,  
Mumbai 400 076

Dear Sirs,

Please refer to your letter dated March 15, 2006 requesting us to provide a certificate regarding benefits available to the company, its members under the Income Tax Act, 1961, the Wealth Tax Act, 1957, the Gift Tax Act, 1958 and the Special Economic Zones Act, 2005.

Additionally, on your request a certificate on the benefits available to Nitin Cylinders Limited, the wholly owned subsidiary of the Company, under the Special Economic Zones Act, 2005 is also provided.

I. It is hereby certified that under the current provisions of the Income Tax Act, 1961 and existing laws for the time being in force, the following benefits, inter-alia, are available to the company and its members.

**A. To the Company**

The Company will be entitled for the following tax benefits in computing the Taxable Income under the provisions of the Income Tax Act, 1961 (The Act):

1. Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible and intangible assets as specified in the said Section.
2. Under Section 35 of the Act, the Company is entitled to deduction of expenses on scientific research relating to its business including expenditure of a capital nature.
3. The company can carry forward and set-off the unabsorbed depreciation allowances, if any, against the income of future years. The company is also entitled to carry forward and set-off its unabsorbed business losses for a period up to eight subsequent years for set-off against its business income.
4. The company can carry forward the excess of tax paid under MAT (section 115JB) over and above the normal tax payable on its Total Income. The same can be carried forward and set-off in subsequent five years, subject to the stipulated limits.
5. By virtue of Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115 of the Act, are exempt from tax in the hands of the company. Income received in respect of amounts of Mutual Funds specified in section 10(23D) of the Act is exempt from tax in the hand of the Company under section 10(35)
6. Under Section 35D of the Act, the company will be entitled to a deduction equal to 1/5 of the expenditure of the nature specified in the said Section, including the expenditure on the proposed issue by way of amortization over a period of 5 years, subject to the stipulated limits.
7. Under Section 36 (1) (xiii) of the Act, the Company is entitled to claim deduction of Banking Cash Transaction Tax paid on Taxable Banking Transactions entered into by it.
8. In accordance with and to the conditions specified in Section 10B of the Act the company would be entitled for exemption of 100% of profits derived from 100% EOU.
9. As per the provisions of Section 112(1)(b) of the Act, long term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by Section 10(36) and 10(38), would be subject to tax @20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.



10. As per the provisions of Section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after October 1, 2004 and such sale is subject to Securities Transaction Tax.
11. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the Company would be entitled to exemption from tax on gains arising from transfer of the long term capital asset (not covered by section 10(36) and section 10(38)) if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.
12. The As per section 10AA of the I.T. Act, the Company is entitled to deduction of 100% of the profits and gains derived from export of manufactured or produced articles or things or any services from its unit set up in Special Economic Zone (SEZ) for a period of 5 consecutive assessment years beginning with the assessment year relevant to the previous year in which such unit begins to manufacture or produce such articles or things or provide services, as the case may be, and 50% of such profits and gains for further 5 consecutive assessment years. Further, for the next 5 consecutive assessment years, the Company is entitled to deduction of such amount not exceeding 50% of the profit as is debited to Profit & Loss Account of the previous year in respect of which the deduction is to be allowed and credited to a special reserve viz. "Special Economic Zone Reinvestment Reserve Account" to be created and utilised for the purpose of the business of the assessee in the manner laid down in section 10AA (2).

**B. To the members of the Company**

1. As per the provisions of Section 10(38) of the Act, income arising from transfer of long term capital assets, being an equity share in a company is exempt from tax, if the transaction of such sale has been entered into on or after October 1, 2004 and such transaction is chargeable to the securities transaction tax.
2. As per the provisions of Section 111A of the Act, short term capital gain arising from transfer of equity share in a company shall be chargeable to tax @10%, if the transaction of such sale has been entered into on or after October 1, 2004 and such transaction is chargeable to the securities transaction tax. However, where the income includes any such short term capital gain, it shall not be considered for deduction under Chapter VIA.
3. As per the provisions of Section 54F of the Act and subject to the conditions specified therein in the case of an individual or a Hindu Undivided Family (HUF), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax, if the entire net consideration received on such transfer is invested being the Shareholders of the Company within the prescribed period in a residential house. If part of such net consideration were invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
4. As per the provisions of Section 115AD of the Act and subject to the conditions specified therein, income received by Foreign Institutional Investor in respect of securities shall be taxed @ 20% and income by way of Long Term Capital Gains arising from the transfer of such securities shall be taxed @ 10%.
5. Section 10(34) provides that any income by way of dividends referred to in section 115 O i.e. dividend declared, distributed or paid by a domestic Company, on or after April 1, 2003 is exempt in the case of all categories of assesses.
6. As per the provisions of Section 112(1) (b) of the Act, long-term capital gains would be subject to tax @ 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by sections 10(36) and 10(38), would be subject to tax @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assesses.

7. As per the provisions of Section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of Income Tax equal to the Securities transaction tax paid on such transaction. However, the amount of rebate shall be limited to the amount arrived at by applying the average rate of Income Tax on such business income.
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by Sections 10(36) and 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said Section. Where the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.

9. Additional Benefits Available to Non-Resident Indians

Non-resident Indians have an option to be governed by the special provisions of Chapter XIIA of the Act according to which:

Under Section 115G of the Act, it shall not be necessary for the Non-resident Indian to furnish the return of income, under Section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of Chapter XVII B has been deducted from such income.

1. The benefit conferred on a Non-resident Indian assessee will be available even after the assessee becomes a resident if declaration in writing is filed along with the return of income under Section 139(1) of the Act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from foreign exchange asset vide Section 115H of the Act, until the Transfer or conversion (otherwise than by transfer) into money of such assets.
2. Under Section 115 I of the Act, a Non-resident India, if he elects by so declaring in the return of his income for that assessment year, not be governed by the above mentioned special provisions of Chapter XII-A, then he will be entitled to tax benefits available to resident individuals.

10. Benefits available to Mutual Funds

Under Section 10(23D) of the Act, all Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, Mutual Funds set up by Public Sector Bank or Public Financial Institutions, or authorized by the Reserve Bank of India and subject to such conditions as may be notified by the Central Government will be exempt from Income Tax on any income.

11. Benefits available to Foreign Institutional Investors (FII)

- a) In case of a shareholder being a Foreign Institutional Investor (FII), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the Act, tax on long term capital gain (not covered by Section 10(36) and 10(38)) will be 10% and on short term capital gain will be 30% as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case. However, short term capital gains on sale of Equity Shares of a company through a recognized stock exchange or a unit of an equity oriented mutual fund effected on or after 1st October, 2004 and subject to Securities transaction tax shall be taxed @ 10% as per the provisions of Section 111. It is to be noted that the benefits of Indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to FII.
- b) As per the provision of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.
- c) As per the provisions of Section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after October 1, 2004 and such sale is subject to Securities Transaction Tax.



- d) As per the provisions of Section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However, the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
- e) In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by Sections 10(36) and 10(38) arising on transfer of their shares in the company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified assets is transferred or converted in to money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.
- f) In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax (not covered by Sections 10(36) and 10(38) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

#### 12. Benefits available to Venture Capital Companies/Funds

In terms of Section 10(23FB) of the Act Venture capital Company/fund registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from Income Tax on their income, Investment in a venture capital undertaking.

### II. Benefits available under the Wealth Tax Act, 1957

The Shares held in a Company are not liable to Wealth Tax under the Wealth Tax Act, 1957.

### III. Benefits available under the Gift Tax Act, 1958

The Gift Tax Act, 1958 ceases to apply to gifts made on or after October 1, 1998. Gifts of shares of the Company would therefore, be exempt from Gift Tax.

### IV. Benefits available under the Special Economic Zones Act, 2005, ("SEZ Act")

The following key fiscal benefits shall be available to the Company under Special Economic Zones Act ("SEZ Act"). These benefits shall be available to the Company, subject to provisions of sections 26(2), 28 and 29 of the SEZ Act.

#### a) To the Company under the SEZ Act

1. As per the provisions of Section 26(1) (a) of SEZ Act, the Company can avail exemption from any duty of customs, under the Customs Act, 1962 or the Customs Tariff Act, 1975 or any other law for the time being in force, on goods imported into, or service provided in, a Special Economic Zone or a Unit, to carry on the authorised operations;
2. As per the provisions of Section 26(1) (b) of SEZ Act, the Company can avail exemption from any duty of customs, under the Customs Act, 1962 or the Customs Tariff Act, 1975 or any other law for the time being in force, on goods exported from, or services provided, from a Special Economic Zone or from a Unit, to any place outside India;
3. As per the provisions of Section 26(1) (c) of SEZ Act, the Company can avail exemption from any duty of excise, under the Central Excise Act, 1944 or the Central Excise Tariff Act, 1985 or any other law for the time being in force, on goods brought from Domestic Tariff Area to a Special Economic Zone or Unit, to carry on the authorised operations;
4. As per the provisions of Section 26(1) (d) of the SEZ Act, the company can avail drawback duty or such other benefits as may be admissible on goods brought or services provided from the domestic tariff area into a SEZ or unit by the service providers located outside India to carry on the authorised operations.



5. Section 26(1)(e) of the SEZ Act provides for exemption from service tax under Chapter-V of the Finance Act, 1994 on taxable services provided to the unit in SEZ to carry on the authorised operations in a Special Economic Zone;
6. Section 26(1)(g) of the SEZ Act provides for exemption from the levy of taxes on the sale or purchase of goods, other than newspapers, under the Central Sales Tax Act, 1956 for such goods are meant to carry on the authorised operations by the Company.

**b) To Non-Resident under the SEZ Act**

Section 26(1) (f) of the SEZ Act provides exemption from Securities Transaction Tax (STT) where the taxable securities transactions are entered into by a non-resident through the International Financial Services Centre.

**V. Benefits available to NITIN CYLINDERS LIMITED (hereinafter referred to as “NCL”), wholly owned subsidiary of the Company, under the Special Economic Zones Act, 2005, (“SEZ Act”)**

The following key fiscal benefits shall be available to NCL under Special Economic Zones Act (“SEZ Act”). These benefits shall be available to NCL, subject to provisions of sections 26(2), 28 and 29 of the SEZ Act.

1. As per the provisions of Section 26(1) (a) of SEZ Act, NCL can avail exemption from any duty of customs, under the Customs Act, 1962 or the Custom Tariff Act, 1975 or any other law for the time being in force, on goods imported into, or service provided in, a Special Economic Zone or a Unit, to carry on the authorised operations;
2. As per the provisions of Section 26(1) (b) of SEZ Act, NCL can avail exemption from any duty of customs, under the Customs Act, 1962 or the Customs Tariff Act, 1975 or any other law for the time being in force, on goods exported from, or services provided, from a Special Economic Zone or from a Unit, to any place outside India;
3. As per the provisions of Section 26(1) (c) of SEZ Act, NCL can avail exemption from any duty of excise, under the Central Excise Act, 1944 or the Central Excise Tariff Act, 1985 or any other law for the time being in force, on goods brought from Domestic Tariff Area to a Special Economic Zone or Unit, to carry on the authorised operations;
4. As per the provisions of Section 26(1) (d) of the SEZ Act, NCL can avail drawback duty or such other benefits as may be admissible on goods brought or services provided from the domestic tariff area into a SEZ or unit by the service providers located outside India to carry on the authorised operations.
5. Section 26(1)(e) of the SEZ Act provides for exemption from service tax under Chapter-V of the Finance Act, 1994 on taxable services provided to the unit in SEZ to carry on the authorised operations in a Special Economic Zone;
6. Section 26(1)(g) of the SEZ Act provides for exemption from the levy of taxes on the sale or purchase of goods, other than newspapers, under the Central Sales Tax Act, 1956 for such goods are meant to carry on the authorised operations by NCL.

**Notes:**

- a) All above benefits are as per the current tax law as amended by the Finance Act, 2006.
- b) The stated benefits will be available only to the sole/first named holder in case joint holders hold the shares.
- c) In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefit available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the Non-resident has fiscal domicile.

In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

**For Tolia & Associates**

Chartered Accountants

**Kiran P.Tolia**

Proprietor

Membership No. 43637

Mumbai

November 24, 2006





## SECTION IV: ABOUT US

### INDUSTRY OVERVIEW

#### A. FIRE PROTECTION, SAFETY, SECURITY, AND INTELLIGENT BUILDING MANAGEMENT SYSTEMS

##### Fire Protection

Fire protection is an activity that is important to human life and development. Fire leaves not only a large-scale destruction in its wake, but also causes loss of life. A majority of deaths during fires are not caused by the heat generated by the fire, but by the victim being overcome by the toxic smoke from the fire. This is because all fires, particularly in the industries and offices, produce potentially lethal gases like carbon monoxide. Besides, particular types of burning materials also produce their own unique hazards: e.g. burning wood and paper producing acrolein; burning polyurethane foam giving off cyanides and PVC creating hydrogen chloride gas. All fires create highly dangerous atmosphere and the longer the fire burns, the higher the concentration of these gases becomes. Therefore, the stress is not on putting out the fire after it rages on, but to detect it and suppress it at the incipient stage itself. As industrialization, modernization and automation caught on, the importance has shifted to fire detection and suppression. However, in India the fire protection market is dominated by a large number of unorganized players.

Depending on the intensity and damage potential fires have been divided into 5 classes and method of fighting a fire varies accordingly from one class to another.

*Class A Fires:* Fires involving solid combustible materials of organic nature such as wood, paper, rubber, plastics, etc., for which the cooling effect of water is essential for their extinction.

*Class B Fires:* Fires involving inflammable liquids or liquefiable solids or the like for putting out which a blanketing effect is essential.

*Class C Fires:* Fires involving inflammable gases under pressure including liquified gases, for containing which it is necessary to inhibit the burning gas at fast rate with an Inert Gasses, powder or vaporizing liquid.

*Class D fires:* Fires involving combustible metals, such as magnesium, aluminium, zinc, sodium, potassium, etc. they burn on a metal surface on at a very high temperature. Water should not be used on such fires as it may add to the intensity and cause the molten metal to splatter, which in turn will extend the fire. These fires require special media and techniques to extinguish.

*Class E Fires:* Where energised electrical equipment is involved in a fire, non-conductivity of the extinguishing media is of utmost importance, and while putting such fires out, only extinguishers expelling dry powder, carbon dioxide (without metal horn) or vaporizing liquids should be used. Once the electrical equipment is de-energized, extinguishers suitable for the class of fire involved can be used safely.

Over the years, fire extinguishers have evolved need-based. Types of fire extinguishers range from Water CO<sub>2</sub>, Soda Acid Fire Extinguishers for dealing with Class A fires, Foam Extinguishers for Class B fires, Dry Chemical Powder Extinguishers for Class B and Class C fires and extinguishers using HFC 227EA for Class D and Class E fires.

As per our estimates the market for fire extinguishing systems in India is approximately Rs. 50,000 Lacs in size.

##### **End-user sectors for Fire extinguishing systems in India**

Sector	Proportion
Information technology and banking	30%
Manufacturing	30%
Petrochemicals	15%
Other Commercial Establishments	10%
Others	15%
<b>Total</b>	<b>100%</b>

*Source: - Company Estimates*

Out of the above mentioned end-user industries; majority of our client base currently exists in Petrochemicals and Telecommunication. We are further trying to penetrate into other end-user areas as we have the required knowledge and expertise to cater to their demands.

Due to industrialization, modernization and automation, fire detection and suppression has gained more importance. Fire suppression systems can be broadly classified into two groups - Water-based Systems and Gas based systems.

#### Water-based systems

Type of system	Usage	Applicable areas
Hydrant Fire Protection System	Fire of huge proportions, in all classes of risks	Commercial Buildings, Industries, Power Plants, Refineries, Residential Apartments, Theatres and Telephone Exchanges
Sprinkler System	Designed to both detect and extinguish fire	Residence and Offices
High Velocity Water Spray System	Designed to extinguish oil fires	Commercial Buildings, Factories and Power Plants
Medium Velocity Water Spray System	Fire risks involving lighter oils/ LPG and Protection of vessels, plant / structures exposed to heat from adjacent and surrounding fires	Fires involving liquids with flash points below 32oC. In such cases medium velocity water sprayers giving medium water drop sizes are employed.
Interlocked Pre-action System	Designed for addressable fire detection.	Data centers, Hub rooms etc., where important documents or high value items are stored.
Foam Systems	Surface hydrocarbon fires, Polar solvents fires	Oil and solvent industries

#### Gaseous Suppression Systems

Type of system	Usage	Applicable areas
CO <sub>2</sub>	It is effective on Class B and C fires	Electronic equipment room, and all Ventilated rooms.
Inert Gasses	INERT GASSES system will extinguish surface burning fire in Class A, B, and C hazards by lowering the oxygen content below the level that supports combustion.	INERT GASSES system is particularly useful for Suppressing fires in hazards where an electrically non-conductive medium is essential or desirable; where clean-up of other agents present a problem; or where the hazard is normally occupied and requires anon-toxic agent.
HFC 227EA	HFC 227EA is effective for class A, B and C fires.	HFC 227EA is the appropriate choice in applications where liquid extinguishants, water-based or dry chemical products can cause costly damage or result in considerable and expensive downtime. Because of its zero conductivity, this includes electrical, communications and data processing equipment and plant or machinery.

Source: - Company

#### Security Solutions

Traditionally, security meant lock and key, mechanical security devices, security fence or security guard. This has now evolved to modern systems using active beams, microwave detectors, CCTV and more. The integration of modern electronics, computer systems and medical research has brought in diverse and complex electronic security systems combining best of these technologies. Today security systems investment decisions are driven more by comfort, safety and protection of life, wealth and property.

The electronic security systems industry consists of entities engaged in selling, installing, and maintaining security systems, and providing security monitoring services, which can broadly be divided into organized and unorganized sector players. The organized sector players have been successful to cater to the security needs, by introducing new and innovative solutions, while the unorganized sector players are satisfying the demands in terms of standalone products. The unorganized sector focuses on low-priced basic products and mainly caters to the lower segment of the market. For small size manufacturers, production is possible with low levels of overhead costs. The major companies engaged in producing security equipment include Godrej & Boyce, Steelage, Zicom, IPSS, Philips, Caddx Controls, Keltron, and Bergen. Many Indian companies have collaborated with foreign manufacturers and are marketing foreign products in India.



The global electronic security industry is estimated at US \$60 billion and is growing at 9% annually. However, the Indian electronic security industry, according to industry some experts is valued at Rs. 700 crores and has been consistently recording annual growth of about 25% over the last few years.

*Source: - Extracts from Safety and Security Equipment in India Report, March 2004, [www.internationalbusinessstrategies.com](http://www.internationalbusinessstrategies.com) & Company Data/Estimates*

Domestic production constitutes about 40 percent of total market sales in the country. The industry growth is propelled by the boost in the infrastructure related projects, inflow of FDI funds and mobilization of funds through IPOs by various real estate companies and strong resurgence witnessed in the development of the Indian economy.

### **Opportunities, Threat and Outlook**

India, being accepted as destination for outsourcing across all sectors, has driven the growth in retail, banking, housing, infrastructure, telecom, pharmaceuticals, entertainment, power, IT, and ITES sectors.

Growth in aforesaid sectors having larger application of security systems has led to increased market for electronic security systems and services in India. Some of the business verticals which have shown good growth are IT, ITES, BPOs, and banking sectors. The rapid proliferation of malls and multiplexes, in India as well as growth in the manufacturing segment, particularly pharmaceuticals and automotive industries has created growth opportunities. Corporates, PSUs like power, railways, traffic police, have earmarked funds, to invest on security requirements for authorized access, electronic surveillance and tracking systems for maintaining law and order and crowd management. The government policies of setting up SEZs will also prove very conducive for the security solutions business with enormous business potential. Increased consciousness about security and growing awareness about security products will continue to accelerate the demand in the industry.

The home electronic security industry in India is still at a nascent stage. The need for security has been latent so far amongst the consumers. With the rising circumstances there has been a positive shift in the perception of people towards the need of security systems. Off late we have witnessed this latent need for security converting into a basic necessity.

It is predicted that the safety and security equipment industry will experience strong future demand. Reasons for this expectation include, but are not limited to the following:

- India's increasing population and accelerated growth in the Indian economy;
- The expected growth in hotels, banks and other commercial facilities that require security equipment;
- Increased usage in security solutions propelled by expansion and new investment initiatives both in the government and private sectors
- Strong emergence of high growth verticals like Malls, multiplexes, retail chains, manufacturing plants, IT, and BPOs.
- Increased demand stemming from the home and retail segment primarily due to growth of nucleus families, emergence of premium residential complex, and retail boom in metro and mini metros.

### **Intelligent Building Management Systems (IBMS)**

Fire protection, security and building automation is a booming business in India, and will continue to remain so for a long time, given the rapid globalization of our economy, the need and therefore the strong focus from government and private sector on the Building / Real Estate infrastructure.

Intelligent Building Automation Systems are being used in more and more commercial buildings such as malls, offices today, to achieve efficiency and Cost savings.

Through IBMS, Various utilities in a building, such as climate control, Chillers, Cooling towers, Air Handling units, DG Sets, Electrical Management Systems, UPS, DG Sets, Water Management, Lifts and Elevators, Boilers or hot water generators, Security Systems and Fire Protection systems, talk to each other on a single unified platform. Through IBMS, these various utilities communicate with each other, thus automating the building.

The advantages of IBMS are:

- reduces dependency on human factor, thereby ensuring no lapses,
- cost savings due to minimal wastage of energy;
- more secure and safe buildings.

The IBMS industry on the whole poses a business revenue potential of approx 800 crores.

The major players in this market in India are:-

- Siemens Building Technologies
- Honeywell India Pvt. Ltd.
- Johnson Controls India Pvt. Ltd.
- DATS India Pvt. Ltd.
- Race Technologies Pvt Ltd.

#### **New Malls under Construction**

As per our estimates there are about 360 malls are under construction in various cities and towns. Out of these about 225 are being constructed in top seven cities and balance are being constructed in 50 small cities. These malls are expected to be completed by year 2008. All these malls will be an opportunity for the companies in the business of Intelligent Building Management Systems

#### **B. HIGH PRESSURE SEAMLESS CYLINDERS AND REFUELLING SYSTEMS**

Traditionally, world over high-pressure cylinder-manufacturing units were catering only to the industrial, medical, fire-fighting and beverages segment. However, with the advent of CNG as an alternative eco-friendly automotive fuel, an altogether new segment has opened up. Due to these developments, the auto sector is now the major demand driver for the high-pressure cylinder manufacturing units of CNG cylinders. More than 10 million vehicles all over the world running on CNG carry CNG cylinders for storage of gas. (Source: IANGV statistics) The conventional segments have also been generating substantial demand for the cylinders, backed by the current industrial resurgence and new industrial units.

The industry in the recent past in India, has been witnessing fair growth volumes based on surging demand for CNG cylinders. The Hon'ble Supreme Court's decision mandating use of CNG as auto fuels by heavy vehicles in New Delhi created demand for such cylinders by both the OEMs and the retrofitters (conversion agents). Buoyed by the success of this measure, as witnessed in a considerable drop in the pollution levels of New Delhi, the Hon'ble Supreme Court has issued directives to various state governments about 28 highly polluted cities in India to switch to clean fuels including Agra, Lucknow, Jharia, Kanpur, Varanasi, Faridabad, Patna, Jodhpur and Pune. This decision itself is expected to generate substantial demand for CNG cylinders in India. Besides, increasing use of CNG as auto fuel by neighboring gas rich countries like Iran, Pakistan, Malaysia, Bangladesh etc has opened up export markets for Indian companies.

#### **Gas Cylinders - Introduction**

High-pressure gas cylinders contain gases and mixtures of gases stored under pressure in cylinders. Gas cylinders are primarily defined by five main characteristics:

- **Type of gas handled**

Different gases have different physical and chemical properties, which necessitates different handling conditions. This result in requirement of different types of cylinders, each exclusively used for a particular type of gas. Oxygen, Nitrogen, Chlorine, Carbon di-oxide, Helium, Chlorine and NG are some of the common gases being transported by cylinders.

- **State of gas**

In order to minimize the cost of transportation, the gases are compressed or liquefied so that their mass to volume ratio increases. The decision to compress or liquefy is determined by the physical properties of gas and related commercial issues.

- **Cylinder Size**

Cylinders are manufactured in various sizes, depending on the requirement of end-users. Larger cylinders are preferred for bulk consumption, while smaller cylinders are preferred for specialised consumption. Further, wherever, the cylinders form a part of equipment, technical parameters like availability of space determine the size of the cylinder.

Cylinders come in various sizes from 2 litres up to 3000 litres water capacity.

- **Cylinder Type**

Cylinders are of the following types:

Type I - All metal cylinder made of carbon or light steel.

Type II - A cylinder with metal liner made of steel or aluminum and hoop-wound (e-glass or carbon fibre) filament over wrap in a resin matrix.

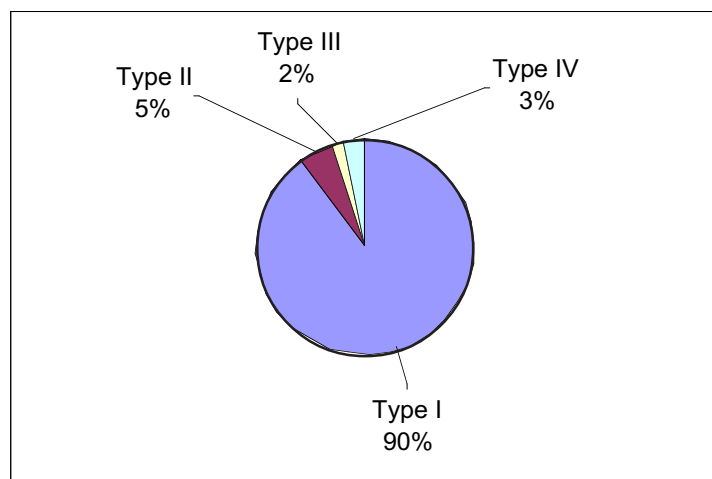
Type III - A cylinder with a thin metal liner of steel or aluminum with a fully wound (e-glass or carbon fiber) filament over wrap in a resin matrix

Type IV- Similar to Type III with a linear made of non metallic (all composite) material with a fully wound (e-glass or carbon fiber) filament over wrap

Most parts of North America and Europe still use full steel CNG cylinder. However the trend to use lighter composite cylinders is increasing with better product innovations. Most natural gas vehicles in Asia utilize heavy steel cylinders for CNG storage.

The following figure shows the world demand for CNG Cylinders by Type.

#### CNG Cylinders by Type



Source: International Gas Union. IMM Report

#### ● Material of Construction

Depending on the operating condition and type of gas handled, the material of construction for cylinders is determined. Aluminium, Steel, Light Alloy, Composite are some of the common materials used in manufacturing cylinder.

#### Applications:

Gas cylinders are used for storage and transportation of various gases, which have vast applications in industry. In addition, many different mixtures of these and other gases are provided to meet the needs of specific applications. Some of the industries using gases under high pressure in cylinders are as follows.

#### Healthcare Industry:

Main use of cylinders here is in life saving applications for the supply of oxygen as a respiratory aid. Traditionally oxygen has been supplied through larger cylinders, where patients are confined to hospital institutions. However today, oxygen lightweight cylinders enable patients to return to their own homes.

Nitrogen is used in the medical industry for cryopreservation of biological samples as well as cryosurgical treatments. Highly pure gaseous nitrogen is used as a carrier gas or used with analytical equipment. Cylinders transport gaseous nitrogen. Nitrous oxide is scientifically used as an anaesthetic in clinical dentistry and medicine.

Other gases, such as helium, are used in sophisticated techniques such as MRI (magnetic resonance imaging), keyhole surgery and PET (positron emission tomography). Carbon dioxide is employed in bath therapy and for cryosurgery, and nitric oxide for patients with pulmonary failure.

#### Food & Beverage Industry

The improvements in food safety and quality have been achieved using industrial gases. Liquid nitrogen and carbon dioxide are used in high quality product freezing. These gases are also used to maintain accurate lower temperatures for food distribution. Gas mixtures preserve the freshness of packaged meat, seafood, ready to use vegetables, cakes, etc. Gas mixtures extend the

storage life of fresh fruit. Carbon dioxide is very important in the beverage industry (mineral water, soft drinks, beer and wine) for carbonation and with nitrogen for bottling processes and as Inert Gasses. Nitrogen is used to inflate packages of snack food to prevent damage and preserve freshness.

### **Fire Fighting Industry**

Fire extinguishers mainly portable fire fighting equipments are widely used as a first aid fire fighting equipment. They are divided into five classes, based on different classes of fires. Types of fires: The A, B, C, D, E classifications describe a fire's fuel - i.e. what's burning. Please refer page no. 47 for details on classes of fire. When the classifications are used for rating fire extinguishers, they tell you what classes of fire the unit should or should not be used on.

Depending on the class of extinguishers, cylinders can be filled with water and pressurized with oxygen, foam or powder and pressurized with nitrogen, sodium bicarbonate or potassium bicarbonate, monoammonium phosphate and highly pressurised carbon dioxide.

### **Welding Applications**

Cutting and welding are long established techniques using the gases acetylene, propane, mixtures of fuel gases and oxygen. For MIG (metal Inert Gasses) welding, argon, helium, carbon dioxide and oxygen and mixtures of these are used. TIG (tungsten Inert Gasses) welding uses argon and helium and, occasionally, hydrogen.

### **Automobile Sector:**

Compressed Natural Gas (CNG), is being used the world over as an alternative fuel for automobiles. Natural gas can be used to fuel almost any kind of vehicle - motorcycles and three wheelers, cars, vans & pickups, lift trucks, buses, trucks, trains, boats, even aircraft. Hydrogen as an alternate fuel is also being tested by some automakers, however this is in its infancy compared to the commercial acceptability of CNG.

The availability of vehicles or conversion equipment varies greatly from country to country depending on local conditions. While over three million vehicles, including buses, cars, taxis, three-wheeler auto rickshaws, forklifts are already estimated to be running on CNG worldwide, several countries including India are fast using CNG as an environment friendly alternative fuel for automobiles.

Attempts are being made to introduce CNG for motorcycles; as well though it may take time for prototype testing and commercial acceptability. Three wheelers, being more stable and having more space, are well suited for CNG and are used extensively in Thailand, India, Bangladesh and other mostly Asian countries. CNG can be used in any car engine, ideal applications are taxicabs or any other vehicle that does higher than average mileage. Vans and pickups are well suited for CNG, mainly because they usually have plenty of space for fuel storage and often cover high mileage. Urban buses are one of the most popular uses for natural gas, usually utilizing CNG but occasionally using liquefied natural gas (LNG). Nitrogen dioxide stored in cylinder is occasionally injected into the fuel lines of racing cars to give more power to the engine and to give the car exceptional acceleration.

### **Others**

**Chemical Industry:** The chemical industry employs all major industrial gases as a raw material or for use as an Inert Gasses. Nitrogen and Argon are the two widely used gases.

**Gases for Breathing:** Divers, who operate at depths of 300 m and more, depend on oxygen / helium - mixtures as a breathing gas. Oxygen is also used in high altitudes by mountaineers and in airplanes in case of cabin pressure loss for both pilots and passengers at 5,000 metre plus altitudes.

**Energy Industry:** Cylinders are used for bulk storage and transportation of various gases like sulphur hexafluoride (SF<sub>6</sub>). SF<sub>6</sub> is an excellent insulating gas and gaseous dielectric within the electric utility industry. It is commonly found in high-voltage power applications and is used extensively in circuit breakers and in switchgears. It is also used in linear accelerators, high-voltage transformers, switches, capacitors and coaxial cables.

**Metallurgy:** Large quantities of oxygen, nitrogen and argon are used in the steel and metal industry. Oxygen is used as a booster and reaction medium for combustion processes for steel and cast iron, to reduce dust emissions and pollutants in flue gases. Argon is used as an Inert Gasses for cleaning, homogenising and degassing in steel production and nitrogen and argon as Inert Gasses in the non-ferrous metal industry. Reactive gases produce special metallurgical effects.





## Major Players

On a global level gas cylinder industry is dominated by a few global companies like Worthington (Austria), Luxfer (UK, USA, Australia), Faber (Italy), Inflex (Argentina), NK (Korea), Dynetek (Canada), Beijing Tianhai Industry Company (China), Mannesman Cylinder Systems Limited (Germany), Argentoil (Argentina), Cilbras (Brazil) and Everest Kanto Cylinders (India).

## Projected Demand-Supply Scenario

### CNG Cylinders

#### Demand

The demand for CNG is expected to grow at an average annual growth rate of about 19.0 %. The detail regional market share and growth rate is given in the table below

#### Projected Growth in NGVs

Region	Current Market Share (%)	Expected Growth (%)
America	56%	17.0%
Europe	26%	17.0%
Asia Pacific	14%	26.0%
Middle East/Africa	4%	16.0%
<b>Total</b>	<b>100.00%</b>	<b>19.0%</b>

Source: IMM analysis

According to IANGV the number of vehicles in the world on Natural Gas is expected to be about 10 million vehicles by 2011 from the present 5 million NGVs.

The major markets for CNG cylinders have been the America's and Europe. Countries such as Argentina and Brazil have a successful CNG NGV program. The emerging regions are in Asia Pacific, Middle East and Africa. Most of the countries in the South Asian and South East Asian region are exploring Natural Gas as an alternate fuel to reduce oil import bills, provide alternate and cheaper fuel and also to reduce pollution. It is noted that countries such as Iran and Pakistan have abundant Natural Gas reserves, low oil base and have heavy pollution levels and hence the governments there are promoting cleaner fuels thereby driving the demand for CNG cylinders.

#### Supply

The major markets such as America's and Europe have been successful in their CNG programs and also have a strong industry to supply CNG cylinders. It is to be noted that manufacturers in this region have been catering to the needs of their domestic market as well as the emerging markets through exports. Most of the cylinders imported by the emerging markets are from these established markets.

At present there are no new capacity additions in the CNG cylinders except for a few units in South Asia. However Consultants believe that there will be some Greenfield projects in near future to cater to the growing demand. These capacities are likely to come up in developing economies like India, China. These locations will have following key advantages:

Proximity to emerging demand regions

Availability of skilled manpower at comparatively lower costs

#### Demand-Supply Gap

The world demand growth for CNG NGVs is estimated to grow at about 20% CAGR. Most of this growth will be in the emerging markets. The emerging markets of Iran, Pakistan, Bangladesh, Egypt, Myanmar and South East Asian nations, most of the GCC states have embarked on CNG NGV programs as a cost effective and clean fuel. Import of CNG cylinders and kits are exempt from duties and taxes. These nations do not have any manufacturing facility and are catering to their growing demand through imports from regions such as Europe, South America and India. Moreover there are no announced capacities in these regions and the region is likely to remain net importer.

#### Regional Assessment

##### Asia Pacific

This is one of the fastest growing regions in the World. Countries like India and China are the two major economies in this region. Both these countries are witnessing economic growth and have plans for CNG proliferation. Moreover vehicle



manufacturers (OEMs) are of late introducing bi fuel vehicles. Pakistan is another major CNG vehicle market. It is noted that the region has adequate NG and limited Crude Oil reserves. The increasing Crude Oil prices have forced the economies in this region to change their energy portfolio and focus more on Natural Gas. The other countries, which have begun CNG programs, include Thailand, Bangladesh, Myanmar, Malaysia, Indonesia etc. Passenger vehicles account for about 80% of the total demand for CNG cylinders especially in Asian countries.

This region offers significant potential for CNG-NGV cylinder manufacturers. However, absence of CNG distribution infrastructure can be a major bottleneck in the growth of CNG-NGV cylinders market. The South Asian region does not have any manufacturer except India, which requires capacities to meet its domestic requirement and key export markets.

The Consultants estimate that the demand for CNG-NGV cylinders in this region would increase at an average annual rate of about 26% during 2006-14. The demand will come from both conversions of existing vehicles into CNG vehicles and additional sale of CNG vehicle.

#### **North & South America**

USA and Canada are the largest economies in the region. Countries like Argentina, Brazil and Mexico represent the developing economies in the region. It is noted that the demand for NG in the region is already witnessing a major surge, with countries decreasing their dependence on costlier Crude Oil. Availability of infrastructure for distribution of NG will enable rapid growth in demand for CNG-NGV cylinders in Argentina, Brazil, Canada and USA.

The Consultants (IMM) estimated that the demand for CNG-NGV cylinders in this region would increase at an annual rate of about 17% during 2006-11.

#### **Europe**

Europe is the third largest market for NGV's in the world accounting for about 26% of the total world demand. Italy is the largest market in this region followed by Germany, Ireland, France and Sweden. The other member countries do not have a significant NGV fleet. European Commission has set an indicative target by which NGV s will represent 15% of transport energy consumption by 2010. Most of the conversions will be in the heavy vehicles segment i.e. HCVs, LCVs and Buses.

#### **Middle East & Africa**

The Middle East currently accounts for about 4% of NGV's. The region is surplus in Natural Gas reserves. Among the countries that have ambitious plans to convert to CNG include Egypt and Iran, which plans to have 1.5 million CNG vehicles by 2010. The UAE is also building necessary infrastructure for CNG and plans to promote CNG in a big way. Currently all the demand for CNG cylinders is met with imports from countries such as Korea, India, Italy, Argentina etc. The overall growth in this region is expected to be about 16%.

#### **Domestic**

##### **Projected Demand**

Demand for CNG cylinders will be driven by the conversion of existing petrol & diesel vehicles to CNG cylinders. The other demand will be from the new vehicles in select cities such as Delhi, Mumbai and other 11 cities which are making it mandatory for vehicles to switch over to CNG from diesel / petrol that they may be using presently. The Consultants believe that the demand for CNG cylinders will grow at an average rate of about 25% during year 2006-2015.

##### **Projected Supply**

The total domestic installed capacity of CNG NGV cylinders stood at about 0.5 million per annum during 2006. The actual production is estimated to be 0.175 as explained above. However, it is to be noted that additional capacities are likely to come up in near future.

##### **Domestic CNG-NGV Cylinder Installed Capacities**

(Units in Lacs)

<b>Region</b>	<b>2006</b>
Everest Kanto Cylinders Limited	3.0
Rama Cylinders	2.0
<b>Total</b>	<b>5.0</b>

Source: IMM Analysis



### Projected Demand-Supply Gap

The table below indicates the domestic demand-supply scenario during 2006-15. The Consultants envisage that the average capacity utilisation achievable by CNG-NGV manufacturers will be approximately 55% of installed capacity.

#### Projected Domestic Demand Supply Gap

(in Million)

Year	Demand	Supply	Gap
2007-08	0.32	0.175	0.14
2008-09	0.39	0.175	0.22
2009-10	0.49	0.175	0.31
2010-11	0.60	0.175	0.43
2011-12	0.74	0.175	0.56
2012-13	0.90	0.175	0.72

Source: IMM Analysis

As is seen from the table above, the domestic market will witness a demand of about 0.14 million cylinders in the year 2007. The Consultants have considered that growth of CNG vehicles during 2006-12 would continue at the rate of about 25% indicating need for additional capacities.

### Industrial Cylinders

#### Demand

The key driver for demand for industrial gas cylinders is the demand for industrial gases. The packaged industrial gases segment is estimated to grow at about 5-6% during 2006-2012. Thus the demand for cylinders will also follow the same trend and the demand for high-pressure cylinder will also grow at about 5%. The high-pressure cylinders include gas cylinders for industrial application as well as CNG cylinders.

#### Projected Demand- Industrial Cylinders

In Million

	2007	2008	2009	2010	2011	2012
Cylinders in Circulation	463	486	511	536	563	591
New Cylinders Addition	23	24	26	27	28	30
High Pressure- CNG Cylinders	1.5	1.5	1.5	1.5	1.5	1.5
High Pressure -Industrial Gas Cylinders	21.7	22.8	24	25.3	26.6	28
Total Industrial Cylinder Market Potential for Project	1.08	1.14	1.20	1.27	1.33	1.40

Source: ISO, IMM analysis

Cylinder gas sales and hence the demand for cylinder are strongly linked to the relative manufacturing growth for each country. This will be impacted by companies moving manufacturing from high cost economies to lower cost economies. Thus trade pattern will also flow from declining manufacturing markets to growing manufacturing markets.

#### Supply

Most of the global capacity is concentrated in traditional markets in the developed world, while the emerging markets are import dependent. The key manufacturing base outside the developed markets are in India and China. The growing markets entire demand of GCC, Iran and Egypt is fully catered through imports, as there is no local production. South East Asian regions such as Myanmar, Malaysia, Thailand, Indonesia etc are catering to their demand through imports due to absence of any domestic or regional production base. There have been no official announcements of new capacities, however new capacities can be expected in the near future to cater to the demand.

## Demand Supply Gap

There are about 200 manufacturers of which 20 are large sized multi location companies, which can cater to the world demand for industrial cylinders. However demand supply imbalances will continue to remain within regions and this gap will be met through imports. The entire Middle East region will continue to witness growth in demand for industrial cylinders due to increased economic activity and almost all of the demand will be met through imports.

Source : Feasibility Report on High Pressure Cylinders by IMM

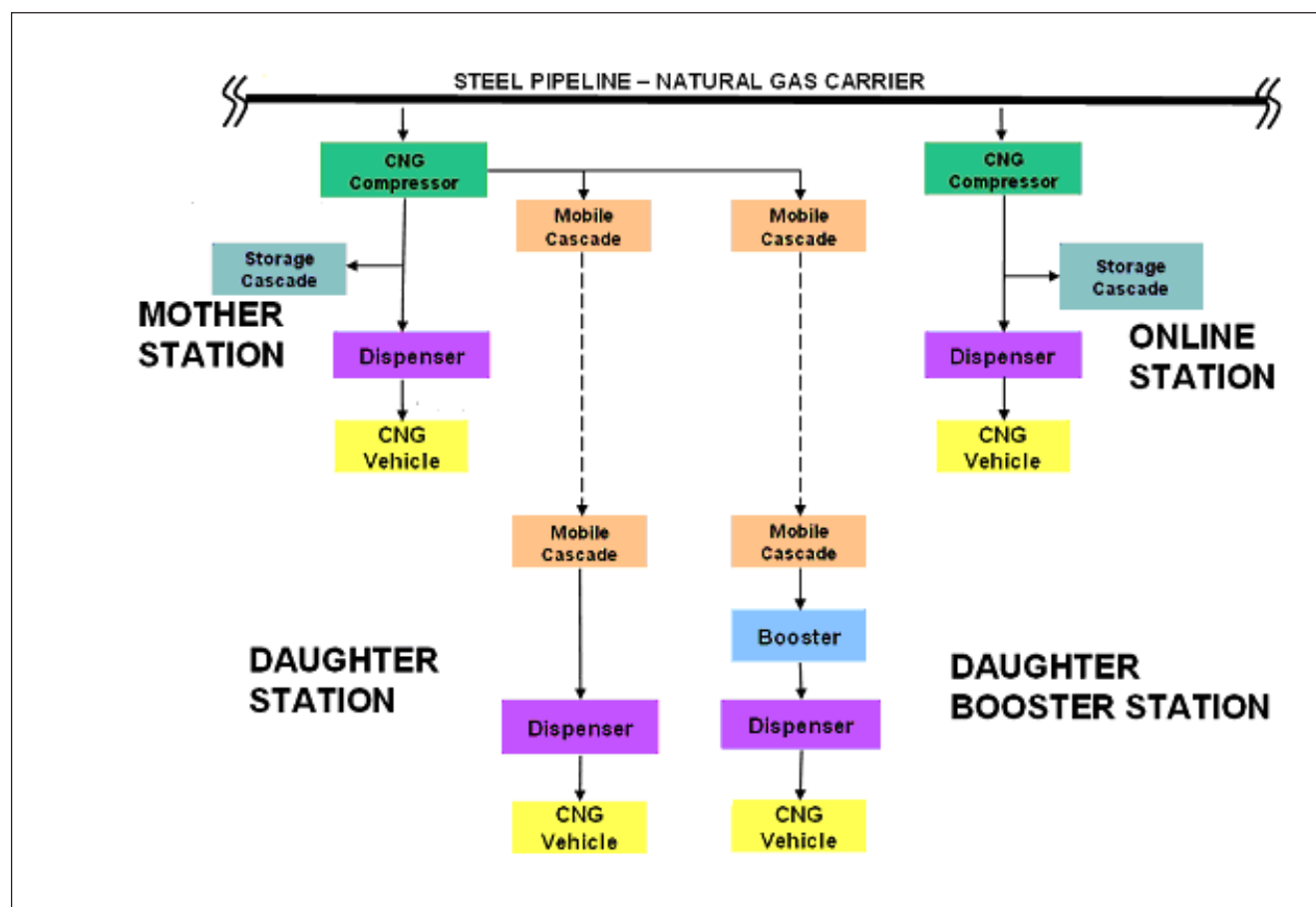
## Fuelling systems: CNG CASCADES

CNG Cascades are fabricated steel frames containing High Pressure Seamless Steel Gas Cylinders connected through pipes and pressure control valves. In off-line gas stations, the movable CNG Cascades are used for transportation of gas from mother stations to daughter stations. In the online stations, the storage cascades are used to facilitate faster dispensing of CNG to the vehicles. High Pressure Seamless Steel Cylinders are an important part of a CNG Cascade - both cost-wise as well as functionally.

The other two important elements in the CNG value chain are CNG Dispensers and CNG Compressors.

Compressed Natural gas dispenser is a primary point of customer interface at a vehicle fueling station. While Compressors are the heart of the every CNG refueling station.

## VALUE CHAIN OF CNG





## OUR BUSINESS

### Background / Overview:

Our Company, promoted by Mr. Nitin M. Shah alias Sanghavi, was incorporated on September 4, 1995 as a Public Limited Company. Our registered office is located in Mumbai, and we have two Manufacturing cum warehousing units situated at T.T.C. Industrial Area, Vashi and MIDC, Taloja, Near Mumbai. We also have a system design & service center in Mumbai.

We are an established player in this market for more than a decade. Starting from the basic level fire extinguishers to the sophisticated gas based suppression systems for 'mission critical' areas, we provide a wide and diverse range of product and services, through tie-ups with overseas manufacturers and design innovators. Our company is managed by professionals having experience in Fire Protection and Security solutions and Refuelling systems.

### Business of our Company

Our business is broadly focused in two areas (i) Fire Protection, Safety and Security, including Intelligent Building management systems and (ii) High Pressure Seamless Cylinders and Refuelling Systems.

**Fire Protection, Safety and Security including Intelligent Building Management Systems:** We are an end-to-end solutions provider for fire protection, safety and security, with capabilities in manufacturing, designing, engineering, commissioning and maintenance. Our specific areas of operation are: Fire Protection (gas and water based), Fire Detection and Alarm, Building Automation and Security. The business is being done in three companies and one partnership concern: Nitin Fire Protection Industries Limited, Alert-Fire Protection Systems Private Limited, Logicon Building Systems Private Limited and Eurotech Corporation. NITIE is our established brand within the fire protection business.

**High Pressure Seamless Cylinders & Re-fueling systems:** Our Subsidiary company, Eurotech Cylinders Private Limited, is an established player in the domestic market for high pressure seamless cylinders for which the demand from industrial and CNG applications is growing. ECPL gets these cylinders contract manufactured as per its specifications. Presently, in the domestic market these cylinders are sold under the brand EURO.

We also make CNG cascades which are used for transportation of CNG gases to CNG stations.

We have also floated Nitin Cylinders Limited, a wholly owned subsidiary, for setting up manufacturing unit of High Pressure Seamless Cylinders at VSEZ, primarily for the purpose of exports.

To further benefit from the evolving market for CNG applications, Nitin Cylinders Limited also intends to make and sell Fuel dispensers for which it has entered into a Memorandum of Understanding for the technology transfer with Kraus Global Inc., Canada and for the supply of Kraus Global Inc.'s proprietary products in India, Bangladesh and UAE.

The group structure activity-wise is as given below

	Entity	Relationship with the Issuer	Activity	Business activity
	Nitin Fire Protection Industries Limited	Self	Fire Protection, Cascades.,	We make fire-fighting equipment (gas based and water based fire extinguishers) under the brand name "NITIE", and also provide turnkey solutions including procurement, designing, system integration, commissioning, and installation of safety and security solutions. We are also in the business of manufacturing CNG Cascades.
a	Alert-Fire Protection Systems Private Limited	Wholly owned subsidiary	Fire and Smoke Detection	Alert exclusively distributes in India, fire detection products from U.K. based Apollo Fire Detectors, optical beam smoke detectors from Fire Fighting Enterprise U.K., both Halma Group Companies (listed on London Stock Exchange). Alert also provides customized fire detection products and technical support.
b	Eurotech Corporation (Partnership Concern)	95% partner	Fire Extinguishers	It is in the business of manufacturing of fire extinguishers. The unit is located in Parwanoo, Himachal Pradesh, to avail of tax benefits.

	Entity	Relationship with the Issuer	Activity	Business activity
d	Logicon Building Systems Private Limited	Wholly owned subsidiary	Building Automation	Logicon undertakes turnkey contracts for intelligent building management systems, clean agent and fire detection alarm system and water based hydrant systems, CCTV and Security systems. Its activities include designing, integration, installation of these systems and also maintenance services.
c	Eurotech Cylinders Private Limited	Wholly owned subsidiary	Industrial & CNG Cylinders - Domestic market	ECPL sells High Pressure Seamless Cylinders for Industrial and CNG use in the domestic market. These Cylinders are contract manufactured in China and sold under the brand name EURO.
e	Nitin Cylinders Limited	Wholly owned subsidiary	Manufacture and export of Industrial & CNG Cylinders, Fuel Dispenser	Nitin Cylinders Limited has been set up to undertake manufacturing of High Pressure seamless cylinders to cater to the demand from export market and utilize the benefits available to SEZ units. NCL also intends to make and sell Fuel Dispensers.

## Business of our Company

We are in business of

### 1. Fire Protection Solutions

- Manufacturing Fire Fighting Equipment under the brand name “NITIE”.
- Providing automated water and gas based fire suppression systems alongwith Fire Detection and Security Systems on a turnkey basis.
- Execution of Annual Maintenance Contracts for Fire Protection Systems

### 2. Manufacturing of CNG Cascades.

### 1. Fire Protection Solutions

From the basic level detection and water based fire protection systems to the sophisticated gas based fire suppression systems for ‘mission critical’ areas, we provide a complete range of fire protection solutions to our customers.

We commenced our fire protection solutions business by manufacturing complete range of fire extinguishers conforming to Bureau of India Standards. Over the years we gradually expanded the scope of our fire protection solutions business by undertaking turnkey contracts for fire detection systems, fire alarm systems, Gas based suppression systems, sprinkler and hydrant systems which include the design, manufacture, procurement, supply, installation, testing, commissioning and maintaining of such systems. We provide these Fire Protection Solutions to various industries, refineries, airports, malls, multiplexes, data centres, server rooms, State Electricity Boards etc.

Till late 1990s, Halon 1211 and Halon 1301 were used as a fire suppression media which were Ozone Depleting Substances (ODSs). After Government of India became a signatory to the Montreal Protocol in the late 1990s, we started using clean agents such as HFC 227ea, Novec 1230, CO<sub>2</sub> and other Inert Gasses as the fire suppression media for our systems and have received incentives under UNDP for shifting to such clean agents. We have commissioned fire detection and suppression solutions for telecommunication and cellular facilities, IT & Software Development facilities, petrochemical and refinery complexes, oil platforms, defence organizations, shopping malls, commercial, industrial and residential complexes etc. We also enter into contracts for maintenance of such systems installed by us as well as others including supplying the fire suppression media for the installed systems. Currently we are importing gases like HFC 227ea from our existing tie-ups with Tyco Safety Products, UK respectively. Other gases like Inert Gasses and CO<sub>2</sub> are easily available from domestic suppliers.

We also provide turnkey solutions for Safety and Security Systems including procurement, designing, system integration, commissioning, installation and maintenance. Turnkey projects involve careful study of the requirement, systematic planning, design and implementation of the security solutions package which include CCTV, Access Control, and Electronic security devices.



## **2. CNG Cascades**

We manufacture CNG Cascades using the High Pressure Seamless Steel Gas Cylinders, valves, fittings and accessories which are used for transportation of CNG. We have supplied about 15 such Cascades to Indraprastha Gas Limited (a PSU), for distribution of CNG in the New Delhi. The orders for such supplies are obtained by us through a tendering process.

### **Major customers of our company**

Some of our major customers for whom we have executed orders are ONGC, Reliance industries Limited, Reliance Infocom Limited, Credit Suisse, Fasel Limited, ICICI Bank Limited, Maruti Udyog Limited, Aircel Digilink India Limited, Tata Power, BPCL, Pfizer Limited, Nuclear Power Corporation of India Limited, Hutchison Essar South Limited Tata Consultancy Services, HPCL., BPL Cellular, Idea, Nokia, VSNL, Contemporary Healthcare Pvt. Limited and Tata Motors.

### **BUSINESS OF NITIN CYLINDERS LIMITED, SUBSIDIARY FOR WHICH FUNDS ARE BEING RAISED THROUGH THIS ISSUE**

Nitin Cylinders Limited is established to manufacture High Pressure Seamless Cylinders to cater to the demand from export market and utilize the benefits available at VSEZ. Land admeasuring 38446.50 Sq meter has been leased in VSEZ for setting up a manufacturing unit for High Pressure Seamless Cylinders. NCL has also leased a shed admeasuring 3040 sq meter in VSEZ.

NCL intends to sell the cylinders manufactured in this unit under the brand name NITIE. For this said purpose, NCL has entered into an agreement with us for use of brand name NITIE which is owned by us. NCL has obtained permission to manufacture 7,00,000 cylinders from the Development Commissioner at VSEZ. However, the planned installed capacity is 5,00,000 cylinders per annum. We are raising funds as per the objects of the issue as mentioned on page no.24 for funding this subsidiary for setting up the manufacturing unit.

NCL shall Offer the entire product range of Industrial and CNG cylinders.

NCL intends to manufacture Fuel Dispensers at VSEZ which form the Refueling system. For the said purpose, NCL has also signed a Memorandum of Understanding with Kraus Global Inc. of Canada for technology transfer and for supply of Kraus Global INC's proprietary products in India, Bangladesh and UAE

#### **a. LOCATION:**

Factory Premises

1. Factory Premise at MIDC, Vashi:  
Manufacturing and servicing facility for various type of fire extinguishers and accessories and systems.
2. Factory Premise at MIDC, Taloja: - Manufacturing and testing of CNG cascades
3. System Design and Service Centre at Vadhani Ind Estate, Ghatkopar (W), Mumbai:- Design, supply, installations, testing, commissioning and servicing of various types of fire protection systems.
4. Trading unit at VSEZ admeasuring 659.08 sq mtr

#### **Proposed Facility at VSEZ for NCL:**

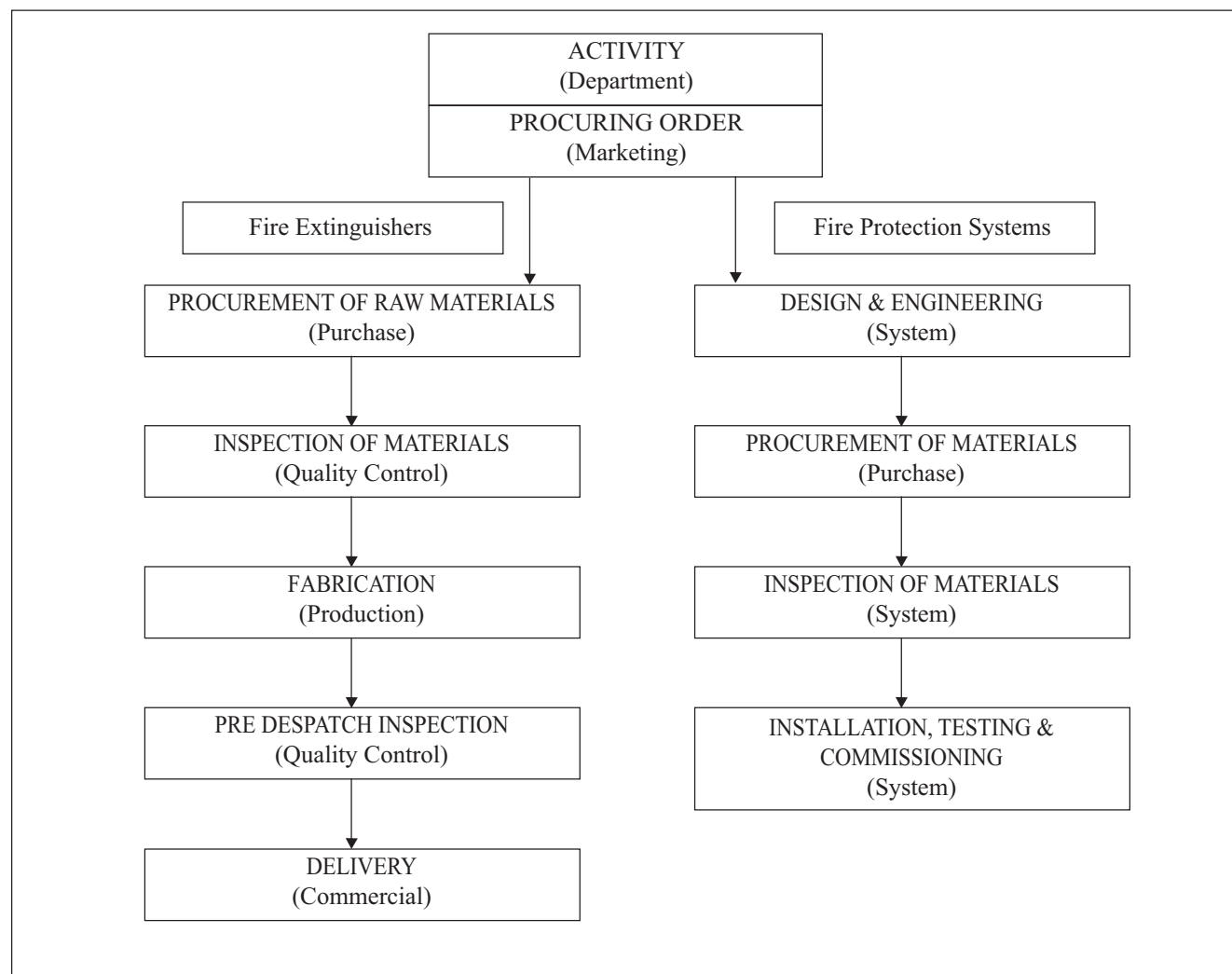
We propose to set up a High-pressure seamless gas cylinder plant at Visakhapatnam, Special Economic Zone (SEZ). Visakhapatnam SEZ is located at Vishakapatnam on the East Coast of India on the shores of Bay of Bengal in the state of Andhra Pradesh. Land for the proposed manufacturing facility at VSEZ admeasuring 38,446.50 sq mtr alongwith built up shed admeasuring 3,040 sq mtr has been allotted to NCL.

#### **b. PLANT, MACHINERY, TECHNOLOGY, PROCESS ETC:**

For details of Plant and Machinery please refer to chapter titled "Objects of the Issue" on page 26.

## Key Processes and Technology of our Company

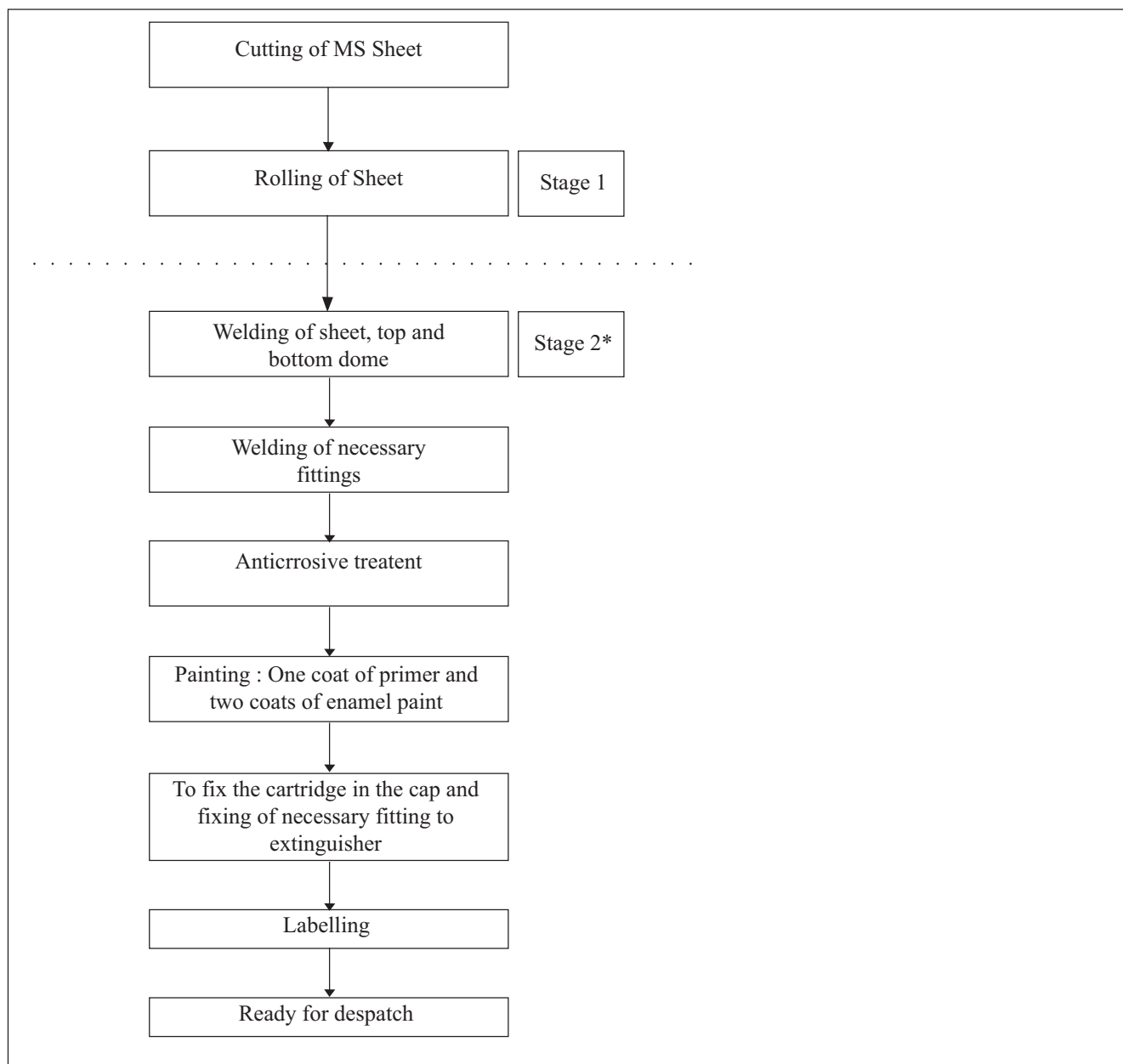
The key process of our Company linking various departments and depicting the flow of activities is as follows:







The manufacturing process of manufacturing of Fire Extinguishers of our Company is as per the process depicted below:



\*For stored pressure ABC dry powder portable Fire Extinguishers manufacturing process starts from stage 2

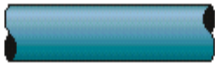

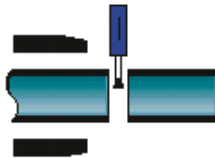



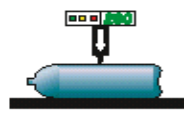


### PROCESS FOR MANUFACTURING OF FIRE EXTINGUISHERS


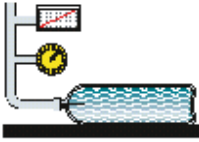
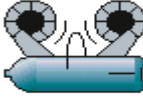

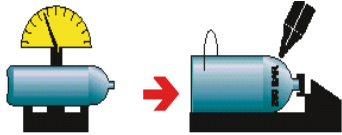
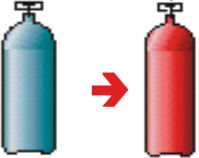
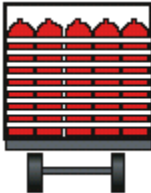
After procuring the order, raw materials i.e steel sheets are purchased. The Raw Materials are checked for their quality standard. The steel sheets are cut to required sizes and rolled and converted to cylindrical form. Such cylindrical form is welded at the seem, top and bottom. All the necessary fittings like handles etc are also then welded. The complete Unit then is subjected to anti-corrosive treatment. After the anti-corrosive treatment, one coat of primer and two coats of enamel paint are painted. The cartridge is then fit to the Unit. Each fire extinguisher then passes through the quality tests after which they are labeled and delivered to the customers.

### PROCESS FOR PROVIDING FIRE PROTECTION SOLUTIONS

After procuring the order, our design and development department assesses and finalizes the design and other specifications. On the basis of the design the required raw materials such as fire alarms, smoke detectors, circuit boards, cylinders etc are procured. The system is installed and commissioned after testing the same.

## MANUFACTURING PROCESS OF CYLINDERS FOR NCL'S PROPOSED PROJECT IN VSEZ:

	<p><b>PROCUREMENT OF RAW MATERIAL:</b></p> <p>Raw material is in the form of seamless cylinder tubes of various sizes, grades and tolerances, which are to be obtained locally or through imports depending on output requirements.</p>	 <p>End heating</p>	<p><b>END HEATING (END 2):</b></p> <p>The open end of the tube is now subjected to induction heating of around 1200°C, with again the length of heating, equal to the diameter of the tube.</p>
 <p>Cutting tube into lengths</p>	<p><b>TUBE CUTTING:</b></p> <p>The seamless tubes are then cut into desired lengths as per cylinder water capacity requirements by band saw machines.</p>	 <p>Forming the neck</p>	<p><b>NECK FORMING:</b></p> <p>The heated end is now fed into a hot spinning machine, which spins the heated end into a neck shape.</p>
 <p>End heating</p>	<p><b>END HEATING (END 1):</b></p> <p>The cut tubes are then fed to an end heating induction furnace, where one end of the tube is heated to around 1200°C. The length of heating is equal to the diameter of the tube.</p>	<p><b>HEAT TREATMENT:</b></p> <p>The product is now fed into a heat treatment furnace. Here several processes can be carried out depending on material grade, application, thickness available, working pressure, material properties, etc.</p> <p>The common processes are:</p> <ul style="list-style-type: none"> <li>• Normalising - the cylinders are fed and heated to 980°C through continuous furnace &amp; then cooled.</li> <li>• Quenching and Tempering - cylinders are fed and heated to 850°C - 880 °C through a continuous furnace. Then they are quenched in oil for 1-3 minutes, depending on size and thickness. This is followed by heating the cylinders to 650°C - 680°C through continuous furnace.</li> </ul>	
 <p>Closing the bottom</p>	<p><b>BASE SPINNING:</b></p> <p>The heated tube is then fed to a hot spinning machine, which spins the heated tube end to dome shape in hot condition. The temperature is now around 1100°C.</p>	 <p>Hardness check</p>	
 <p>Forming the bottom</p>	<p><b>BASE SHAPING:</b></p> <p>The dome shaped tube is then hydraulically pressed at around 1000 °C, to form a concave bottom, for the product to be able to stand on the floor. After the bottom is cooled, it is inspected and rectifications (if any) are done on bottom grinding / milling machine.</p>	 <p>Neck drilling</p>	<p><b>NECK DRILLING:</b></p> <p>The neck formed is now cut into desired length by a neck-cutting machine and then drilled at the centre by a neck-drilling machine.</p>

 <p>Neck threading</p>	<p><b>NECK TREADING &amp; RIVETTING:</b></p> <p>The neck is then threaded on a CNC machining centre or a CNC lathe, depending on the product size. Then a neck-ring is riveted on neck by riveting machine to enable to provide cap or guard to protect valve.</p>
 <p>Hydraulic or volumetric expansion test</p>	<p><b>TESTING:</b></p> <p>The product is first checked for weight &amp; water capacity. Then the hydrostatic stretch test at 5/3 times of working pressure is carried out. Lastly the pneumatic leakage test is carried out at working pressure. The cylinder is then fed to steam cleaning unit to ensure that oil traces are removed.</p>
 <p>external shot blasting</p>  <p>Internal shot blasting</p>	<p><b>SHOT BLASTING:</b></p> <p>The cylinder is then cleaned first externally and then internally by respective internal and external shot blasting machines. In external shot blasting the scales on the outside surface are removed and the surface is cleaned for proper painting. In internal shot blasting, the scales on the inside surface are cleaned.</p>
 <p>Weighing with detection      Stamping</p>	<p><b>WEIGHING &amp; STAMPING:</b></p> <p>The cylinder is then weighed and then sent to a data-stamping machine, where fixed data is punched by the machine. Variable data is punched manually on the cylinder.</p>
	<p><b>PAINTING:</b></p> <p>The cylinder is then primer painted on the painting conveyor. After the primer drying, finish painting is done; as per the colour shade given in IS standard.</p>
	<p><b>DESPATCH:</b></p> <p>The product is then despatched with or without valve and cap as per customer requirements. If a valve and a cap are required, they are fitted by a valve-fixing machine by a fixed torque and then with a cap.</p>

## **MANUFACTURING PROCESS AND QUALITY CONTROL FOR HIGH PRESSURE SEAMLESS CYLINDERS**

The Seamless Tubes are cut to appropriate length and one end is heated to the ideal temperature range in the induction furnace for and dome forming operation which is achieved in the hot spinning machine by computerized Numerical Control. The CNC guides the manufacturing process in conjunction with an optical pyrometer that ensures precise temperatures control, guarantee the finest grain structure and perfect grain flow for maximum strength. The dome formed end, after due inspection, is shaped to concave in hydraulic press if required. The other open end is heated in the induction furnace and neck forming is carried out in the CNC spinning machine as per design. The formed cylinders are heated in continuous walking beam furnace featuring accurate precision temperature control. The cylinders are hardened by quenching in polymer with subsequent tempering according to application for requisite material properties. In the interest of safety, the raw material and manufacturing process follow documented inspection procedure with traceability. The reference data of heat treatment is thoroughly documented by time temperature plots. Metallurgical properties are verified by means of examination and analysis, mechanical properties are verified by means of destructive testing.

The neck threading is carried out to close tolerance in high performance machines. The cylinders undergo hydrostatic testing as per standard. All gauges and measuring equipments used, undergo regular calibration checking. The approved cylinders after the test are shot blasted, stamped, finish painted with requisite colours. After statutory inspection and approval are ready for dispatch to customers / users.

### **TECHNICAL COLLABORATIONS**

**Our Company has not entered into any Technical Collaboration or Financial agreements. However, our subsidiary, NCL has entered into Technical collaborations entered the details of which are as follows:**

#### **KRAUS GLOBAL INC, CANADA**

**Place of Registration:** Manitoba Canada

**Incorporation date:** April 12, 2002

Since Kraus Global Inc., is a private company, they have confirmed to NCL that they shall not be able to disclose the financial details of their company.

For details of the Memorandum of Understanding between Nitin Cylinders Limited and Kraus Global Inc. please refer to “Other important Agreements in the Subsidiaries” on page no 86 of this Red Herring Prospectus.

### **OUR TIE-UPS**

<b>Sr. No</b>	<b>Name of the Partner</b>	<b>Description</b>
1.	Newtex Industries Inc.	Authorised Distributor for Newtex Industries Inc. products including items marketed under the “Zetex” and “Zetex Plus” brand names, for the sales territory of India.
2.	Airsense Technology Ltd	Exclusive Distributor in India for the “Stratos” range of aspirating smoke detection products.
3.	Kerr Fire Fighting Chemicals	Exclusive Agents and distributors for fire fighting foams and “Monnex” brand dry powder all over India.
4.	Ceodeux Extinguisher Valves Technolofy S.A. (Ceodeux FireTec)	Authorised Distributor in India for Fire Trace Tubes and services including design, engineering, installation, testing and commissioning.
5.	Beijing Tianhai Industry Company Limited (BTIC), China	Agreement for manufacturing of cylinders for Nitin Fire as per their design and specification. For details please refer details under heading “Other Agreements” on page no 84.



## INFRASTRUCTURE FACILITIES

### RAW MATERIAL AVAILABILITY

#### Existing Requirement

1)	Smoke Detectors	Apollo Fire Detectors, U.K. / Honeywell International, India
2)	FM 200 Gas	Tyco
3)	Steel MS Sheet, MS Pipes	Jindal, Maharashtra Seamless, Indian Seamless Ltd.
4)	Cables	Polycab, Finolex and others
5)	Dry Chemical Fire Fighting Powder	Kerr Fire Fighting, U.K. / Domestic Suppliers
6)	Hydrant Valves, Gun Metal Fittings	Shah Bhogilal, Gujarat / Domestic Suppliers

#### Facility at Visakhapatnam SEZ for NCL

Seamless tubes of requisite material and dimensions are the key raw materials required for manufacturing Industrial Cylinders and CNG-NGV cylinders. Considering the investments in global and domestic Steel & Seamless Pipe Industry, raw material availability is not a major concern for the Project.

### POWER

#### Factory Premise at MIDC, Vashi:

Our Company has made the necessary arrangements for the purpose of power supply. Present connected load is 20 HP. The power is provided by Maharashtra State Electricity Distribution Co. Ltd.

#### Factory Premise at MIDC, Taloja:

We do not have any power requirement at this plant. The activities of assembling for cascades are undertaken through welding which requires the gases which are obtained from the local market.

#### Proposed Facility at VSEZ for NCL:

As per the IMM Report a connected load of about 6000 KW with an average operating load of about 3000 KW is required. NCL will source the necessary power from SEZ Authority. As the Project is proposed to be located in Visakhapatnam Special Economic Zone, the power tariff applicable will be Rs 3.7 per KWH.

### FUEL

Existing plants at Vashi and Taloja: There is no requirement of fuel for manufacturing of Fire extinguishers as well as cascades.

#### Proposed Facility at VSEZ for NCL

##### LDO (Light Diesel Oil)

LDO is required for the purpose of firing in heat treatment furnaces and boilers. Boilers are dual fired and hence either LDO or LPG can be used. However for operating assessment LDO has been considered. LDO requirement is estimated at about 150-m<sup>3</sup>/ month.

##### LPG (Liquefied Petroleum Gas)

LPG is required in the process for hot spinning machines. The monthly consumption is expected to be 20000 kg / month. For this an LPG tank with a capacity of 40 m<sup>3</sup> for storage will be required. This has to be under specifications of the Department of Explosives. LPG can be locally purchased from oil companies (HPCL) near the Plant.

##### Oxygen

Oxygen will be required for operation of hot spinning machine and the requirement is estimated to be 260 m<sup>3</sup> / day.

### WATER

#### Existing Facilities

Water is not required for the manufacturing process. It is required for testing and miscellaneous purposes. Water is currently being supplied through Maharashtra Industrial Development Corporation.

### Proposed Facility at Visakhapatnam SEZ

The plant water requirement is of about 150 m<sup>3</sup> per day (around 5.5 m<sup>3</sup>/hr) at full capacity considering a safety factor of about 25%. The water requirement will be mainly for cooling and testing applications and hence would be recycled.

### EFFLUENT DISPOSAL / ENVIRONMENT SAFETY

#### Existing Facilities

The Maharashtra State Pollution Control Board vide its letter-dated 20.12.1997, has confirmed that there is no requirement for Effluent Disposal arrangements of our Company.

#### Facility at Visakhapatnam SEZ for NCL

The process of metal forming is a fairly environment friendly process. The wastages are metal scrap, non-hazardous flue gases, spent oil and water. Metal Scrap can be sold to recyclers, flue gases can be let out with chimney, spent oil can be recycled while water can be sent to the common Effluent Treatment Plant in the zone. NCL has received Consent for Establishment from Andhra Pradesh Pollution Control Board vide order no. 7350/PCB/ZO-VSP/TECH/2007-2385 dated February 03, 2007.

#### Other requirements for the proposed plant at VSEZ for NCL

#### STEAM

Steam is essentially required for cleaning of the cylinders. IMM has estimated steam requirement of about 800 kg/hr at peak capacity. This will provide a safety factor of about 12.5-25. Two boilers of capacity 400 kg / hr will be installed to generate the necessary steam. A DM/ softening plant of capacity 1 m<sup>3</sup>/hr will also be installed for the boilers.

#### COMPRESSED AIR

Compressed air requirements will be minimal and limited to operating shot blasting, painting and control equipments. The estimated compressed air requirement is at about 680 m<sup>3</sup> / hr.

#### MANPOWER

#### Existing Facilities

Currently, there are 85 employees to cater to the needs of our current business lines. Nitin Cylinders Limited will require additional manpower for the Visakhapatnam plant. There is easy availability of labour and we do not foresee any problem in hiring more manpower.

Following is the existing manpower details of Nitin Fire Protection Industries Limited and Nitin Cylinders Limited

	Managerial	Skilled	Unskilled	Contractual	Total
Nitin Fire Protection Industries Limited	15	53	17	0	<b>85</b>
Nitin Cylinders Limited	03	06	0	0	<b>09</b>

### Proposed Facility at Visakhapatnam SEZ

Manpower required at VSEZ is about 272 employees, details of which are indicated below.

Category	Number of Employees
CEO	1
Senior Managers	6
Middle Managers	15
Technicians	45
Staff	25
Skilled Labour	80
Unskilled Labour	100
<b>Total</b>	<b>272</b>



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## PRODUCTS

### I. Products offered by Nitin Fire Protection Industries Limited

#### 1. Various types of Fire Extinguishers:

- Ozone Friendly Fire Extinguishers
- ISI marked BC - Dry Chemical Powder & ABC Dry Chemical Powder Fire Extinguishers
- ISI marked Carbon Dioxide Extinguishers
- Water Co2
- Mechanical Foam

#### 2. Fire Protection Systems

Design, Supply, Erection, Commission of fire alarm and Ozone Friendly Fire Protection Systems like gas based suppression systems and water based system. We also provide after sales maintenance contract..

#### 3. Refuelling Systems - CNG Cascades

### II. Products offered by Nitin Cylinders Limited

*Our proposed manufacturing plant will be set up through NCL, whereby we intend to manufacture and export the products listed below:*

#### 1. High Pressure Seamless Cylinders

- CNG Type I
  - On Board Cylinder
  - Storage Cylinders
- Industrial Cylinders including cylinders to store Oxygen, Hydrogen, Nitrogen, Argon, Helium etc.
- Fire Fighting Cylinders
- Medical Cylinders
- Beverage use Cylinders

#### 2. Refuelling Systems

- Fuel Dispensers

All the above products manufactured by our Company and NCL are used for industrial purpose.

## Marketing Setup

We have our own dedicated team of Marketing & Sales Engineers who represent our Company to our customers.

Mr. Rahul N. Shah alias Sanghavi heads the marketing function of our Company is responsible for overall operations in our Company as well as marketing of products and services offered by us. Further, Mr. Gopal Krishna Shahi heads the technical department, and is responsible for proper commissioning of the fire protection systems and security solutions. They handle a team of marketing engineers who carry out marketing operations of our Company.

Major selling is also done through advertised Tenders. They can be for Government Sector, Public Sector and / or Private Organizations who basically advertise their large Tenders. A fair amount of selling is also done through direct selling. Our subsidiaries have marketing tie-ups and distributors alongwith local offices to cater to the demand across the country.

We keep in touch with the consultants / clients for upcoming projects and also through magazines such as Project Today, Press Releases etc. We advertise regularly in the trade journals. This is to keep in contact with the customers at large. We also have our websites on which our customers/consultants can source information on our offerings.

ECPL is registered member with All India Industrial Gas Manufacturers Association (AIIGMA) and Maharashtra Gas Association. The events arranged by these Associations give an opportunity for interaction with the customers. ECPL also has repeat business from many customers due to regular demand in the industry.



## Export Obligation

NCL's proposed facility is being implemented as a unit in Visakhapatnam SEZ. The SEZ Rules 2006 requires that a Unit situated in a SEZ should achieve positive net foreign exchange earning at the end of five years from the date of commercial production. Positive net foreign exchange earnings are achieved if the foreign exchange inflows of the Unit are greater than its foreign exchange outflow calculated as per the rules prescribed in the SEZ Act, thereafter the Unit will need to be a positive net foreign exchange earner at the end of every subsequent five year period. If it is determined that the Unit has not achieved positive net foreign exchange earning, the Unit will be liable for penal action under Foreign Trade (Development and Regulation) Act, 1992.

## OUR BUSINESS STRATEGY

- (1) **Increase in market share** - We are catering to a diversified client base to meet their growing demands. We are planning to aggressively pursue marketing of our Core offering of fire protection safety, security and intelligent building management system and also of High Pressure Seamless Cylinders including refuelling system.

At present, we supply our products to all leading companies in both public and private sector. We intend to continue to increase our range of products which will be offered through various subsidiaries. We shall also focus on value addition of products like customization and good product support. We have planned to pursue aggressive promotional campaign supported by a competitive pricing strategy.

- (2) **Increase usage by existing customers**: We have maintained cordial relations with all of our existing customers and have received continued patronage from them in the form of repeat business. After acquisition of the new subsidiaries we have more products in our basket to offer our customers. Also, we provide after sales support to our clients in the form of Annual Maintenance Contracts.
- (3) **Market development**: We have also plans to set up new distribution channels in domestic and overseas markets which can source business and help in expanding the customer base. We intend to strengthen our design and development facilities to offer customized and new products.
- (4) **Growth Drivers** : Being ecofriendly in nature, CNG has high growth potential. Hence our key focus areas are High Pressure Seamless Cylinders and refueling systems .for CNG and industrial users, To remain as an established player and to strive towards leadership position for the domestic as well as overseas markets, we will undertake a judicious mix of capacity enhancement, global tie-ups and product mix as per the market demand. Presently NCL intends to sell the cylinders manufactured in VSEZ in the foreign market whereas ECPL will sell its cylinders in the domestic market. In future, we intend to manufacture complete range of cylinders to cater to every type of demand from diameter 100 mm to diameter 410 mm.

Further, NCL has signed an MOU with Kraus Global, Inc, Canada which will enable us to provide a complete package for a gas station including CNG Cascades, Fuel Dispensers

Increase in the malls, multiplexes, data centre, refineries and increase of awareness about safety and security will boost our business in the areas of fire protection, safety and security and Intelligent Building Management Systems. The current thrust on infrastructure and increase in industrialization would result in increase in demand of our products. Our competitive price with good quality and adherence to the delivery schedules are the key factors for our growth.

- (5) **Quality certification** : We received certifications for implementing and maintaining Quality Management Systems fulfilling the requirement of ISO 9001:2000 standards for our Design, Supply, Installation, Commissioning and servicing of Fire Protection Systems including Fire Alarm and Gaseous Systems and manufacture of CNG Cascades from IQNet and CISQ.

A range of portable and mobile fire fighting equipment has received Bureau of India Standards (BIS) approval and carries an ISI mark. This ensures that standards of design development procurement manufacturing, testing, installation and commissioning and product support meet the most stringent norms. Further we plan to obtain international certification which will enable us in marketing our products in the international market

## FUTURE PROSPECTS

In Fire Protection and Security systems business:

In the various industries, budgets are being set aside by companies and more emphasis is being laid on the provision and up-gradation of the protection measures. Expenses on safety and security are now being viewed as a profit center and this has changed the domestic scene. The safety and security equipment industry will experience strong future demand. Reasons for



this expectation include, but are not limited to the following:

- The influx of multinationals that require protection;
- Increased disposable discretionary income for households that purchase security equipment as a status symbol;
- The expected growth in hotels, banks and other commercial facilities that require security equipment; and
- The general expectation that India's economy will continue to grow at a healthy rate (5 percent or greater) in the coming years.

In the High Pressure Seamless cylinder business:

There is a need for a cleaner fuel due to environment concerns. There is a cost differential between the petrol, diesel and CNG. This shall create a huge demand for CNG cylinders in domestic as well as export markets. The major demand for CNG cylinders shall be from OEMs retrofitters. CNG cylinders made of steel for onboard use in vehicles, aluminum cylinders for storage of high purity gases and life supporting devices. Cylinders are used in defense and space applications and Large size Cylinders for storage of industrial gases.

#### **CAPACITY AND CAPACITY UTILISATION**

As per Annual report for 2006-07, our company does not have any installed capacity, and hence there is no capacity utilization data available for products manufactured by us.

**Capacity and capacity utilisation and capacity related projections for the proposed cylinder business is as under:**

**Nitin Cylinders Limited, does not have any installed capacity as on date, since the proposed plant is yet to be set up.**

The Development Commissioner of VSEZ vide letter dated November 30, 2006 has given permission to NCL for manufacturing upto 7,00,000 cylinders per annum. However, NCL intends to set up manufacturing capacity of 5,00,000 cylinders per annum.

	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Proposed Installed Capacity (In Numbers)	500,000	500,000	500,000
Proposed Capacity Utilisation	45%	60%	65%
Proposed Units Manufactured (In Numbers)	225,000	300,000	325,000

**For the Financial year 2007-08, NCL has assumed capacity utilization as follows:**

**Phase I - 2,50,000 Cylinders @ 60% capacity for the entire 12 months of 2007-08**

**Phase II - 2,50,000 Cylinders @ 60% capacity for balance 6 months of 2007-08**

#### **OUR COMPETITIVE STRENGTHS**

##### **1. Promoters and Management**

Our Promoters have adequate experience in the Fire Protection and Security Solutions, High Pressure Cylinders and Refuelling Systems and our management team has a sound understanding of the business. The senior management team has experience in related industries and is equipped to handle future challenges.

##### **2. Range of Product Offerings**

We have a diversified portfolio of products catering to Fire Protection, Safety and Security including Intelligent Building Management Systems and High Pressure Seamless Cylinders & Re-fueling systems. Current business mix is not dependent on one single product.

##### **3. Track record of executing large-scale Fire Protection Solutions projects in India.**

We have a track record of executing a number of large-scale Fire Protection Systems installation projects in different regions in India including off-shore installation at ONGC platform, Bombay High, control room at refineries of Reliance Jamnagar Complex, Jamnagar. These complex projects have allowed us to develop the capabilities and expertise needed for such projects and our customers benefit from the experience we have so gained in different operating environments and our industry knowledge.

##### **4. Technological Developments**

We have constantly endeavored to bring new and improved products into the Indian market in line with the technological

developments. Our wide range of Fire Protection equipments is testimony to the constant drive for product development. We have a dedicated team for research and Development who continuously endeavor for new product development.

## 5. We are well placed to export our product

NCL has leased land from VSEZ for the proposed manufacturing facility, which is located near Visakhapatnam international sea port. This helps us in easy access to sea transport for importing raw materials and exporting our Cylinders. The advantages of close proximity to the port are lower logistics costs and lower transit time. The High Pressure Cylinders so manufactured will conform to the international standards of the specific countries and the proximity to port allows us to save costs and time. Indian export products have greater demand in SAARC countries due to lower tariff/duties as per the SAFTA agreement.

## Purchase of Property

Except as stated in the section entitled “Objects of the Issue” in this Red Herring Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- Disclosure has been made earlier in this Red Herring Prospectus.

Except as stated in the section entitled “Statement of Related Party Transactions” on page 117 of this Red Herring Prospectus, we have not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

## PROPERTY DETAILS OF CURRENT OWNED/LEASED PREMISES:

The details of the sale deeds pertaining to the immovable properties owned by our Company and lease and / or rent agreements entered into by our Company are as follows:

### Owned Properties/ Premises

Sr. no	Seller	Nature of Agreement	Date of Agreement	Cost of Acquisition	Description of the Property
1	M/s Onshore Construction Company Private Limited	Sale Deed	December 29, 2001	Rs. 69,43,750/-	Office at 501, Delta, Technology Street, Hiranandani Gardens, Powai, Mumbai - 400 076
2	M/s Onshore Construction Company Private Limited	Sale Deed	November 8, 2003	Rs. 48,36,875/-	Office at 502, Delta, Technology Street, Hiranandani Gardens, Powai, Mumbai - 400 076

Note:

- None of the entities from whom our Company has acquired the above property are related to any of the promoters/directors of our company
- Property acquired by our Company is free from all encumbrances and has a clear title
- The Property is registered in the name of our Company

### Leased Properties/Premises:

Sr. no	Land Lord	Nature of Agreement	Date of the Agreement	Lease Rental	Period of the Agreement	Description of the Property
1.	MIDC	Lease Agreement	February 13, 1987 and April 24, 1997	Rs. 1,08,000/- being premium paid and subsequently rent of Re. 1 per annum	95 years	Factory premises at A-117, T.T.C. Industrial Area, Khairna Village, Vashi 400 701, Maharashtra, India.



Sr. no	Land Lord	Nature of Agreement	Date of the Agreement	Lease Rental	Period of the Agreement	Description of the Property
2.	MAX ENGINEERING	Lease Agreement	December 01, 2005 Letter dated December 6, 2006 renewing lease for eleven months starting November 1, 2006	Rs. 35,000 per month	11 months	Factory premises at A-18, MIDC, Taloja, Taloja Audhyogic Vasahat, Raigad, Maharashtra, India.
3.	Nitin M. Shah alias Sanghavi	Lease Agreement	November 18, 2006 Effective from: November 01, 2006	Rs. 40,000/- per month	11 months	29, Vadhani Industrial Estate, L.B.S Marg, Ghatkopar west, Mumbai - 400 086.
4.	Visakhapatnam Special Economic Zone, Ministry of Commerce	Lease Agreement for the shed	September 29, 2006	Rs. 3,95,448/- per annum for first three years. Further it shall be revised after every three years not exceeding 25% of the last lease rent paid.	15 years	Area of Shed at Shed no. 6, SDF-I, admeasuring 659.08 sq mtr
<b>Properties taken on lease by Nitin Cylinders Limited</b>						
1.	Visakhapatnam Special Economic Zone, Ministry of Commerce	Lease Agreement	September 27, 2006	Rs. 8,77,478/- per annum for first three years. Further it shall be revised after every three years not exceeding 25% of the last lease rent paid.	15 years	Area of land at Extended Plot, Behind Administration Building, Phase I, admeasuring 38446.50 sq mtr
2.	Visakhapatnam Special Economic Zone, Ministry of Commerce.	Lease Agreement for the shed	October 18, 2006	Rs. 18,24,000/- per annum for first three years. Further it shall be revised after every three years not exceeding 25% of the last lease rent paid.	15 years	Area of Shed at Ground floor of SDF-II Building (Block B) admeasuring 3040 sq mtr

## **KEY INDUSTRY REGULATIONS AND POLICIES**

### **HIGH PRESSURE SEAMLESS GAS CYLINDERS**

#### **INDIAN REGULATOR**

The Bureau of Indian Standards is the authority for prescribing applicable standards/specifications for manufacture of cylinders. The Standards relating to High Pressure Seamless Gas Cylinders and valves etc. are regulated by the ME-16 Technical Committee.(Mechanical Engineering Department of BIS looking after technical standard for cylinders and related products).

The Chief Controller of Explosives (CCOE) is the regulator who controls the manufacture, standardization, and usage of the gas cylinders. The Bureau of Standards also acts as Third Party Inspection Agency.

Approval to manufacture high-pressure cylinders by domestic manufacturers is provided jointly by CCOE under inspection of BIS. BIS lays down the testing scheme and approves cylinder designing as per Indian standard duly approved by CCOE. Prior to issuing a Licence, BIS along with CCOE may conduct inspection of the factory and the process for manufacturing of Products to satisfy itself that the applicable standards have been met. The prototype inspection is conducted by BIS & report sent to CCOE for formal approval. The manufacturer can commence commercial operations only after it has obtained the necessary approvals from the CCOE.

In the case of foreign manufacturer, the entrant will have to apply to CCOE for approval with complete technical documentation (technical drawings / standards of manufacturing / machinery details / raw material etc). The CCOE will make a physical visit to the factory to see the system & manufacturing process to provide factory approval. When the cylinders are being manufactured as per Indian Standard, inspection is also conducted by third party International inspection agency. The manufacturer also needs to take approval from BIS under testing scheme laid down by BIS and also comply to CCOE regulations as above.

#### **INDIAN STANDARDS FOR HIGH PRESSURE GAS CYLINDERS**

The Bureau of Indian Standards has also laid down the standards that are required to be met by the manufacturers of High Pressure Cylinders. BIS keeps modifying/updating the standards at various time intervals to incorporate the changes effected in international standards and also to meet the changing uses of the cylinders.

<b>Standard</b>	<b>Applicability</b>
IS:7285 - Part-I	Indian Standard for Industrial gas cylinder
IS:7285 - Part - II	Indian Standard for Industrial gas cylinder
IS 15490	Indian Standard for CNG cylinders

**IS 7285 - Part-I:** This Indian Standard for Industrial gas cylinder is applicable to normalized cylinders.

**IS 7285 - Part- II:** This Indian Standard for Industrial gas cylinder is applicable to quenched and tempered cylinders.

The designing and calculation of dimensions of cylinders manufactured under both these standard are similar. The difference between the standard is only because of the properties of the raw material used in the manufacturing process.

**IS 15490:** Keeping in mind the growing need of CNG, BIS and CCOE have laid down independent standards for the manufacturing, transporting and usage of gas cylinders. These standards have been laid down to provide higher safety standards.

#### **RULES AND REGULATIONS FOR GAS CYLINDERS IN INDIA**

The Department of Explosives came into existence on September 5, 1898. It acts as a nodal agency regulating safety of hazardous substances, namely explosives, compressed gases and petroleum. Initially, the activities of the Department of Explosives were confined to enforcement of the Explosives Act (4 of 1884). However, after the enactment of the Petroleum Act (8 of 1899), the administration of Petroleum Act was also entrusted to the Department.

Though there was no specific Statue regulating filling, storage, transport of gas cylinders, all the accidents involving gas cylinders were investigated by Department of Gas Cylinders The framing of Gas Cylinders Rules were initiated after the Government of India notification No. M-1272 (1) dated July 28, 1938, the year in which the first gas cylinder rules were published. The rules declared “any gas when contained in any metal container in compressed or liquefied state is an explosive within the meaning of Indian Explosives Act 1884”. Accordingly, the Department of Explosives (formed under the Explosives Act) under the Ministry of Industry, Government of India acts as the nodal agency regulating safety of hazardous substances, namely explosives, compressed gases and petroleum.

The Government undertook a review of rules culminating in the publication of Gas Cylinders Rules 1981, bringing under its purview the design and manufacture of cylinders, valves and regulators. Post 1981 there was introduction of LPG and CNG, accompanied by increased use of gases in different applications. Considering the changes in technology, business practices and safety requirements, the Rules were reviewed by the Government culminating in the formation of Gas Cylinders Rule 2004.



## **GAS CYLINDERS RULES 2004 - SALIENT FEATURES**

### ***Scope:***

The scope of the rules has been widened over the then prevailing rules to cover the applications of the gas cylinders as automotive fuel storage tanks and cylinders made of materials other than metal. This has paved way for entry of latest technology in the field of cylinder manufacturing, for CNG fuelling stations and for cylinders exceeding water capacity 1000 litres for specific industrial application.

### ***Conversion of cylinders***

Requirement of prior permission from Chief Controller of Explosives for conversion of cylinders within Inert Gasses, Oxygen and compressed air has been dispensed with.

### ***Examination and testing of cylinders:***

Service life of On-board CNG cylinders will be twenty years and Auto LPG containers made of low carbon steel will be fifteen years inline with international codes and practices. Further, the responsibility of condemning of cylinder failing in the periodical testing and due to expiration of the service life has been vested with the cylinder testing stations. This is to ensure that the unserviceable cylinders are effectively weeded out from circulation and from preventing the owners of the cylinders from being tempted to dispose the cylinders as second hand ones rather than as metal scrap.

### ***Enhancement of exemption limit***

The exemption limit for the possession of non-toxic, non-flammable gases, non-toxic flammable gases and dissolved Acetylene gas cylinders is substantially increased. Majority of medium and small-scale industries using industrial gases other than LPG and toxic gases have been exempted from the requirement of having a license under Gas Cylinders Rules 2004.

### ***Approval of specifications and plans***

The initial requirement of prior approval of specifications and plans in respect of non-toxic non-flammable gases is made no longer mandatory. The function of Department of scrutiny and approvals of initial proposal has been transferred to the applicant himself, who is at liberty to prepare the drawings and plans himself with the help of information available on the website of the department or through a competent person of his choice or by seeking assistance of the department. The entrepreneur has the option of approaching the department directly for grant of license, all the steps being made to save precious lead time.

### ***Night filling of non-toxic non-flammable gases***

Licenses granted in respect of non-toxic non-flammable gases have been made to automatically cover night filling permission as well. This will lead to increase in the productivity and profitability of the industry.

### ***Transfer of license:***

The absence of provision for transfer of license due to change of ownership or by the death of the licensee, etc that existed under the previous rules had created a lot of hardship to the industry and trade. The revised rule provides for transfer of the license by a simple amendment to the license.

### ***Renewal of license:***

The initial requirement of submission of application for renewal at least 30 days prior to the date of expiry has been dispensed with. Necessary provision has been incorporated enabling renewal of license at any time within 1 year from the date of expiry after paying late fee at the rate of '1 year license fee' for every 3 months after the expiry of the license.

### ***CNG Fuelling stations:***

A new license format namely 'G' has been introduced so that a single license will cover the storage and filling of CNG in the CNG fuelling station. This is replacing the system of granting two licenses in form 'E' and 'F' for storage and filling separately as per old rules.

## **INTERNATIONAL STANDARDS FOR CYLINDERS FOR HIGH PRESSURE CYLINDERS**

The International Standards for the manufacture of High pressure Cylinders has been formulated by an apex body- Bureau of International standard. The standards applicable for the manufacture of cylinders are dynamic in nature. These standards keep evolving; they are continuously revised or even replaced with the emergence of new usages and applications. At present the important standards on global scene are;

<b>Standard</b>	<b>Applicability</b>
ISO 11439	International Standard for CNG - On Board Cylinders
ISO 4705D	International Standard for Industrial Cylinders
ISO 9809	International Standard for Industrial Cylinders



ISO 11439: ISO 11439, for CNG cylinders, laid down by International Standards Organisation, serves as a universal guide to standards adopted by various countries. This standard is either adopted by the countries in entirety or are changed partially to meet the country specific nuances. Thus, it has become a common platform for CNG cylinder industry regulation and standard and various countries like Malaysia, Iran, Thailand and Egypt have adopted it.

ISO 4705D & ISO 9809: ISO 4705D & ISO 9809, for industrial cylinders, laid down by International Standards Organisation, also serve as a universal guide to standards adopted by various countries. They have set good safety record and systems. This standard is either adopted by the countries in entirety or is changed partially to meet the country specific nuances. Thus, they have become a common platform for industrial cylinder industry regulation and standard and various countries have adopted it

## COUNTRY SPECIFIC STANDARDS

Various countries have an apex body for laying down the standards that will be applicable to the manufacture of High pressure Cylinders. In addition to this, the complete process is under the Controller of Explosives or equivalent Government Authority of the respective countries.

The Countries, who do not have full-fledged programme for standardization, usually adopt the International Standard, or opt for reputed standard from other country under local regulator body in their respective country. Some of the important country specific standards are as follows:

Standard	Applicability
DOT	USA Standard for Industrial cylinders
NGV-2	USA Standard for CNG Vehicle Components
EN 1964	European Standard for Industrial Cylinders
NZS 5454	New Zealand Standard for CNG - On Board Cylinders

**DOT** (Department of Transportation): This lays down the standards for industrial gas cylinders use in USA for transportation, filling and manufacturing.

**NGV-2:** It is an American standard for CNG Cylinders and other related CNG vehicle components. This standard is a performance based standard.

**EN 1964:** This lays down the standards for industrial gas cylinders use in Europe for transportation, filling and manufacturing. Overtime, with the development of a common market in Europe, there was a need to ensure hassle free transit and use across the borders of member countries. Therefore, new regulations like PED (Pressure Equipment Directive) and TPED (Transportable Pressure Equipment Directive) have come into force.

**NZ 5454:** New Zealand was one of the first countries to formulate a CNG standard for On-board Cylinder and other related CNG vehicle components. Today, it has become a de-facto world standard because of its progressive nature. The standards are gaining popularity and are being adopted by various countries due to its performance based design approach which allows for creativity of Designers.

Some of the countries that have adopted NZ 5454 are Pakistan, Bangladesh and Indonesia.

## THIRD PARTY APPROVING AUTHORITY

In addition to the standards laid down, various countries also have authorities that act as approving agencies. These authorities do third party inspection for the cylinders manufactured in the respective countries to which they belong and also check for the compliance of national and international standards when cylinders are imported into these countries. Some of the authorities are:

Approving Authority	Country
Oil & Gas Regulatory Authority (OGRA)	Pakistan
CCOE/ Rupantarita Prakritik Gas Company Ltd. (RPGCL)	Bangladesh
Iranian Fuel Consumption Optimize (IFCO)	Iran
Labour Dept	Indonesia
Petroleum Authority of Thailand (PTT)	Thailand
Department of Occupational Safety and Health (DOSH)	Malaysia





As we intend to export a substantial part of our production, the cylinders will be manufactured to comply with relevant National or International standard, and are then subjected to third party inspection.

### **The Special Economic Zone**

We propose to set-up the proposed plant to manufacture high pressure seamless cylinders as a unit at Visakhapatnam SEZ.

An SEZ is a specifically delineated duty free enclave, deemed to be a foreign territory for the purposes of trade operations as well as duties and tariffs. Any private or public company or State Government or its agencies may set up an SEZ in India.

An SEZ is notified by the Ministry of Commerce and Industry, Department of Commerce, Government of India. One of the special features of an SEZ is that no governmental license is required for imports, including for second hand machineries and there is minimal examination of imports by customs to enable efficient operations.

The setting up and performance of business units in the SEZ is approved and monitored by an Approval Committee consisting of the Development Commissioner, officers from the central and state governments. The Development Commissioner is the nodal officer for SEZs, exercising all powers vested under the SEZ Act.

The functions of the Approval Committee with respect to activities in the SEZ include:

- Approving the import or procurement of goods from within India's Domestic Tariff Area;
- Approving the provision of services by a service provider, from outside India, or from within India's Domestic Tariff Area;
- Monitoring the utilisation, warehousing or trading of goods and utilisation of services;
- Approving, modifying or rejecting proposals for setting up manufacturing units or for rendering services, warehousing or trading;
- Allowing foreign collaborations and foreign direct investments (including investments by person(s) outside India) for setting up a business unit;
- Monitoring and supervising compliance of conditions stated in a letter of approval or permission for each business unit; and
- Performing such other functions as may be entrusted to it by the Central Government or the State Government concerned.

By establishing our proposed Unit at Visakhapatnam SEZ, we are eligible for the following benefits:

- As per provisions of the I.T. Act, NCL is entitled to deduction of 100% of the profits and gains derived from export of goods manufactured or produced from its unit set up in Special Economic Zone for a period of five consecutive assessment years beginning with the assessment year relevant to the previous year in which the unit begins such manufacture and 50% of such profits and gains for further five consecutive assessment years. Further, for the next five consecutive assessment years, NCL is entitled to deduction of such amount not exceeding 50% of the profit as is debited to Profit & Loss Account of the previous year in respect of which the deduction is to be allowed and credited to a special reserve viz. "Special Economic Zone Reinvestment Reserve Account" to be created and utilised for the purpose of the business in the manner laid down in the I.T. Act.
- The provisions of the Minimum Alternate Tax imposed by the I.T. Act will not be applicable to NCL.
- No custom duty will be levied for any goods imported into, or service provided in, the SEZ for the purposes of its authorised operations. No custom duty is applicable to any export of goods or services from NCL to any place outside India and no excise duty is applicable to goods brought from within India's domestic tariff area to the SEZ to enable NCL to carry on its authorised operations.
- Additionally, there is an exemption from service tax on taxable services provided to NCL to carry on its authorised operations in the SEZ and there is an exemption from the levy of taxes on the sale or purchase of goods, as long as the goods are needed to carry on NCL's authorised operations.

On the other hand, the SEZ Rules 2006 require that NCL to achieve positive net foreign exchange earnings at the end of five years from the date of commercial production. Positive net foreign exchange earnings are achieved if the foreign exchange earnings of NCL are greater than its foreign exchange outflow, calculated as per rules prescribed in the SEZ Act. Thereafter, NCL will need to be a positive net foreign exchange earner at the end of every subsequent five year period. As per the provisions of the SEZ Rules, 2006, if it is determined that an SEZ Unit has not achieved positive net foreign exchange earnings, then the SEZ Unit will be liable for penal actions.



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## HISTORY AND CORPORATE MATTERS

### History and Major Events

Nitin Fire Protection Industries Limited was incorporated on September 4, 1995 in the state of Maharashtra as a Public Limited Company vide Registration Number 11-92323 and received the certificate of commencement of business on November 3, 1995. Later on, in the year 1997, we took over the erstwhile business of his proprietary concern “Nitin Industries” as a going concern. Nitin Industries, was established in 1980 by Mr. Nitin M. Shah alias Sanghavi and was engaged in the business of manufacturing fire extinguishers.

At the time of incorporation the Registered Office of our Company was situated at 29, Vadhani Estate, L.B.S. Marg, Ghatkopar (West), Mumbai 400 086, India. However, with effect from March 2, 2006, the Registered Office of our Company was shifted to 501, Delta, Technology Street, Hiranandani Gardens, Powai, Mumbai 400076, India.

We are now an ISO 9001:2000 certified company. We manufacture the complete range of portable fire fighting equipment at the factory situated at A-117, T.T.C. Industrial Area, Khairna Village, Vashi 400 701, Maharashtra, India. The products are approved by BIS approval and bear ISI mark.

Apart from portable fire fighting equipment, we undertake turnkey projects for design, manufacture, install commission and supply of complete Fire detection and suppression systems, using the latest techniques.

We have tie-ups with leading international players in fire alarm and security systems such as AirSense Technology Limited, U.K., for smoke detection equipments, Kerr Fire Fighting Chemicals, U.K., for fire fighting foams and dry powder, Ceodeux Extinguisher Valves Technology S.A., and Newtex Industries Inc., for their ZetexPlus safety clothing, to name few.

We have in-house capabilities for designing the complete systems and have our own team of Marketing Engineers and commissioning Engineers. These operations are carried out from the Systems Design and Service Center situated at 29, Vadhani Estate, L.B.S. Marg, Ghatkopar (West), Mumbai 400 086, India.

In year 2004, we ventured into the business of high pressure seamless cylinders. We entered into a tie-up with BTIC for getting High Pressure Seamless Cylinders contract manufactured to our specification at China, for sale in India. In the same fiscal we also started the business of design, manufacture and supply of CNG cascades, compressors and Dispensers. These operations are carried out at the factory situated at A-18, MIDC, Taloja, Taloja Audhyogic Vasahat, Raigad, Maharashtra.

In April 2005, we acquired entire paid-up-capital of Alert Fire Protection Systems Private Limited, a Company engaged in the business of Fire detection and Alarm system, promoted by Mr. Nitin M. Shah alias Sanghavi and Mrs. Saroj N. Shah alias Sanghavi and Eurotech Cylinders Private Limited, a Company engaged in the business of supplying in high pressure seamless cylinders, promoted by Mr. Kunal N. Shah alias Sanghavi and Mrs. Dhruti R. Shah alias Sanghavi. In January 2006 we acquired Logicon Building Systems Private Limited, a Company engaged in the business of security solution business, and promoted Mr. Dharmendra Bavisi and Zimith Properties Private Limited thus making them our wholly owned subsidiaries. In October 2006, we have taken a 95% share in partnership concern Eurotech Corporation where Mr. Kunal N. Shah alias Sanghavi is holding 5% share. Eurotech Corporation is in the business of manufacturing of fire extinguishers, having a plant in Parwanoo, Himachal Pradesh.

We have incorporated a wholly owned subsidiary, Nitin Cylinders Limited on September 27, 2006, in which we now intend to manufacture High Pressure Cylinders, and Fuel Dispensers at proposed plant at VSEZ.

In March 2007, under NELP VI of Government of India, our Company along with Gujarat State Petroleum Corporation Corporation Limited (GSPC), Gail (India) Limited (GAIL), Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL), Hallworthy Shipping Limited SA, (HALLWORTHY) and Silverware Energy Pte. Ltd (SILVERWARE) entered into a Production Sharing Contract with Government of India for the exploration and prospecting of crude oil block in Rajasthan State bearing No. RJ-ONN-2004/1 admeasuring a contract area of 4613 sq km. The participating interests in the above contract amongst the Contractors are: Our Company (10%), GSPC (20%), GAIL (20%), HPCL (20%), BPCL (10%), HALLWORTHY (10)% and SILVERWARE (10%). For further details please refer paragraph titled “Other Agreements on page 84.



### Major events in the History of our Company:

Year	Event
1995	Incorporation of our Company
1997	Received ISI Mark for all Fire Extinguishers and Accessories.
1998	Received a major order from Reliance Jamnagar Complex
2001	Received 2 major orders from ONGC worth Rs. 1,900 Lacs for replacement of Ozone depletion systems at their offshore platforms,
2003	Received our first ever CNG cascade order from Indraprastha Gas Limited, New Delhi
2004	Entered into agreement with BTIC for manufacture of cylinders Awarded Certificate of ISO 9001:2000
2005	Acquisition of Alert Fire Protection Systems Private Limited Acquisition of Eurotech Cylinders Private Limited
2006	Acquisition of Logicon Building Systems Private Limited Incorporation of wholly owned subsidiary Nitin Cylinders Limited Acquisition of 95% share in Partnership Concern Eurotech Corporation Memorandum of Understanding was signed between Nitin Cylinders Limited and Kraus Global for technology transfer w.r.t. Fuel Dispensers Awarded CFBP - Jamnalal Bajaj Uchit Vyavahar Puraskar for Fair Business Practices by Council for Fair Business Practices
2007	Our Promoter Mr. Nitin M Shah alias Sanghavi was awarded Life Time Udyog Excellence Award by Intellectual Peoples and Economic Growth Association Our Promoter Mr. Rahul N Shah alias Sanghavi was awarded Nation's Udyog Ratan Award by Indian Organisation for Business Research and Development Our Company has entered into a production sharing contract with Government of India for the exploration and prospecting of crude oil block in Rajasthan State. Received a major order from Reliance Petroleum Limited for supply of Gaseous Fire Extinguishing Skids at their Jamnagar Export Refinery Project Received order for CNG cascades from Indraprastha Gas Limited, New Delhi for 13 numbers. Received order from Humboldt Wedag India Private Limited for Design, Engineering, manufacturing, testing and supply of FM 200 gas based fire detection, alarm and suppression system and portable fire extinguisher.

### MAIN OBJECTS OF OUR COMPANY AS CONTAINED IN THE MEMORANDUM OF ASSOCIATION ARE:

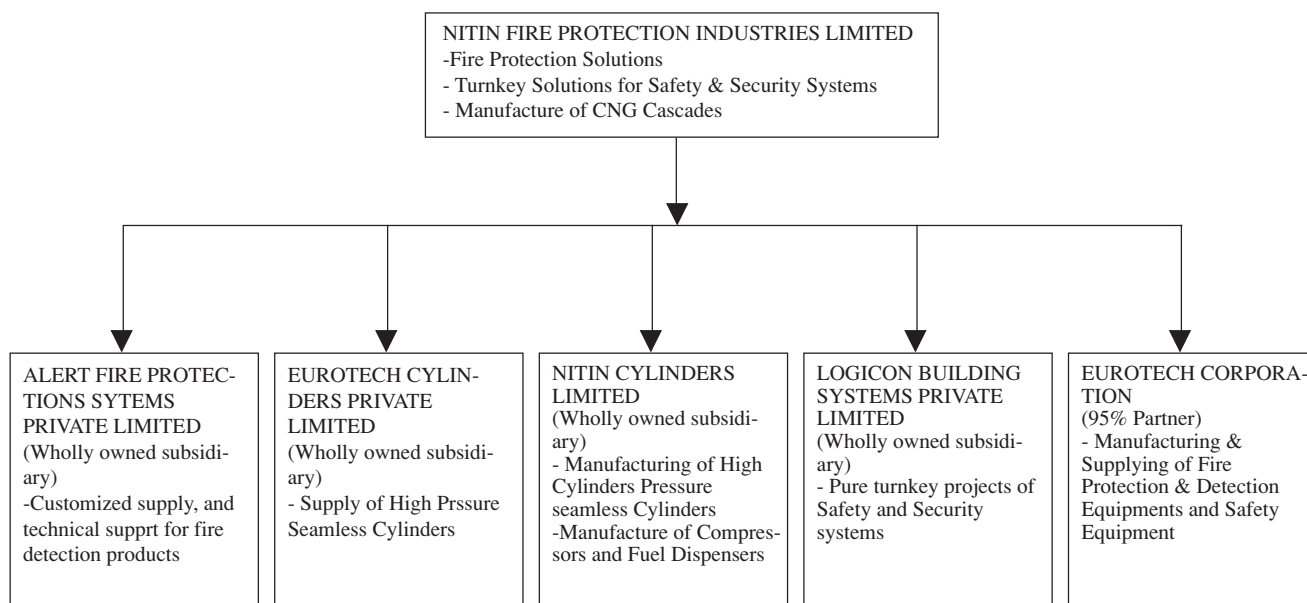
1. To manufacturer, design, develop, assemble, deal, rent out, buy sell, repairs, services, import, export, or otherwise dealing all types of fire protection engineering equipments, fire protection used by the industrial and household sector.
- 1A To manufacture, design, develop, assemble, deal, rent, buy, sell, repairs, services, import, export or otherwise dealing in all types of cylinders, cylinder banks / cascades and allied items, permanent, liquefiable and mixture gas including industrial gases, Oxygen, Organ, Carbon Dioxide and other Specially gases as well as Compressed Natural Gases (C.N.G.) and Liquified Petroleum Gases (L.P.G.) for industrial, commercial and medical uses.
- 1B To carry on business Infrastructure projects including designing, developing, constructing re-structuring, modifying, mega projects building, shopping malls, railways, highways, roads, dams, power projects, airports, or any other construction and development work, multi storey buildings, towers an collecting, processing, programming and analyzing data statistics related to all types of infrastructure projects on turn key basis to all clients in India and abroad.
- 1C To carry on the business globally of mining, drilling, extracting, exploring, refining, pumping, drawing, purifying, any kind of mineral oil, petroleum oils, gases (including natural gases) and all types of fuels, either individually or in consortium with any person and supplying, distributing, transporting, preserving such oils, gases or fuels by any mode including through pipelines and to maintain such pipelines and underground reservoir for preserving such oils, gases or fuels.
- 1D To undertake the work of searching, inspection, examination and exploration of all types of mineral oils, petroleum oils and gases and for that purpose to take on lease, purchase or otherwise acquire land and places which may seem to the company capable or affording supply of mineral oil or gases and to establish and being apply the pumping stations, pipelines and other works and conveniences suitable for the purpose of extraction of fuels of any nature.

Changes in the Memorandum of our Company since incorporation

Sr. No.	Particulars	Date of Alteration
1	The Authorised Share Capital of our Company was increased from Rs. 1,00,00,000/- comprising of 10,00,000 Equity Shares of Rs. 10/- each to Rs. 3,00,00,000/- comprising of 30,00,000 Equity Shares of Rs. 10/- each.	EGM held on 22 <sup>nd</sup> March, 1999
2.	The Authorised Share Capital of our Company was increased from Rs.3,00,00,000/- comprising of 30,00,000 Equity Shares of Rs. 10/- each to Rs. 8,00,00,000/- comprising of 80,00,000 Equity Shares of Rs. 10/- each.	EGM held on September 24, 2001
3.	Alteration of Object Clause III by insertion of new sub-clause 16A after sub-clause 16 - brief description of the new object clause - to manufacture, design, develop, assemble, deal, rent, buy, sell, repairs, services, import, export or otherwise dealing in all types of cylinders, cylinder banks / cascades and allied items	EGM held on January 24, 2002
4.	<p>Alteration of Main Object Clause by insertion of new clause 1A, &amp; 1B immediately after Clause III (A) 1 - brief description of the new objects -</p> <p>1A : to manufacture, design, develop, assemble, deal, rent, buy, sell, repairs, services, import, export or otherwise dealing in all types of cylinders, cylinder banks / cascades and allied items”</p> <p>1B : To carry on the business infrastructure projects including designing, developing, constructing, re-structuring, modifying, mega projects building, shopping malls, railways, highways, roads, dams, power projects etc. in India and abroad.”</p> <p>&amp;</p> <p>The Authorised Share Capital of our Company was increased from Rs. 8,00,00,000/- comprising of 80,00,000 Equity Shares to Rs. 12,00,00,000/- comprising 1,20,00,000 Equity Shares of Rs. 10/- each</p>	EGM held on March 16, 2006
5.	<p>Alteration of Main Object Clause by insertion of new clause 1C &amp; 1D immediately after Clause III (A) 1(B) - brief description of the new objects-</p> <p>1C: To carry on the business globally of mining, drilling, extracting, exploring, refining, pumping, drawing, purifying, any kind of mineral oil, petroleum oils, gases (including natural gases) and all types of fuels, supplying, distributing, transporting, preserving and to maintain pipelines and underground reservoir for preserving such oils, gases or fuels.</p> <p>1D: To undertake the work of searching, inspection, examination and exploration of all types of mineral oils, petroleum oils and gases and to take on lease, purchase or acquire land and to establish the pumping stations, pipelines for extraction of fuels.</p>	EGM held on September 1, 2006
6.	The Authorised Share Capital of our Company was increased from Rs. 12,00,00,000/- comprising of 1,20,00,000 Equity Shares to Rs. 15,00,00,000/- comprising 1,50,00,000 Equity Shares of Rs. 10/- each	EGM held on September 28, 2006



## NFPIL AND GROUP BUSINESS LINES



### SUBSIDIARIES/PARTNERSHIP FIRM (WHERE ISSUER COMPANY'S PROFIT SHARE IS 95%) OF THE ISSUER COMPANY

#### 1) ALERT FIRE PROTECTION SYSTEMS PRIVATE LIMITED (ALERT)

##### Background / Overview:

ALERT was incorporated on August 5, 1993 in Mumbai. The certificate of Incorporation bearing number 11-73344 was issued by RoC, Maharashtra. The shares of ALERT were initially held by Mr. Nitin M. Shah alias Sanghavi, promoter of our Company and his wife Mrs. Saroj N. Shah alias Sanghavi. However, with effect from April 1, 2005 the entire holding of ALERT was transferred to our company for consideration paid in cash.

The promoters of Alert have offered their shares to Nitin Fire Protection Industries Limited as per the following:

Name of the Promoters	No. of shares	Face Value (Rs.)	Premium (Rs.)	Total consideration (Rs.)
Nitin M. Shah alias Sanghavi	5,000	10/-	1000/-	50,50,000
Saroj N Shah alias Sanghavi	5,000	10/-	1000/-	50,50,000
<b>Total Consideration</b>				<b>1,01,00,000</b>

The above mentioned acquisition was done on the basis of third party valuation report dated 28th March, 2005 received from D. Kothary & Company, Chartered Accountants

Alert is a wholly owned subsidiary of Nitin Fire Protection Industries Limited

##### The present shareholding pattern of the ALERT is as follows:

Name of the Shareholders	No. of Shares	% of Shareholding
Nitin Fire Protection Industries Ltd.	9,900	99.00%
Mr. Rahul . N. Shah (as a nominee of Nitin Fire Protection Industries Limited)	100	1.00%
<b>Total</b>	<b>10,000</b>	<b>100.00%</b>

## Board of Directors

Rahul N. Shah alias Sanghavi Director

Saroj N Shah alias Sanghavi Director

## Business

Alert is exclusive distributor in India for the Fire detection products of U.K. based Apollo Fire Detectors Ltd., (a Halma Group Company Listed on London Stock Exchange), Optical Beam Smoke Detectors of Fire Fighting Enterprise U.K., High Sensitivity Smoke Detection System of AirSense Technology Ltd UK. Alert provides customized supply, trading and technical support for fire detection products. The major customers are Zicom Electronic Security Systems Limited, Fire Hut Commercial Equipment Private Limited, Reliance Infocomm Limited, Qualitrade, Electronic Control Devices, Dekars Techno Engineering, Sakshi Vincom Private Limited and Saral Marketing Private Limited.

Alert currently has six dealers across India to market Apollo Conventional and Intelligent range of Fire Alarm Systems.

## Marketing Tie-Ups:

Sr. No	Name of the Partner	Description
1.	Apollo Fire Detectors Ltd., U.K.	Official Distributors of Apollo Fire Detector Ltd., UK
2	Fire Fighting Enterprise, U.K.	Distributor of Optical Beam Smoke Detectors

## Products offered by ALERT

The products offered by ALERT include range of Detectors and control Panels as listed below:

### Conventional and Intelligent Fire Alarm Systems

- Optical Smoke Detectors
- Optical Beam Detectors
- Heat Detectors
- Ionisation Smoke Detectors
- Multisensor Detectors
- Carbon Monoxide Detectors
- Manual Call Points
- Control Panel

## Financials of ALERT from the date of acquisition:

For details of the financials of ALERT, please refer to Section “Financial Statements” on page 133.

## 2) EUROTECH CYLINDERS PRIVATE LTD. (ECPL)

### Background / Overview:

ECPL was incorporated on April 1, 2005 in Mumbai. The certificate of incorporation bearing number U 28121 MH 2005 PTC 152345 was issued by ROC, Maharashtra. Mr. Kunal N. Shah alias Sanghavi, promoter of our Company and Mrs. Dhruiti R. Shah alias Sanghavi were the subscribers to the memorandum and collectively held entire share capital of ECPL. On April 17, 2005, the entire Share Capital was transferred to our company for consideration paid in cash.

The promoters of ECPL have offered their shares to Nitin Fire Protection Industries Limited as per the following:

Name of the Promoters	No. of shares	Face Value (Rs.)	Premium (Rs.)	Total consideration (Rs.)
Dhruiti R Shah alias Sanghavi	5,000	10/-	Nil	50,000
Kunal N. Shah alias Sanghavi	5,000	10/-	Nil	50,000
<b>Total Consideration</b>				<b>1,00,000</b>





The above mentioned acquisition was done on the basis of third party valuation report dated 6th April, 2005 received from D. Kothary & Company, Chartered Accountants

**The present shareholding pattern of the ECPL is as follows:**

Name of the Shareholders	No. of Shares	% of Shareholding
Nitin Fire Protection Industries Ltd.	9,900	99.00%
Mr. Kunal N. Shah alias Sanghavi (as a nominee of Nitin Fire Protection Industries Limited)	100	1.00%
<b>Total</b>	<b>10,000</b>	<b>100.00%</b>

#### **Board of Directors**

Kunal N. Shah alias Sanghavi      Director

K. H. Vaidyanathan                  Director

#### **Business**

Eurotech Cylinders Private Ltd. is engaged in distribution of High Pressure Seamless Cylinders. ECPL gets the the Cylinders contract manufactured from BTIC, China. The Cylinders are manufactured to standards of quality conforming to specifications laid by the country's statutory authorities, the Bureau of Indian Standards and Chief Controller of Explosives, Nagpur, India and are tested and certified by an independent inspecting agency. The cylinders are presently been sold under the brand name EURO in the domestic market. The Cylinder designs are based on the customer's requirements and specifications prescribed by the Indian or International Standards. Lloyd's Register, Asia, a third party agency carries out inspection of the cylinders and also verifies the Design calculations and drawings for the cylinders. These Design calculations and drawings are finally approved by the Chief Controller of Explosives, Nagpur. The industrial cylinders for domestic market are manufactured as per IS-7285 standard whereas the CNG cylinders for on-board usage in automobiles are manufactured as per IS-15490. Both the standards are duly certified and later on approved by Chief Controller of Explosives, Government of India, which is also a regulatory authority for import/use of High Pressure Cylinders in India.

ECPL supplies a wide range of High Pressure Seamless Steel Gas Cylinders for applications such as industrial gases, medical gases, fire fighting equipments, beverage industry use, for CNG-NGV vehicles, CNG Cascades and many more applications.

Major customers are S Vaidya & Co., Inox Air Products Limited, Bhuruka Gases Limited, YS Hitech Secure Print (P) Limited, MSPL Limited and Cochin Shipyard Limited.

#### ***Eurotech deals in Various types of Cylinders as detailed hereinbelow:***

- CNG Type I and Type II
  - On Board Cylinder
  - Storage Cylinders
- Industrial Cylinders including cylinders to store Oxygen, Hydrogen, Nitrogen, Argon, Helium etc.
- Fire Fighting Cylinders
- Medical Cylinders
- Beverage use Cylinders

#### **Financials of ECPL from the date of acquisition:**

**For details of the financials of ECPL, please refer to Section "Financial Statements" on page 142.**

### **3) LOGICON BUILDING SYSTEMS PRIVATE LIMITED (LOGICON)**

#### **Background / Overview:**

LOGICON is also a wholly owned subsidiary of our company. LOGICON was incorporated on August 23, 2004 in Mumbai. The certificate of incorporation bearing number U 29193 MH2004 PTC 148158 was issued by RoC, Maharashtra. LOGICON was promoted by Mr. Dharmendra Bavisi and Zimith Properties Private Limited. On January 1, 2006 our Company purchased all the shares of the company from its promoters. Thus, making it a wholly owned subsidiary of our Company with effect from January 1, 2006.





The promoters of Logicon have offered their shares to Nitin Fire Protection Industries Limited as per the following:

Name of the Promoters	No. of shares	Face Value (Rs.)	Premium (Rs.)	Total consideration (Rs.)
Dharmendra S Bavisi	7,600	10/-	10/-	1,52,000
Zimith Properties Private Limited	9,900	10/-	10/-	1,98,000
<b>Total Consideration</b>				<b>3,50,000</b>

The above mentioned acquisition was done on the basis of third party valuation report dated 26th December, 2005 received from D. Kothary & Company, Chartered Accountants.

**The present shareholding pattern of Logicon is as follows:**

Name of the Shareholders	No. of Shares	% of Shareholding
Nitin Fire Protection Industries Ltd.	17,400	99.43%
Mr. Dharmendra Bavisi (as a nominee of Nitin Fire Protection Industries Limited)	100	0.57%
<b>Total</b>	<b>17,500</b>	<b>100.00%</b>

#### Board of Directors

Dharmendra Bavisi Director

Gopal Krishna Shahi Director

#### Business

Logicon is engaged in offering Intelligent Building Management Systems, Clean Agent and Fire Detection Alarm System, Water based Systems, CCTV and Security systems. Logicon looks after all the activities from the designing, integration, installation, commissioning and maintenance of these systems and also provides maintenance service to such systems installed. Logicon undertakes purely turnkey projects.

Logicon has the products to meet the requirements of Fire protection, Security and Building automation of all kinds of buildings, be it I.T. Complexes, Shopping Malls, Industrial plant buildings, Hospitals, Hotels, Banks, Data Centers, Defense establishments or any such applications where one wants to provide a Safe, Secure and Efficient work environment to the occupants, and the business itself. It is also an authorised distributor for Morley IAS and Notifier products of Honeywell Fire Systems. Logicon has also been appointed as business partner in India by Notifier USA. As a partner Logicon has the status of Engineered Systems Distributor (ESD). It is also an authorized distributor to sell, install and service fire protection and spill control products of TYCO Safety products- Fire Suppression Group.

Logicon has a technical, marketing and project execution team. Logicon has its own sales and projects offices in Mumbai and Bangalore .

Major customers Patni Computer Systems Limited, JP Morgan Chase Services India Private Limited, TCS, Avaiya Global Connect Limited, Wipro Limited and Adlabs Films Limited.

#### Marketing Tie-Ups:

Sr. No	Name of the Partner	Description
1.	Morley IAS Fire Systems and NotiFier Products by Honeywell Fire Systems	Authorised Distributor during the year of 2006-2007
2.	Notifier Fire Systems, USA	Engineered Systems Distributor (ESD).
3.	Solus Software & Systems Pvt. Ltd.	Authorised System Installer for the products manufactured and supported by Solus Software & Systems Pvt. Ltd
4.	Tyco Safety Products, USA	Authorized distributor to sell, install and service fire protection and spill control products of TYCO Safety products- Fire Suppression Group



### Products offered by Logicon

Logicon offers the following range of products:

- Fire Detection and Alarm systems: -
- Fire Suppression Systems:
- Wet Chemical based Kitchen Fire Suppression Systems
- Vehicle Fire Suppression Systems
- Water Leak Detection Systems.
- Access Control and Intrusion Detection Systems.
- DVR based CCTV Surveillance Systems.
- Intelligent Building Automation Systems

### Financials of LOGICON from the date of acquisition:

For details of the financials of LOGICON, please refer to Section “Financial Statements” on page 151.

### 4) NITIN CYLINDERS LIMITED (NCL)

#### Background/overview

NCL was incorporated on September 27, 2006 and received the certificate of commencement of business on November 16, 2006. NCL is our wholly owned subsidiary.

#### Board of Directors

Nitin Shah	Director
Rahul Shah	Director
Kunal Shah	Director

#### Shareholding Pattern of Nitin Cylinders Limited

Name	No. Of shares	% Holding
Nitin Fire Protection Industries Ltd	7,11,660	99.882
Nitin Shah alias Sanghavi (nominee)	120	0.017
Rahul Shah alias Sanghavi (nominee)	120	0.017
Kunal Shah alias Sanghavi (nominee)	120	0.017
Saroj Shah alias Sanghavi (nominee)	120	0.017
Reshma Shah (nominee)	120	0.017
Dhruti Sanghvi(nominee)	120	0.017
Nitin Shah (HUF) (nominee)	120	0.017
<b>Total</b>	<b>7,12,500</b>	<b>100.000</b>

#### Business:

NCL proposes to setup a facility to manufacture High Pressure Seamless CNG Cylinders with an annual capacity of 5,00,000 units p.a at Visakhapatnam Special Economic Zone. The unit will be entitled to tax deduction of 100% of the profits and gains derived from export of articles manufactured or produced or any services from its unit set up in Special Economic Zone (SEZ) for a period of 5 consecutive assessment years in the manner laid down in section 10AA(2) of the I.T. Act. NCL has entered into a lease agreement for 15 years with VSEZ on 27th September 2006 for a Plot admeasuring 38,446.50 Sq. Mts on which NCL proposes to set up the plant. Further NCL has leased a shed on 18th October 2006 admeasuring 3040 Sq. Mts.

## FINANCIALS

For details of the financials of Nitin Cylinders Limited, please refer to Section “Financial Statements” on page 159.

### 5) M/S EUROTECH CORPORATION

#### Background/overview

Eurotech Corporation a partnership firm was established vide a partnership deed entered into between Mrs. Saroj N. Shah alias Sanghavi and Mr. Kunal N. Shah alias Sanghavi on the 8th April 2003 wherein both the partners had agreed to share the profits in the ratio of 50:50.

Later, a new retirement cum admission deed was entered into on September 30, 2006 between Mr. Kunal Shah, (the continuing partner) Mr. Gopal Krishna Shahi (on behalf of Nitin Fire Protection Industries Limited, as “incoming partner”) and Mrs Saroj N. Shah alias Sanghavi (the retiring partner), wherein it was agreed that Mrs. Saroj N. Shah alias Sanghavi will retire as a partner w.e.f 30th September 2006. Further, the initial capital of the partnership firm shall be Rs. 50,000/- which will be brought in by the incoming partner. As per this agreement the Distribution of net profits was agreed upon in the following proportion:-

Particulars	Ratio
Mr. Kunal Shah	5%
Mr. Gopal Krishna Shahi on behalf of Nitin Fire Protection Industries Limited	95%

#### Business of the Partnership Concern

Eurotech Corporation is engaged in the business of manufacturing and supplying Fire Protection and Detection Equipments and Safety equipments. Eurotech Corporation has received UL listing for a few of its products in Fire Protection and Suppression systems.

Details of broad category of products which are Underwriters laboratories (UL) listed are mentioned herein:

1. Extinguishers and Extinguishing System Units - Component  
Clean Agents for Fire Extinguishers and Extinguishing System Units - Component
2. Signal and Fire Alarm Equipment and Services (Detectors, Automatic Fire) Heat - Automatic Fire Detectors
3. Signal and Fire Alarm Equipment and Services  
Control Unit Accessories, System

#### Products offered by Eurotech Corporation

- Fire Extinguishing Systems
- Dry Chemical Powder & ABC Extinguishers
- Carbon Dioxide Extinguishers
- Modular Type Fire Protection System
- UL Listed range of Products

## FINANCIALS

For details of the financials of Eurotech Corporation, please refer to Section “Financial Statements” on page 165.

#### Shareholders agreement

There is no shareholder agreement between our Company and any other person

#### Other Agreements

##### I. Manufacturing and Supply Agreement with Beijing Tianhai Industry Company Limited, China

We have entered into an agreement on September 1, 2004 with BTIC. As per the agreement, BTIC shall manufacture cylinders as per our specifications that are designed and developed by us under our brand name “Euro” or any other brand name, subject to relevant approvals received by us. As per the agreement BTIC has given us marketing rights for selling their cylinders and all other products in India. The Company can use the trade mark of BTIC for the sale of all



products within the validity of the Agreement. The agreement is initially valid for a period of 5 years and shall stand extended automatically for another 5 years upon achieving the target sale of USD 1 million per annum. We also have an option to buy cylinders with internationally approved standards in addition to IS 7285 standard and IS 15490 standard as approved or required by us.

## **II. Agreement with Eurotech Cylinders Private Limited and Nitin Cylinders Limited for use of NITIE trademark**

We have entered into a separate license agreement with Eurotech Cylinders Private Limited on May 26, 2006 and Nitin Cylinders Limited on October 31, 2006. As per the agreements we have granted license to ECPL to use its trademark “NITIE” for use by ECPL on its products for a consideration of Rs. 10,000/- per annum and NCL for a consideration of Rs. 15000/- per annum. ECPL and NCL shall use the trademark for sale, purchase, import or export or dealing in any of its products.

## **III. Extracts of the production sharing contract for the exploration and prospecting of crude oil block in Rajasthan State bearing No. RJ-ONN-2004/1**

Under the New Exploration Licensing Policy VI of Government of India, on March 02, 2007, our Company along with Gujarat State Petroleum Corporation Limited (“GSPC”), Gail (India) Limited (“GAIL”), Hindustan Petroleum Corporation Limited (“HPCL”), Bharat Petroleum Corporation Limited (“BPCL”), Hallworthy Shipping Limited SA, (“HALLWORTHY”) and Silverware Energy Pte. Ltd (“SILVERWARE”) (collectively referred to as “**the Contractors**”) entered into a production sharing contract (“**the Contract**”) with Government of India for the exploration and prospecting of crude oil block in Rajasthan State bearing No. RJ-ONN-2004/1 admeasuring a contract area of 4613 sq km. The exploration consists of two exploration phases, the first being for a period not exceeding four consecutive contract years and the second being for a period not exceeding three contract years. The Contractors have an option to exit from the contract at the end of the first exploration phase. The participating interests in the above contract amongst the Contractors are: the Company (10%), GSPC (20%), GAIL (20%), HPCL (20%), BPCL (10%), HALLWORTHY (10%) and SILVERWARE (10%). GSPC and GAIL would be carrying out the petroleum operations. Under the Contract, the cost estimate of the Geochem analysis of soil samples is estimated at USD 0.15 million. For the first phase, the seismic, gravity-magnetic and other surveys costs and the drilling costs have been estimated at USD 27.52 million. The drilling costs for the second phase have been estimated at USD 3.00 million.

As per the terms of the Contract, the rights and obligations of the Contractors are as follows:

- a. obligation to contribute to the costs and expenses including all the contract costs.
- b. Right to take 100% of the cost petroleum being the explorations costs, development costs, production costs and royalty costs incurred both before and after the commencement of commercial production subject to a maximum of 45% of the total value of petroleum produced and saved from the contract area.
- c. Right to share profit petroleum, being the total value of petroleum produced and saved in the year in a ratio ranging from 25% to 45% determined on the basis of investment multiples enumerated in the Contract.
- d. Right to receive any incidental income and receipts arising from petroleum operations.

All the above rights and obligations shall be shared by the Company along with other Contractors in the ratio of 10%, being our participating interest.

As per the terms of the Contract, upon application in the prescribed manner and subject to the applicable laws and relevant procedures, the Government of India or its nominee, is obligated to use its good offices to provide to the Contractors the right of ingress and egress to the contract area for petroleum operations, to assist the Contractors in procurement or commissioning of facilities required for petroleum operations including necessary approvals, permits, consents, visas, work permits etc, to obtain from the authorities of the state in which the contract area is situated such licences, permits, surface rights and easements required for the construction and operation of the said facilities by the Contractor at his cost.

## **IV. MOU between our Company and Kraus Global Inc (KGI) for maintenance and repairs service for Mahanagar Gas Limited (MGL) Dispensers supplied by Kraus Global.**

We have entered into a Memorandum of Understanding on April 11, 2005 with Kraus Global Inc., Canada. The conditions for the MOU are as follows:

- We are an exclusive distributor / customer support, maintenance, and repair service provider for MGL Dispensers supplied by Kraus Global, Canada, (in toto).

- KGI has agreed to make a payment for following services once the work is completed and accepted by MGL
  - Emergency handle sleeve to actuator valve for temper proof, retrofit on the existing Dispenser.
  - Maintenance during warranty on call basis to all stations, battery replacement. Etc. all service activities without components / spares and commissioning of Bus / car Dispensers
- Time frame of maintenance is for one year warranty period

**Other important Agreements in the Subsidiaries:**

**I. Memorandum of Understanding between Nitin Cylinders Limited and Kraus Global Inc.**

In terms of this MoU Kraus shall assist NCL to develop the capabilities to manufacture CNG Dispensers in India as an Authorised Product Packager (APP) and Sales and Service Provider (SSP) for Kraus. Salient features of the MoU are as follows

- Kraus and NCL shall work towards finalizing the SSP/APP agreements which shall be for term of five years.
- NCL shall be authorized to manufacture in India and sell CNG Dispensers in India, Bangladesh and UAE.
- Exclusivity: NCL will manufacture CNG Dispensers using Kraus proprietary products unless specifically excluded by customer specifications.
- Technology Fee: NCL will pay Kraus a one time technology transfer fee of US \$15000. This fee will serve to offset costs associated with setting up NCL as APP.
- Engineering Services Fee: In addition NCL will be required to pay Kraus a Five (5%) percent engineering Services Fee for each CNG Dispensers assembled.
- Kraus shall provide NCL with the detailed design of one CNG dispenser model (dual hose 1000 SCFM, 3 line Dispenser).
- Kraus shall provide initial start up assistance in terms of training to NCL's personnel. Kraus will support NCL tenders with Kraus Bid qualifications and Performance Bonds subsequent to NCL becoming certified as APP.
- NCL can use the trademark of Kraus to promote the marketing and sale of defined products in the defined territory.
- Kraus will provide warranty on CNG Dispensers Design to NCL.
- The MoU will become effective upon payment of USD 7500 as 50% of the technology transfer fee.

An amount of USD 7500 has been paid by NCL as terms of the agreement.

**Strategic Partners:**

We do not have any strategic partner.

**Financial Partners:**

We do not have any financial partner.



## OUR MANAGEMENT

Our company is currently managed by Board of Directors comprising of six (6) Directors, namely Mr. Nitin M. Shah alias Sanghavi, Mr. Rahul N. Shah alias Sanghavi, Mr. Gopal Krishna Shahi, Mr. Mukund R. Sheth, Mr. Krishna Kant Jha and Dr. Surendra A. Dave.

Mr. Nitin M. Shah alias Sanghavi, Chairman and Managing Director of our Company, is in charge of the overall management of our Company subject to the supervision, control and Direction of the Board of Directors, He is well supported by professional and technically qualified team of executives specified in operations, finance, marketing, Legal and personnel.

As per the Articles of Association, our Company shall have not less than three and not more than twelve Directors unless otherwise determined by the members at a general meeting.

### Board of Directors

The following table sets forth details regarding our Board of Directors as on the date of filing of the Red Herring Prospectus with ROC:

Name, Fathers Name, Designation, Address, Occupation and Date of Appointment	Age	Other Directorship / Positions
Mr. Nitin M. Shah alias Sanghavi <i>Chairman &amp; Managing Director</i> s/o Mr. Mansukhlal H. Shah B-8, Neelkhanth Dhara, 90' Feet Road, Garodia Nagar, Ghatkopar (East), Mumbai 400 077, India. Business April 1, 2004	49 years	<ul style="list-style-type: none"> <li>• Nitin Cylinders Limited</li> <li>• Aanant Reality Pvt. Ltd</li> <li>• Aanant Developers Pvt. Ltd</li> <li>• Alliance Pharma Chem Pvt. Ltd</li> </ul>
Mr. Gopal Krishna Shahi <i>Executive Director</i> s/o Mr. Ganesh Prasad Shahi 8-C, Karuna Park, Kurla - Andheri Road, Andheri (East), Mumbai 400 059, India. Business April 2, 2005	64 years	<ul style="list-style-type: none"> <li>• Logicon Buildings Systems Pvt. Limited</li> </ul>
Mr. Rahul N. Shah alias Sanghavi <i>Executive Director</i> s/o Mr. Nitin M. Shah alias Sanghavi B-8, Neelkhanth Dhara, 90' Feet Road, Garodia Nagar, Ghatkopar (East), Mumbai 400 077, India. Business February 1, 2006	28 years	<ul style="list-style-type: none"> <li>• Nitin Cylinders Limited</li> <li>• Alert Fire Protection Systems Pvt. Ltd</li> <li>• Integrated Rural Services Pvt. Ltd</li> </ul>
Mr. Mukund R. Sheth <i>Independent Director</i> s/o Mr. Ratilal D. Sheth B/5 - 140, Mukund, Chitranjan Nagar, Rajawadi, Ghatkopar (E), Mumbai 400 077, India. Practicing Chartered Accountant April 10, 2006	55 years	<ul style="list-style-type: none"> <li>• MNS Securities Limited</li> <li>• Kuber Safe Vaults Limited</li> <li>• MMS Multiple Commodities Pvt. Limited</li> <li>• MNS management Consultancy Pvt. Limited</li> </ul>
Mr. Krishna Kant Jha <i>Independent Director</i> s/o Mr. Indra Kant Jha A-149, GAIL Apartments, Plot No. B 9/1, Sector 62, Noida, India. Business April 10, 2006	61 years	None



Name, Fathers Name, Designation Address, Occupation and Date of Appointment	Age	Other Directorship / Positions
Dr. Surendra A. Dave <i>Independent Director</i> s/o Mr. Ambalal Dave 17/31, MHB Colony, Bandra Reclamation, Bandra (West), Mumbai - 400050 Professional Director May 26, 2006	70 years	<ul style="list-style-type: none"> <li>Escorts Limited</li> <li>HDFC Limited</li> <li>Nippo Batteries Company Limited (Formerly known as Indo National Limited)</li> <li>Phoenix Township Limited</li> <li>Plus Papers Limited</li> <li>Quantum Information Services Limited</li> <li>SBI DFHI Limited</li> <li>Shrenuj &amp; Company Limited</li> <li>CMIE Private Limited</li> <li>Mudra Lifestyle Limited</li> <li>Paras Pharmaceuticals Limited</li> </ul>

### Brief Profile of the Promoters

Mr. Nitin M. Shah alias Sanghavi, Mr. Rahul N. Shah alias Sanghavi and Mr. Kunal N. Shah alias Sanghavi are the Promoters of our Company. Their profiles are mentioned under the head 'Promoters and their Background' on page 99 of this Red Herring Prospectus.

### Brief Profile of the Other Directors

**Mr. Gopal Krishna Shahi**, has completed his Masters in arts. He is a highly experienced professional in the field of Fire Protection and Safety Equipments. Having a total experience of over 35 years, he has been associated with our Company since December 1, 1994. Prior to joining NFPIL, he was the head of Systems Division of Steelage Industries Ltd. He is in charge of the technological development of products and technical negotiations with customers, in respect of turnkey and general fire safety products.

**Mr. Mukund R. Sheth**, is a practicing Chartered Accountant since 1978. With the total experience of more than 25 years, he has developed wide spread business relationships. He is also associated with many Trusts, such as Ghatkopar Jolly Gymkhana, Shatrunjay Tirthdham Bhuvanbhanu Manas Mandir etc. to name few.

**Mr. Krishna Kant Jha**, is a Mechanical Engineer and a Fellow of Institution of Engineers (FIE), India. A former Executive Director (Health, Safety & Environment) of Gas Authority of India Limited (GAIL) he has a total experience of 37 years in entire spectrum of project management, operations and maintenance, administration and Health, Safety and Environment related activities. He has attended various management development programs and workshops organized by reputed professional bodies as well as government departments.

**Dr. Surendra A. Dave**, is Ph. D. in Economics. With a total experience of 44 years, he is a Director by profession. Currently being on board of various companies, he has got a work exposure with RBI, IDBI, SEBI and UTI. He has also been a Chairman of SEBI. He has been associated with various Committees of Government of India dealing with reforms in the Capital market, Mutual Funds Sector, Insurance Sector and Pensions.

### Details of borrowing powers:

Our Articles authorise our Board, to borrow moneys and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit. Please see section titled "Description of Equity Shares and Terms of Articles of Association" on page 223 of this Red Herring Prospectus. Our shareholders at an EGM on November 10, 2003, authorised our Board to borrow a maximum of Rs. 5000 Lacs.

### Terms of Appointment & Compensation of Managing Directors/ Whole time Directors

The shareholders in the Extraordinary General meeting held on Thursday 16th March 2006, approved the terms of appointment of the Chairman and Managing Director and the Executive Director (Collectively referred to as Whole-time Directors) on the terms given in the following exhibit.

- A.** Our Company has entered into Agreement with our Managing Director on 22nd March 2006. As per the Agreement our Company at the Board Meeting held on 18th February 2006 and Extraordinary General Meeting held on 16th March 2006 has agreed to appoint Mr. Nitin M. Shah alias Sanghavi as Managing Director of the Company for a period of three years starting from 1st April 2006. It is agreed between the Company and Mr. Nitin M. Shah alias Sanghavi that:
- Mr. Nitin M. Shah alias Sanghavi is appointed as Managing Director and shall perform the duties and exercise the powers assigned or vested to him by the Board of Directors of the Company from time to time;
  - He shall hold the office as Managing Director for a term of three years commencing from 1st April 2006 to 31st March 2009.





His terms of appointment and compensation details are as follows:

1. Salary : Rs. 1,00,000/- per month with reasonable increment from 1st April every year , subject to maximum 25% of the existing salary , However total salary shall not exceeds the limits prescribed u/s.198,309 and 349 of the Act.
2. House Rent allowances: Rs. 15,000/- per month subject to the provisions of the Income tax Act, 1956
3. Bonus: At the rate at which it is payable to other employee of the company.
4. Provident Fund: at the rate which it is payable to other employees of the company subject to the maximum permissible under the Income Tax Act, 1961.
5. Company's contribution towards Superannuation fund which shall not together with Company's contribution to the provident fund exceed 27% of the salary as laid down under the provisions of the Income Tax Act, 1961, or in alternative with a power left to the Board of Directors to adopt the alternative of expending an equivalent towards purchase of the deferred annuity policy for the life of the Chairman and Managing Director to provide for annuity to him for his life and up on his death to his dependents such payments to commence from the date of the Director's retirement from the company, or any other date mutually agreed between the Board of Directors and the Chairman and Managing Director.
6. Gratuity: At such rate which it is payable to other employees of the company or in the alternative the Chairman and Managing Director may join Group gratuity- cum life assurance scheme and avail the benefit of such scheme. Gratuity to be payable at the rate of half moth's salary foreach completed years of service or such rate which have been prescribed at the time of retirement.
7. Medical benefits for self and family: Reimbursement of expenses actually incurred for self and family.
8. Leave Travel Concession: For self, wife and dependent children once in a year to and from any place in India or abroad.
9. Leave: On full pay as per the rules of the company, but not exceeding one month leave for every completed year of service and leave encashment as per the rules of the company.
10. Personal accident Insurance policy of which annual premium does not exceed Rs. 10,000/-
11. Entrance as well as yearly membership fees of any two clubs or an association at Mumbai.
12. Free use of car with driver for official and private purposes.
13. Provision of telephone (Mobile and land line) Fax and Internet connection at residence of the Chairman and Managing Director with provision of the computer at residence for the use of Company's business or private purpose.
14. Actual rent /society charges /electricity charges of residence.

Provided all perquisites together with expenditure incurred on the Managing Director shall not exceed total amount of salary.

The Chairman and Managing Director shall be paid and /or reimbursed all reasonable out of pocket expenses incurred by him in the course of discharging duties as Managing Director by cash / cheque or through Credit Card.

Further to the aforesaid agreement, the Board of Directors in their meeting held on November 24, 2006 have decided to revise the remuneration of Mr. Nitin M Shah alias Sanghavi which is effective from November 01, 2006. The Amended remuneration is as follows:

Salary: Rs. 1,58,000/- per month with reasonable increment in the month of April every year, subject to maximum 25% of the existing salary. However total salary shall not exceed the limits prescribed u/s 198, 309, and 349 and Schedule XIII of the Act

House Rent Allowance: Rs. 12,000/- (Rupees Twelve Thousand Only) per month subject to the provisions of the Income Tax Act, 1958

All the other terms and conditions as mentioned in the agreement remains unchanged.

**B.** Our Company has entered into Agreement with our Executive Director on 22nd March 2006. As per the Agreement our Company at the Board Meeting held on 18th February 2006 and Extraordinary General Meeting held on 16th March 2006 has agreed to appoint Mr. Rahul N. Shah alias Sanghavi as Executive Director of the Company for a period of three years starting from 1st April 2006. It is agreed between the Company and Mr. Rahul N. Shah alias Sanghavi that:

- (i) Mr. Rahul N. Shah alias Sanghavi is appointed as Executive Director and shall perform the duties and exercise the powers assigned or vested to him by the Board of Directors of the Company from time to time;

- (ii) He shall hold the office as Executive Director for a term of three years commencing from 1st April 2006 to 31st March 2009.

His terms of appointment and compensation details are as follows:

1. Salary : Rs. 30,000/- per month with reasonable increment from 1st April every year, subject to a maximum 25% of the existing salary. However total salary shall not exceeds the limits prescribed u/s.198, 309 and 349 of the Act.
2. House Rent allowances: Rs. 5,000/- per month subject to the provisions of the Income tax Act, 1956
3. Bonus: at the rate at which it is payable to other employee of the company.
4. Provident Fund: at the rate at which it is payable to other employees of the company subject to the maximum as permissible under the Income Tax Act, 1961.
5. Company's contribution towards Superannuation fund which shall not together with Company's contribution to the provident fund exceed 27% of the salary as laid down under the provisions of the Income Tax Act, 1961, or in alternative with a power left to the Board of Directors to adopt the alternative of expending an equivalent towards purchase of the deferred annuity policy for the life of the Executive Director to provide for annuity to him for his life and up on his death to his dependents such payments to commence from the date of the Director's retirement from the company, or any other date mutually agreed between the Board of Directors and the Executive Director.
6. Gratuity: At such rate which it is payable to other employees of the company or in the alternative the Executive Director may join Group gratuity- cum life assurance scheme and avail the benefit of such scheme. Gratuity to be payable at the rate of half moth's salary for each completed years of service or such rate which have been prescribed at the time of retirement.
7. Medical benefits for self and family: Reimbursement of expenses actually incurred for self and family.
8. Leave Travel Concession: For self, wife and dependent children once in a year to and from any place in India or abroad.
9. Leave: On full pay as per the rules of the company, but not exceeding one month leave for every completed year of service and leave encashment as per the rules of the company.
10. Personal accident Insurance policy of which annual premium does not exceed Rs. 10,000/-
11. Entrance as well as yearly membership fees of any two clubs or an association at Mumbai.
12. Free use of car with driver for official and private purposes.
13. Provision of telephone (Mobile and land line) Fax and Internet connection at residence of the Executive Director with provision of the computer at residence for the use of Company's business or private purpose.
14. Actual rent /society charges /electricity charges of residence.

Provided all perquisites together with expenditure incurred on the Executive Director shall not exceed total amount of salary.

The Executive Director shall be paid and /or reimbursed all reasonable out of pocket expenses incurred by him in the course of discharging duties as Executive Director by cash / cheque or through Credit Card.

Further to the aforesaid agreement, the Board of Directors in their meeting held on November 24, 2006 have decided to revise the remuneration of Mr. Rahul N Shah alias Sanghavi which is effective from November 01, 2006. The Amended remuneration is as follows:

Salary: Rs. 48,000/- per month with reasonable increment in the month of April every year, subject to maximum 25% of the existing salary. However total salary shall not exceed the limits prescribed u/s 198, 309, and 349 and Schedule XIII of the Act

House Rent Allowance: Rs. 12,000/- (Rupees Twelve Thousand Only) per month subject to the provisions of the Income Tax Act, 1958

All the other terms and conditions as mentioned in the agreement remains unchanged.

- C. Our Company has entered into Agreement with our Executive Director on 22nd March 2006. As per the Agreement our Company at the Board Meeting held on 18th February 2006 and Extraordinary General Meeting held on 16th March 2006 has agreed to appoint Mr. Gopal Krishna Shahi as Executive Director of the Company for a period of three years starting from 1st April 2006. It is agreed between the Company and Mr. Gopal Krishna Shahi that:



- (i) Mr. Gopal Krishna Shahi is appointed as Executive Director and shall perform the duties and exercise the powers assigned or vested to him by the Board of Directors of the Company from time to time;
- (ii) He shall hold the office as Executive Director for a term of three years commencing from 1st April 2006 to 31st March 2009.

His terms of appointment and compensation details are as follows:

1. Salary : Rs. 35,000/- per month with reasonable increment from 1st April every year, subject to a maximum 25% of the existing salary. However total salary shall not exceeds the limits prescribed u/s.198,309 and 349 of the Act.
2. House Rent allowances: Rs. 5,000/- per month subject to the provisions of the Income Tax Act, 1956
3. Bonus: at the rate at which it is payable to other employee of the company.
4. Provident Fund: at the rate at which it is payable to other employees of the company subject to the maximum as permissible under the Income Tax Act, 1961.
5. Company's contribution towards Superannuation fund which shall not together with Company's contribution to the provident fund exceed 27% of the salary as laid down under the provisions of the Income Tax Act, 1961, or in alternative with a power left to the Board of Directors to adopt the alternative of expending an equivalent towards purchase of the deferred annuity policy for the life of the Executive Director to provide for annuity to him for his life and up on his death to his dependents such payments to commence from the date of the Director's retirement from the company, or any other date mutually agreed between the Board of Directors and the Executive Director.
6. Gratuity: At such rate which it is payable to other employees of the company or Managing Director may join Group gratuity- cum life assurance scheme and avail the benefit of such scheme. Gratuity to be payable at the rate of half moth's salary for each completed years of service or such rate which have been prescribed at the time of retirement.
7. Medical benefits for self and family: Reimbursement of expenses actually incurred for self and family.
8. Leave Travel Concession: For self, wife and dependent children once in a year to and from any place in India or abroad.
9. Leave: On full pay as per the rules of the company, but not exceeding one month leave for every completed year of service and leave encashment as per the rules of the company.
10. Personal accident Insurance policy of which annual premium does not exceed Rs. 10,000/-
11. Entrance as well as yearly membership fees of any two clubs or an association at Mumbai.
12. Free use of car with driver for official and private purposes.
13. Provision of telephone (Mobile and land line) Fax and Internet connection at residence of the Executive Director with provision of the computer at residence for the use of Company's business or private purpose.
14. Actual rent /society charges /electricity charges of residence.

Provided all perquisites together with expenditure incurred on the Executive Director shall not exceed total amount of salary.

The Executive Director shall be paid and /or reimbursed all reasonable out of pocket expenses incurred by him in the course of discharging duties as Executive Director by cash / cheque or through Credit Card.

Further to the aforesaid agreement, the Board of Directors in their meeting held on November 24, 2006 have decided to revise the remuneration of Mr. Gopal Krishna Shahi which is effective from November 01, 2006. The Amended remuneration is as follows:

Salary: Rs. 43,000/- per month with reasonable increment in the month of April every year, subject to maximum 25% of the existing salary. However total salary shall not exceed the limits prescribed u/s 198, 309, and 349 and Schedule XIII of the Act

House Rent Allowance: Rs. 12,000/- (Rupees Twelve Thousand Only) per month subject to the provisions of the Income Tax Act, 1958

All the other terms and conditions as mentioned in the agreement remains unchanged.

## CORPORATE GOVERNANCE

### Company's Philosophy

We stand committed to good corporate governance - transparency, disclosure and independent supervision to increase the value of our stakeholders. The directions issued by the SEBI vide SEBI/CFD/DIL/JCG) 1/2004/12/10, dated October 29, 2004, under Clause 49 of the Listing Agreement in respect of Corporate Governance will be applicable to our Company immediately upon seeking in principle approval for listing of our Equity Shares on the Stock Exchanges. Accordingly, our Company has undertaken steps in this direction to ensure compliance with the requirements pertaining to Corporate Governance. We have appointed independent directors on our Board of Directors and have also set up such committees as may be necessary under the requirements of the Committees of the Board to look into matters in respect of compensation, shareholding, audit, etc, details of which are as follows:

#### Board composition

Name of the Director	Designation	Nature of Directorship	Date of Expiry of term
Mr. Nitin M. Shah alias Sanghavi	Chairman and Managing Director	Executive	31st March 2009
Mr. Rahul N. Shah alias Sanghavi	Executive Director	Executive	31st March 2009
Mr. Gopal Krishna Shahi	Executive Director	Executive	31st March 2009
Mr. Mukund R. Sheth	Independent Director	Non Executive - Independent	To retire by rotation
Mr. Krishna Kant Jha	Independent Director	Non Executive - Independent	To retire by rotation
Dr. Surendra A. Dave	Independent Director	Non Executive - Independent	To retire by rotation

Out of total six members 50% of the Board comprises of Independent directors.

Our Company has constituted the following committees:

#### Audit committee

Our Company has formed an Audit Committee vide Board Resolution dated May 26, 2006 in compliance with Section 292A of the Companies Act and Clause 49 of the Listing Agreement. The Audit Committee has been constituted with the following Directors:

1. Mr. Mukund R. Sheth - Independent Director - Chairman
2. Mr. Krishna Kant Jha - Independent Director - Member
3. Mr. Rahul N. Shah alias Sanghavi - Executive Director - Member

Our Company Secretary shall be the Secretary to the Audit Committee.

The Audit Committee shall have full access to information contained in the records of our Company and external professional advice, if necessary. The Audit Committee also has powers as provided in Clause 49A of the Listing Agreement, which are as follows:

- to investigate any activity within its terms or reference;
- to seek information from any employee;
- to obtain outside legal or other professional advice;
- to secure attendance of outsiders with relevant expertise, if it considers necessary.

The Role of the Audit Committee includes:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with the management, the annual financial statements before submission to the board for approval.



5. Reviewing with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
9. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
10. Carrying out any other function as is mentioned in terms of reference of the Audit Committee under the clause 49 Listing Agreement.

The Chairman of the Audit Committee shall attend the annual general meetings of our Company to provide any clarifications on matters relating to audit as may be required by the members of our Company.

#### ***Remuneration Committee***

The Remuneration Committee was initially constituted by our Directors at their Board meeting held on May 26, 2006. The committee's goal is to ensure that our Company attracts and retains highly qualified employees in accordance with our business plans, that our Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate. The Remuneration Committee consists of the following members:

1. Dr. Surendra A. Dave - Independent Director - Chairman
2. Mr. Mukund R. Sheth - Independent Director - Member
3. Mr. Krishna Kant Jha - Independent Director - Member

Our Company Secretary shall act as Secretary to the Remuneration Committee.

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

- To determine the remuneration, review performance and decide on variable pay of executive directors.
- Such other matters as may be required from time to time by any statutory, contractual or other regulatory requirements to be attended to by the Compensation Committee.
- Establishment and administration of employee compensation and benefit plans.

#### ***Shareholders' / Investors' Grievance Committee***

The Shareholders' Grievance Committee has been formed by the Board of Directors at the meeting held on May 26, 2006, in compliance with the Companies Act and Clause 49 of the Listing Agreement. The Shareholders' Grievance Committee has been constituted with the following Directors :

1. Dr. Surendra A. Dave - Independent Director - Chairman
2. Mr. Mukund R. Sheth - Independent Director - Member
3. Mr. Rahul N. Shah alias Sanghavi - Executive Director - Member

Our Company Secretary shall act as Secretary to the Shareholders' Grievance Committee.

The Shareholders' Grievance Committee shall have the power to make decisions relating to redressal of Shareholders' grievances, which includes the following duties,

- to dispose off the Shareholders' complaints, in connection with non-receipt of shares, non-receipt of dividends, non-receipt of Annual Reports and general inquiry about the status of the Shares;
- to communicate to the concerned Stock Exchanges and related parties replying to status of the respective complaints;
- Communication to the SEBI explaining satisfactory redressal of Shareholders' complaints;
- any other matter related to Shareholders' grievances / complaints;



### ***IPO Committee***

Our Company has constituted an IPO Committee vide Board resolution dated May 26, 2006 with the following Directors:

1. Mr. Nitin M. Shah alias Sanghavi - Managing Director - Chairman
2. Mr. Rahul N. Shah alias Sanghavi - Executive Director - Member
3. Mr. Gopal Krishna Shahi - Executive Director - Member

Our Company Secretary shall act as Secretary to the IPO Committee.

The IPO Committee is empowered to undertake all the activities in connection with the Issue.

### **Policy on Disclosures and Internal Procedure for Prevention of Insider Trading**

We will comply with the provisions of SEBI (Prohibition of Insider Trading) Regulations 1992 after the listing of our Company's shares on BSE & NSE.

Mr. Abhishek Shrivastava our Company Secretary and Compliance Officer is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

### **Shareholding of Directors**

Our Articles do not require the Directors to hold any qualification shares in our Company. The list of Directors holding Equity Shares held by each of them directly as on the date of filing of the Red Herring Prospectus is set forth below:

<b>Name of the Director</b>	<b>No. of Shares</b>	<b>% of the share capital</b>
Mr. Nitin M. Shah alias Sanghavi	24,23,300	26.31%
Mr. Rahul N. Shah alias Sanghavi	8,05,175	8.74%
Mr. Gopal Krishna Shahi	250	0.01%

### **Interest of the Directors/Promoters**

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or by the companies / firms / ventures promoted by them or that may be subscribed by or allotted to the companies, firms, in which they are interested as Directors, members, partners and Promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our executive Directors receive remuneration from us. For further details see the section titled "Our Management" on page 87 of this Red Herring Prospectus.

Additionally, Mr. Nitin Shah, by an agreement dated May 25, 2005, leased one of his premises at 29, Vadhani Estate, Ghatkopar to our Company for period of Thirty Three months. According to the terms of the agreement, our Company is required to pay Rs.40,000/- per month towards rent.

Except as stated in the section titled "Statement of Related Party Transactions" on page 117 of this Red Herring Prospectus, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Except as mentioned under the section titled, "Other Agreements" on page 84, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Red Herring Prospectus in which the directors are interested directly or indirectly.

The Articles of Association provide that the Directors and officers shall be indemnified by our 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.

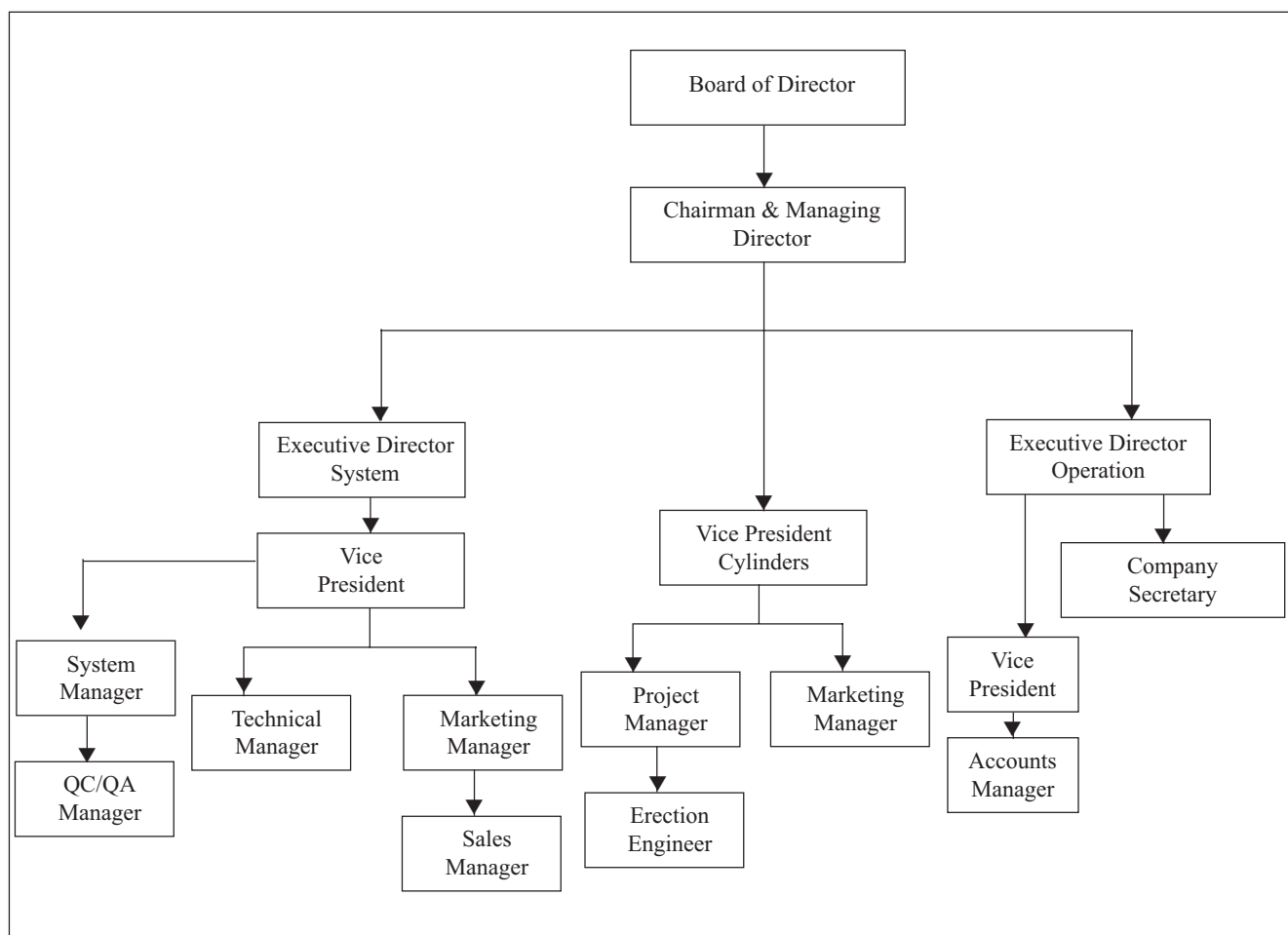




**Changes in the Board of Directors in the last three years are as follows:**

Name	Date of Appointment	Date of Cessation	Reasons
Nitin M. Shah alias Sanghavi	April 1, 2004	-	Appointment
Gopal Krishna Shahi	April 2, 2005	-	Appointment
K. H. Vaidyanathan	January 24, 2002	April 2, 2005	Resignation
Mukesh P. Ajmera	April 30, 2001	December 1, 2005	Resignation
Rahul N. Shah alias Sanghavi	February 1, 2006	-	Appointment
Pravin R. Shah	August 28, 2002	February 3, 2006	Resignation
Mukund R. Sheth	April 10, 2006	-	Appointment
Krishna Kant Jha	April 10, 2006	-	Appointment
Dr. Surendra A. Dave	May 26, 2006	-	Appointment

## ORGANISATION STRUCTURE





## Key Managerial Personnel

The details of our key managerial personnel are as given below:

Name	Designation & Functional area	Qualification	Salaries and Allowances for 2006-07 (Rs. In Lacs)	Experience	Date of joining	Previous Employer
Mr. Bharat Shah	VP - Finance	B.Com, L.L.B., DBM from Indian Merchants Chamber.	6.00	28 years	March 1, 2006	Freelancer-Taxation Advisor
Mr. Abhishek Shrivastava	Company Secretary	B. com; L.L.B, ACS	3.60	08 years	October 4, 2006	Damodar Threads Limited
Mr. Vijay Shelar	Systems Manager	S.Y. B.Com	4.20	22 years	September 4, 1995	Nitin Industries
Mr. Sunil Ekhande	Accounts Manager	B.Com	3.00	11 years	December 20, 1996.	-
Mr. Vijay Gramopadhye	Marketing Manager	Post graduation in Management and in Applied Electronics, B.Sc.	6.00	17 years	November 1996	Steelage Industries Limited
Mr. Allan Lopes	Technical Manager	Diploma in Mechanical Draftsman	4.20	29 years	September, 04 1995	New Fire Engineers Private Limited

The Brief Profile of the Key Managerial personnel is as given below:

**Mr. Bharat Shah**, 48 years, is a B.Com.(Hons) and Law graduate from the University of Mumbai. In addition, he also holds a Diploma in Business Management from Indian Merchants Chamber. He has an experience of more than 28 years in legal, taxation and financial matters. He is associated with the company since inception as a consultant until he joined the company as Vice-President on March 1, 2006. He reports to the Managing Director.

**Mr. Abhishek Shrivastava**, 31 years, is a B.Com, LLB and Company Secretary by qualification. Presently, he is responsible for Secretarial and Compliance under the Companies Act. Earlier to this he has worked with Damodar Threads Limited, Arora, Banthia & Tulsian, Steel Tubes of India Limited, G. G. Automotive Gears Limited. Overall he has 8 years of experience in his profile.

**Mr. Vijay Shelar**, 41 years, being an undergraduate in Commerce, he holds more than 22 years of experience in the field of manufacturing of all types of Portable/Mobile Fire Fighting equipment, including Water & Water Foam Monitors. He has been working with the company since 1995 and prior to that with Nitin Industries since 1985 and is responsible for all the manufacturing activities at works, overall control on Factory Purchases, Planning in Production, Quality Control for the equipment manufactured etc.

Under his supervision, the company received BIS approvals and ISI marking on various Fire Fighting equipment presently manufactured by the company, and also the ISO 2000:9001 certification for the Quality Management System.

**Mr. Sunil R. Ekhande**, 32 years, a commerce graduate from the University of Mumbai, has an experience of 11 years. He is associated with the company since 1996 and is responsible for looking after the financial records of the company under the guidance of Vice-President, Finance.

**Mr. Vijay V. Gramopadhye**, 40 years, is a Post graduate in applied Electronics from Pune University. In addition he holds a Post Graduation Degree in Management. Having a wide experience of 17 years in erection, commissioning of Fire Detection & Suppression Systems, Access Control and Building Management Systems, he is working with the company as the Marketing Manager. Earlier he has worked with Steelage Industries Limited, Mumbai in similar capacity. He reports to Vice President-Marketing.

**Mr. Allen M. Lopes**, 49 years, is a Diploma in Mechanical Draftsman & Piping. He is working with Company since inception. Presently he is working as a Technical Manager, taking care of Project execution (Alarm and Gaseous System). Earlier to this he was working for New Fire Engineers Pvt. Ltd, Worli, Mumbai.



We confirm that all the Key Managerial Employees are on the permanent payrolls of the Company.

**Key Managerial personnel of Nitin Cylinders Limited (NCL)**

Name	Designation	Qualification	Salaries and Allowances as on November '06 (Rs.)	Experience	Date of joining	Previous Employer
Mr. Milind Bhale	Project Manager	Diploma in Production Technology	3,25,000	17 years	September 16, 2004	Everest Kanto Cylinders Limited

**Mr. Milind L. Bhale**, 39 years, holds a Diploma in Production Technology from Board of Technical Education, Mumbai. He holds a total experience of 17 years. He is involved in manufacturing of CNG cascades at the company's facilities at Taloja. He was previously working with Everest Kanto Cylinders Limited.

We confirm that all the above mentioned employee is on the permanent payrolls of NCL.

**Key Managerial personnel of Eurotech Cylinders Private Limited (ECPL)**

Name	Designation & Functional area / Name of the Subsidiary	Qualification	Salaries and Allowances as on November '06 (Rs.)	Experience	Date of joining	Previous Employer
Mr. K. H. Vaidyanathan	VP - Cylinders	B.E. (Mah), DIE	4,20,000	35 years	September 1, 2002	Everest Kanto Cylinders Limited
Mr. Jeetendra Pathre	Marketing Manager, Cylinders	B.Com	5,40,000	17 years	June 10, 2006	Nitin Fire Protection Industries Limited

We confirm that all the Key Managerial Employees mentioned above are on the permanent payrolls of ECPL.

**Mr. K. H. Vaidyanathan**, 59 years, is a Graduate in Mechanical Engineering with Post Graduate studies in Industrial Engineering. He has more than 35 years of experience in various engineering fields including about 20 years in the area of High Pressure Seamless Cylinders and Allied Equipments. He has handled many projects and his latest assignment being working with Everest Kanto Cylinders Limited. Being the Vice-President at Everest Kanto Cylinders Limited, his major assignment was to establish the high pressure seamless cylinder manufacturing facility for the company and expansion of their existing facilities. Currently he is heading the implementation of the proposed project of NCL and all matters related to cylinder applications. He will also be responsible for all technical negotiation with cylinder suppliers as well as valued customers for cylinders and allied items. He is presently Director of Eurotech Cylinders Private Limited.

Mr. Jeetendra Pathre, 39 years, is a Commerce Graduate. Having 17 years of experience in the field of Sales & Marketing in the various industries and having worked with companies like Citi Bank, Eureka Forbes Limited, Real Value Appliances Limited (Cease Fire). He has been responsible for sales promotion activities of ECPL. His responsibility in ECPL includes handling the Sales Department, liasoning with the prospective clients and extending the business relations. He is servicing some major customers, including Oil & Natural Gas Corporation Limited (ONGC) and Indian Oil Corporation Limited (IOCL).

**Shareholding of our Key Managerial Personnel**

Name of the Key Managerial Personnel	No. of Shares	% of the pre-issue share capital
Mr. Bharat Shah	200	0.01%
Mr. Vijay Shelar	150	0.01%

**Bonus or Profit Sharing of the Key Employees**

Our Company has not provided any bonus or profit sharing to any of its key employees.

None of the key personnel of our Company are related to the promoters / directors of our Company. None of the above has been selected pursuant to any arrangement / understanding with major shareholders / customers / suppliers.



### Changes in Key Managerial Employees during the last three years: -

Except as stated below, there has been no change in the key managerial personnel of our Company in the last 3 years:

Name of Employee	Designation	Date of Appointment / Resignation	Reason for Change
Mr. Bharat K. Shah	Vice-President, Finance	March 1, 2006	Appointment
Mr. Umashankar Ganesh	Company Secretary	May 9, 2006 October 4, 2006	Appointment Resignation
Mr. Abhishek Shrivastava	Company Secretary	October 4, 2006	Appointment
Mr. Francis Varghese	Manager - Marketing	August 4, 2005 July 8, 2006	Appointment Resignation
Mr. Pravin Shah	VP - Systems	December 08, 2006	Resignation
Mr. Mukesh Ajmera	VP - Marketing	September 04, 1995	Resignation

Notes:

- There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.

### Employees:

#### PRESENT MANPOWER OF OUR COMPANY

Manpower spread over existing plant, offices and branches is as follows

	MANAGERIAL STAFF	SKILLED	UNSKILLED	CONTRACTUAL	TOTAL
Head Office	11	26	6	0	43
Factory	1	6	9	0	16
Design staff	3	21	2	0	26
<b>TOTAL</b>	<b>15</b>	<b>53</b>	<b>17</b>	<b>0</b>	<b>85</b>

#### PRESENT MANPOWER OF NITIN CYLINDERS LIMITED

	MANAGERIAL STAFF	SKILLED	UNSKILLED	CONTRACTUAL	TOTAL
Nitin Cylinders Limited	03	06	0	0	9

#### PROPOSED MANPOWER OF NITIN CYLINDERS LIMITED

We shall require following man power for the proposed manufacturing facility at Visakhapatnam SEZ.

Category	Number of Employees
CEO	1
Senior Managers	6
Middle Managers	15
Technicians	45
Staff	25
Skilled Labour	80
Unskilled Labour	100
<b>Total</b>	<b>272</b>

#### ESOP / ESPS Scheme to Employees

Presently, we do not have ESOP / ESPS schemes for the employees..

#### Payments or benefits to officers of our Company

Our Company has made no payments or benefits to its officers besides their salary and yearly bonus.



## PROMOTERS AND THEIR BACKGROUND

The Promoters of our Company are Mr. Nitin M. Shah alias Sanghavi, Mr. Rahul N. Shah alias Sanghavi and Mr. Kunal N. Shah alias Sanghavi.



**Mr. Nitin M. Shah alias Sanghavi**, 49 years, is currently the Chairman and Managing Director of our Company. After completing his Diploma in Mechanical Engineering in 1975 he joined his family business namely, Zenith Fire Services which were manufacturers of Fire Extinguishers. Subsequently he trained in BRK Electronics, USA which is one of the largest manufacturers of smoke detectors. He was responsible for introducing Gas detectors for checking LPG Gas leakages in India through extensive work in Japan and Taiwan. In 1984 he started Nitin Industries a proprietary concern with a vision to provide best Fire Protection Safety Equipment. In 1995, he promoted Nitin Fire Protection Industries Limited which took over the proprietary business of Nitin Industries. Thereafter he expanded the operations of our Company and is currently looking after the overall business activities.

Mr. Nitin M. Shah alias Sanghavi has changed his name from Nitin Mansukhlal Shah to Nitin Mansukhlal Sanghavi, as appearing in gazette dated July 25, 2002. Due to various religious activities carried on by Mr. Nitin M. Shah, the family is addressed in the Jain community as Sanghavi's. However for all commercial purposes the name Nitin Mansukhlal Shah still continues and both names are of one and the same person.

Bank Account : 033104000035431 - IDBI Bank  
Voter ID : Not Available  
Passport no : F -8292891  
Driving License no : 82/E/35871  
PAN : AABPS9344L



**Mr. Rahul N. Shah alias Sanghavi**, 28 years, is a commerce graduate and holds a diploma in the Business Management. He gained experience in commissioning and installation of Fire Detection and Alarm Systems, as well as Gas Suppression Systems. In 1998 he took the training of HFC 227EA gas suppression systems at Fike South-east Asia Pte. Singapore, again in 1999 training of Addressable Fire Alarm Systems from Apollo Fire Detectors Ltd. in U.K, to improve the quality of Fire Alarm Systems. All import transactions & dealings are done under his supervision. He is also responsible for material management, co-ordination with top management team of our Company He has been holding the position of a Director of our Company since February 1, 2006.

Mr. Rahul Nitin Shah has changed his name from Rahul Nitin Shah to Rahul Nitin Sanghavi, as appearing in gazette dated July 25, 2002. Due to various religious activities carried on by Mr. Nitin M. Shah, the family is addressed in the Jain community as Sanghavi's. However for all commercial purposes the name Rahul Nitin Shah still continues and both names are of one and the same person.

Bank Account : 033104000035413 - IDBI Bank  
Voter ID : Not Available  
Passport no : Z - 1568610  
Driving License no : MH-03/2003/39562  
PAN : ARBPS5820N



**Mr. Kunal Nitin Shah alias Sanghavi**, 22 years is a Bachelor of Engineering in Electronics and Tele Communications from Padmabhushan Vasantdada Patil Prathisthans College of Engineering. He has experience in development and design of control panels for Fire Alarm and Fire Extinguishers. He is also well versed with assembling, testing, and functioning of CNG dispensers for CNG fuel vehicles.

Currently he is involved in the erection, commissioning and selection of Plant and Machinery for the cylinder manufacturing plant at VSEZ.

Mr. Kunal Nitin Shah, has changed his name from Kunal Nitin Shah to Kunal Nitin Sanghavi, as appearing in gazette dated August 8, 2002. Due to various religious activities carried on by Mr. Nitin M. Shah, the family is addressed in the Jain community as Sanghavi's. However for all commercial purposes the name Kunal Nitin Shah still continues and both names are of one and the same person.

Bank Account : 11373- Andhra Bank  
Voter ID : Not Available  
Passport no : F 3991403  
Driving License no : Not Available  
PAN : ASOPS5969A

#### **Change in names of other persons forming part of the promoter group**

Similarly Mrs. Saroj Nitin Shah has changed her name from Saroj Nitin Shah to Saroj Nitin Sanghavi, as appearing in gazette dated August 8, 2002. Due to various religious activities carried on by Mr. Nitin M. Shah, the family is addressed in the Jain community as Sanghavi's. However for all commercial purposes the name Saroj Nitin Shah still continues and both names are of one and the same person.

Similarly Mrs. Dhruti R. Shah alias Sanghavi has changed her name from Dhruti R. Shah alias Sanghavi to Dhruti Rahul Sanghavi, as appearing in gazette dated August 8, 2002. Due to various religious activities carried on by Mr. Nitin M. Shah, the family is addressed in the Jain community as Sanghavi's. However for all commercial purposes the name Dhruti R. Shah alias Sanghavi still continues and both names are of one and the same person.

#### **Relationship between Promoters and Promoter Group**

Mrs. Saroj N. Shah alias Sanghavi is the wife of Mr. Nitin M. Shah alias Sanghavi. Mr. Rahul N. Shah alias Sanghavi and Mr. Kunal N. Shah alias Sanghavi are the sons of Mr. Nitin M. Shah alias Sanghavi. Mrs. Dhruti R. Shah alias Sanghavi is the wife of Mr. Rahul N. Shah alias Sanghavi.

#### **Other Confirmations**

We confirm that the details of the permanent account numbers, bank account numbers and passport numbers of our Promoters, namely, Mr. Nitin M. Shah alias Sanghavi, Mr. Rahul N. Shah alias Sanghavi and Mr. Kunal N. Shah alias Sanghavi have been submitted to the Stock Exchanges at the time of filing this Red Herring Prospectus.

Further, our Promoters have confirmed that they have not been detained 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 pending against them.

#### **Common Pursuits**

**We have certain common pursuits among our group businesses. The same are explained as follows:**

Eurotech Corporation was formed as a Partnership Firm on April 8, 2003, in which one of the Promoters Mr Kunal Shah and Smt Saroj N Shah alias Sanghavi were equal partners. The Firm, whose operations are based at Parwanoo (Himachal Pradesh), is engaged in the business of providing fire protections solutions, an activity in which our Company is also engaged. Few of the products of the firm have obtained U/L listing, which was granted in the name of Kunal Shah, Partner of Eurotech Corporation.

Subsequently, when it was decided to bring all the business activities of the group under the fold of our Company, we have been advised to let a nominal share in the Partnership Firm to be held in the name of Mr Kunal Shah in view of the UL listing being in his name. Accordingly, a Deed of Retirement-cum-Partnership Deed has been entered into, whereby Smt Saroj N Shah alias Sanghavi retired as Partner and our Company was admitted as a 95% Partner therein, while Mr Kunal Shah continued as a Partner with 5% share.



Since both our Company and Eurotech Corporation, are engaged in similar activities, there is a conflict of interest to the extent of 5% share of Mr Kunal Shah. The related business transactions and their significance on the financial performance have been given on the page 117.

Our Company and Nitin Cylinders Limited(NCL) have an object clause which authorizes us and NCL to be in same line of business of manufacturing of all types of cylinders. Currently our Company is not manufacturing cylinders and proposes to set up plant in Nitin Cylinders Limited for manufacturing of high pressure cylinders. Nitin Cylinders Limited being 100% subsidiary of our Company there does not arise common pursuits between us.

**Other than as stated above there are no common pursuits between the Issuer Company and/or its group companies.**

#### **Payment or benefit to promoter of our Company**

Except as stated in the section titled “Statement of Related Party Transactions” beginning on page 117 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Red Herring Prospectus.

#### **RELATED PARTY TRANSACTIONS**

The details of related party transactions have been disclose as a part of the Auditors Report. For Details, please refer page 117.

#### **CURRENCY OF PRESENTATION**

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

Throughout this Red Herring Prospectus, all figures have been expressed in Lacs. The word “Lac” means “One Hundred Thousand”, the word “Million (mn)” means “Ten Lac”, the word “Crore” means “Ten Million” and the word “Billion (bn)” means “One Hundred Crore”.

In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

#### **DIVIDEND POLICY**

Dividends, other than interim dividends, will be declared at the annual general meeting of the shareholders based on the recommendation of the Board of Directors. The Board may, at its discretion, recommend dividend to be paid to the members of our Company. The factors that may be considered by the Board before making any recommendations for the dividend, include but are not limited to profits earned during the financial year, liquidity of our Company, obligations towards repayment of debt including maintaining debt service reserves, future expansion plans and capital requirements, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time. The Board may also, from time to time, pay to the members interim dividend, as appears to the Board to be justified by the profits of our Company.

Some of the terms of the newly sanction loan from the Banks require us not to declare dividend except out of profits relating to the year for which dividend is to be declared after making all due and necessary provisions. We cannot declare dividend in case of any default in repayment obligation to our Lenders.

The dividends declared by our company during the last five fiscals are represented below:

<b>Year ended March 31,</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Face value of Equity Shares (Rs. per share)	10	10	10	10	10	10
Dividend (Rs.Lacs)	Nil	52.50	Nil	24.50	54.12	61.25
Dividend per share (Rs.)	Nil	1.50	Nil	0.70	1.20	0.70
Rate of Dividend (%)	Nil	15%	Nil	7%	15%	7%





## SECTION V: FINANCIAL STATEMENTS

### AUDITORS' REPORT

To,  
The Board of Directors,  
Nitin Fire Protection Industries Limited,  
501, Delta, technology Street,  
Hiranandani Gardens,  
Mumbai 400076.

Dear Sirs,

- 1) We have examined the attached financial information of Nitin Fire Protection Industries Limited hereinafter referred to as "the Company", as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated March 15, 2006 in connection with the proposed issue of Equity Shares of the Company.
- 2) This information have been extracted by the Management from the financial statements for the year ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007.
- 3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that:
  - (a) The Restated Summary Statement of Assets and Liabilities and Cash Flows of the Company as at March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007 examined by us, as set out in Annexures I and III respectively to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in 'Significant Accounting Policies and Notes on Accounts' and Statement of Changes in Significant Accounting Policies (Refer Annexures IV and V respectively).
  - (b) The Restated Summary Statement of Profits of the Company for the year ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007 examined by us, as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in 'Significant Accounting Policies and Notes on Accounts' and Statement of Changes in Significant Accounting Policies (Refer Annexures IV and V respectively).
  - (c) Based on above, we are of the opinion that that the restated financial information have been made after incorporating:
    - (i) Adjustments for the changes in accounting policies retrospectively in respective financial years if any, to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
    - (ii) Adjustments for the material amounts in the respective financial years to which they relate.
    - (iii) And there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.
  - (d) We have also examined the following other financial information setout in Annexures VI to XVIII prepared by the management and approved by the Board of Directors relating to the Company for the year ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007.
    - a. Statement of secured loans is included in Annexure VI.
    - b. Statement of unsecured loans is included in Annexure VII.
    - c. Statement of accounting ratios is included in Annexure VIII.
    - d. Statement of capitalization is included in Annexure IX.
    - e. Statement of tax shelters is included in Annexure X.
    - f. Statement of ageing analysis of sundry debtors is included in Annexure XI.
    - g. Statement of loans & advances is included in Annexure XII.
    - h. Statement of investments is included in Annexure XIII.





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- i. Statement of dividend declared is included in Annexure XIV.
  - j. Statement of related party transactions is included in Annexure XV.
  - k. Statement of contingent liability is included in Annexure XVI.
  - l. Statement of other income is included in Annexure XVII.
  - m. Statement of qualifications in Auditors' Reports is included in Annexure XVIII.

In our opinion the financial information contained in Annexures I to III and VI to XVIII of this report read along with the 'Significant Accounting Policies and Notes on Accounts' and Statement of Changes in Significant Accounting Policies (Refer Annexures IV and V) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and SEBI (DIP) Guidelines.

- 5. Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company. Our report and should not be used for any other purpose except with our consent in writing.

For **Tolia & Associates**  
Chartered Accountants

Sd/-

**(Kiran P. Tolia)**

Proprietor

Membership No.: 43637

Mumbai  
April 5, 2007

**SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**
*(Rs. in lacs)*

As at	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
<b>A) Fixed Assets</b>					
Gross Block	568.87	632.83	652.90	717.22	768.57
Less: Depreciation/Amortisation	151.49	193.62	243.80	307.70	377.40
Net Block	417.38	439.21	409.10	409.52	391.17
Less: Revaluation Reserve	234.36	204.14	178.10	155.65	136.31
<b>Net Block after adjustment for Revaluation Reserve</b>	<b>183.02</b>	<b>235.07</b>	<b>231.00</b>	<b>253.87</b>	<b>254.86</b>
<b>B) Investments</b>	<b>0.23</b>	<b>0.23</b>	<b>0.23</b>	<b>105.73</b>	<b>1,454.60</b>
<b>C) Current Asset, Loans &amp; Advances</b>					
Current Assets:					
Inventories	241.28	35.91	127.60	281.45	296.38
Sundry Debtors	321.71	253.62	652.19	1,052.26	1,161.92
Cash & Bank Balances	102.89	56.96	40.74	51.32	144.06
Loans & Advances	146.05	241.33	278.08	132.26	315.73
Other Current Assets	0.00	0.00	5.28	1.22	2.80
	<b>811.93</b>	<b>587.82</b>	<b>1,103.89</b>	<b>1,518.51</b>	<b>1,920.89</b>
<b>D) Liabilities &amp; Provisions</b>					
Secured Loans	0.00	0.00	0.00	0.00	6.94
Unsecured Loans	0.00	0.00	7.00	0.00	100.00
Current Liabilities	336.41	148.28	545.74	625.34	964.91
Provisions	163.12	124.32	175.25	118.90	270.09
Deferred Tax Liability	(0.04)	5.28	9.74	9.53	11.53
	<b>499.49</b>	<b>277.88</b>	<b>737.73</b>	<b>753.77</b>	<b>1,353.47</b>
<b>E) Net Worth, as restated (A+B+C-D)</b>	<b>495.69</b>	<b>545.24</b>	<b>597.39</b>	<b>1,124.35</b>	<b>2,276.88</b>
<b>F) Represented by</b>					
Share Capital	350.00	350.00	350.00	750.00	887.30
Share Application Money	-	-	-	-	178.51
Reserves & Surplus	380.05	399.38	425.49	540.39	1,431.24
Less: Revaluation Reserve	234.36	204.14	178.10	155.65	136.31
Reserves (Net of Revaluation Reserves)	145.69	195.24	247.39	384.74	1,294.93
Less: Miscellaneous Expenditure (to the extent not written off)					
Equity Share Issue Expenses	0.00	0.00	0.00	10.39	83.86
<b>Net Worth, as restated</b>	<b>495.69</b>	<b>545.24</b>	<b>597.39</b>	<b>1,124.35</b>	<b>2,276.88</b>



## Annexure - II

### SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(Rs. in lacs)

	For the year ended 31.03.03	For the year ended 31.03.04	For the year ended 31.03.05	For the year ended 31.03.06	For the year ended 31.03.07
<b>Income</b>					
<b>Sales</b>					
- Of products manufactured by the Company	27.59	31.66	75.12	82.53	79.26
- Of turnkey contracts executed by the Company	3,222.40	1,872.09	1,932.16	2,694.45	2,704.96
<b>Total Sales</b>	<b>3,249.99</b>	<b>1,903.75</b>	<b>2,007.28</b>	<b>2,776.98</b>	<b>2784.22</b>
Other Income	8.22	7.32	4.31	9.21	34.26
Increase/(decrease) in Inventories	88.24	(199.63)	92.40	(10.71)	14.93
<b>Total Income</b>	<b>3,346.45</b>	<b>1,711.44</b>	<b>2,103.99</b>	<b>2,775.47</b>	<b>2,833.41</b>
<b>Expenditure</b>					
Materials, components and spare parts	2,684.01	1,106.03	1,429.32	1,924.53	1,643.65
Staff Costs	87.67	85.64	91.11	131.66	165.82
Other manufacturing expenses	2.21	1.55	1.66	1.72	1.98
Administrative & other expenses	196.07	219.69	199.78	197.46	324.43
Selling & distribution expenses	243.56	176.99	224.79	156.58	183.29
<b>Total Expenditure</b>	<b>3,213.51</b>	<b>1,589.90</b>	<b>1,946.66</b>	<b>2,411.95</b>	<b>2,319.18</b>
<b>Profit before Depreciation, Interest and Tax</b>	<b>132.94</b>	<b>121.54</b>	<b>157.33</b>	<b>363.52</b>	<b>514.23</b>
Depreciation (Net of transfer from Revaluation Reserve)/ Amortisation	27.52	27.70	29.13	41.54	64.95
<b>Profit before Interest and Tax</b>	<b>105.42</b>	<b>93.84</b>	<b>128.20</b>	<b>321.98</b>	<b>449.28</b>
Interest and Finance Charges	-	-	0.87	3.08	0.54
Net Profit before Tax	105.42	93.84	127.33	318.90	448.74
<b>Less: Taxation</b>	<b>42.31</b>	<b>40.32</b>	<b>49.46</b>	<b>118.68</b>	<b>153.19</b>
Net Profit after Taxation before adjustments	63.11	53.52	77.87	200.22	295.55
Adjustments for Excess / (Short) provision for tax	1.66	(3.13)	(1.08)	-	-
<b>Net Profit as restated</b>	<b>64.77</b>	<b>50.39</b>	<b>76.79</b>	<b>200.22</b>	<b>295.55</b>
Add: Balance brought Forward as restated	132.75	113.42	138.81	147.83	269.34
<b>Balance available for appropriation</b>	<b>197.51</b>	<b>163.81</b>	<b>215.60</b>	<b>348.05</b>	<b>564.88</b>
Less: Appropriations					
Interim Dividend	-	-	17.50	54.12	61.25
Tax on Interim Dividend	-	-	2.29	7.59	8.59
Final Dividend	52.50	-	7.00	-	-
Tax on Final Dividend	6.60	-	0.98	-	-
Transferred to General Reserve	25.00	25.00	40.00	17.00	26.25
	<b>84.10</b>	<b>25.00</b>	<b>67.77</b>	<b>78.71</b>	<b>96.09</b>
Balance carried forward as restated	<b>113.42</b>	<b>138.81</b>	<b>147.83</b>	<b>269.34</b>	<b>468.79</b>

**STATEMENT OF CASH FLOWS, AS RESTATED**
**(Rs. in lacs)**

<b>PARTICULARS</b>	<b>For the year ended 31.03.03</b>	<b>For the year ended 31.03.04</b>	<b>For the year ended 31.03.05</b>	<b>For the year ended 31.03.06</b>	<b>For the year ended 31.03.07</b>
<i>Cash flows from Operating Activities</i>					
Net Profit before tax	105.42	93.84	127.33	318.90	448.74
Adjustments for:					
Depreciation/Amortisation	27.52	27.70	29.13	41.54	64.95
Amortisation of Miscellaneous Expenses	0.29	-	-	2.59	22.11
Interest Income	(7.46)	(7.32)	(2.65)	(0.89)	(4.77)
Interest paid	-	-	-	3.08	0.54
Dividend Income	0.00	0.00	(0.07)	(0.03)	0.00
Profit / Loss on sale of Assets	(0.76)	2.41	(1.55)	0.56	(2.05)
<b>Operating profit before working capital changes</b>	<b>125.01</b>	<b>116.63</b>	<b>152.19</b>	<b>365.75</b>	<b>529.52</b>
Working capital changes					
Increase/(Decrease) in Sundry Debtors	(61.81)	(68.09)	398.57	400.07	109.66
Increase/(Decrease) in Inventories	85.80	(205.37)	91.69	153.85	14.93
Increase/(Decrease) in Loans & Advances	(54.39)	77.16	7.91	(98.04)	29.91
Increase / (Decrease) in other Current Assets	-	-	5.28	(4.06)	1.58
(Increase)/Decrease in Sundry Creditors	42.64	192.76	(395.86)	(83.04)	(328.97)
(Increase)/Decrease in Other Liabilities	55.01	(4.63)	(1.59)	3.44	(10.60)
Increase / (Decrease) in working capital	<b>67.25</b>	<b>(8.17)</b>	<b>106.00</b>	<b>372.22</b>	<b>(183.48)</b>
<b>Cash generated from/(used in) operations</b>	<b>57.76</b>	<b>124.80</b>	<b>46.19</b>	<b>(6.47)</b>	<b>713.01</b>
Income taxes paid/Issue Expenses	52.75	43.40	31.12	142.21	(257.74)
<b>Net Cash used (-)/generated (+) from operating activities</b>	<b>5.01</b>	<b>81.40</b>	<b>15.07</b>	<b>(148.68)</b>	<b>455.27</b>
<i>Cash flows from Investing Activities</i>					
Purchase of fixed assets	(33.10)	(92.86)	(32.62)	(65.49)	(76.01)
Investment in shares of subsidiaries/investment in partnership firm	-	-	-	(105.50)	(1,348.87)
Sale of Shares	1.28	-	-	-	-
Sale of Assets	0.90	10.70	9.10	0.50	12.12
Dividend Received	-	-	0.07	0.03	-
Interest Received	7.46	7.32	2.65	0.89	4.77
Net cash generated from/(used in) investing activities	(23.46)	(74.84)	(20.80)	(169.57)	(1,407.99)
<i>Cash flows from financing activities</i>					
Issue of Equity Shares including share premium	-	-	-	400.00	821.81
Share Application Money	-	-	-	-	178.51
Unsecured loan	-	-	-	-	100.00
Secured loans	-	-	7.00	(7.00)	6.94
Interest paid	-	-	-	(3.08)	(0.54)
Dividend	-	(52.49)	(17.49)	(61.12)	(61.25)
<b>Net cash generated from/(used in) financing activities</b>	<b>-</b>	<b>(52.49)</b>	<b>(10.49)</b>	<b>328.80</b>	<b>1,045.46</b>
Net increase in cash and cash equivalents	(18.45)	(45.93)	(16.22)	10.55	92.54
Cash and cash equivalents at the beginning of year	121.35	102.89	56.96	40.74	51.32
Cash and cash equivalents at the end of year	102.90	56.96	40.74	51.29	144.06

Notes:

- The cash flow statement has been prepared under indirect method as set out in Accounting Standard -3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- Figures in brackets indicate Cash Outgo.



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### I. SIGNIFICANT ACCOUNTING POLICIES

#### a) **Basis of Preparation of Accounts**

The accounts have prepared to comply in all material aspects with applicable accounting principles in India, mandatory Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 except for certain fixed assets which have been revalued. The Financial Statements have been prepared under the historical cost convention on an accrual basis.

#### b) **Inventories**

- a. Raw materials and Components are carried at lower of cost, computed on FIFO basis, and net realizable value.
- b. Finished goods are carried at lower of cost, computed on FIFO basis, and net realisable value. Such costs include material cost and other costs incurred in bringing the goods to their present location and condition.

#### c) **Revenue Recognition**

- i) Sales are stated net of all taxes and includes other charges billed to customers and is recognized on dispatch to customers.
- ii) The revenues in respect of project related activities are recognized on percentage completion method as specified in Accounting Standard 7 (Revised) 'Construction Contracts' issued by the Institute of Chartered Accountants of India. Percentage of completion is determined based on surveys of work performed, which is certified by an operating agency appointed by the customer.
- iii) Income from services rendered on project related activities is recognized on due dates of the relevant contracts.
- iv) Profit/loss on contracts executed by Integrated Joint Ventures under profit- sharing arrangement (being Jointly Controlled Entities, in terms of Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures, is accounted as and when the same is determined by the Joint Venture.

#### d) **Fixed Assets and Depreciation**

Fixed assets are stated at cost of acquisition less accumulated depreciation and adjusted for grant received/impairment loss, if any. In case of revaluation of fixed assets, the amount as per the valuer is considered in the accounts and the differential amount is transferred to Revaluation Reserve.

Depreciation is provided on written down value method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956 except in case of revalued assets where depreciation is computed on such revalued amounts and an appropriate amount transferred from Revaluation Reserve.

#### e) **Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortization. Software is amortised over a period of 2 years. Amortisation is done on written down value basis.

#### f) **Investments**

Investments in the nature of long term are carried at cost. Provision for diminution in the value of long-term investments is made only if decline is other than temporary in the opinion of the management.

#### g) **Foreign Currency Transactions**

Foreign currency transactions are recorded on the basis of exchange rate prevailing on the date of their occurrence.

#### h) **Retirement Benefits**

Retirement benefits to employees comprise of payments to provident fund as administered by the Provident Fund Commissioner, Mumbai. Liability on account of encashable leave entitlement of employees in accordance with the rules of the Company is determined and provided / paid for at the close of the year. Gratuity liability is provided on the basis of an actuarial valuation.

i) **Earnings per share**

The basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. As the Company does not have any Dilutive Potential Equity Shares, diluted earnings per share is not applicable.

j) **Impairment of Assets**

The carrying amounts of assets are reviewed by the Management at the end of each period to determine whether there is any indication of impairment. If any indications exist, such asset's recoverable amount is estimated. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use.

k) **Provision for Current and Deferred Tax Liability**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961. Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as at the end of the year.

l) **Provision, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

m) **Miscellaneous Expenditure**

Equity Share Issue Expenses are amortised equally over a period of five years.

**II. NOTES ON ACCOUNTS**

1. Sundry Debtors include Rs.197.43 lacs (Previous year Rs. 125.67 lacs) due from a subsidiary company viz. Logicon Building Systems Private Limited.

2. There are no SSI undertakings to whom the Company owes any dues, which is outstanding for a period exceeding thirty days as at the balance sheet date.

The above information regarding SSI undertaking has been determined to the extent such parties are identified on the basis of information available with the Company, which has been relied upon by the Auditors.

3. In the opinion of the Board, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. The provision for all known liabilities is adequate and not in excess of the amounts reasonably necessary.

4. Additional information in terms of Paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act, 1956.

a) **Installed Capacity:** Not Applicable

Note: No licenses are required in terms of Notification No.477 (E) under the Industries (Development and Regulation), 1951.

b) **Production:**

(Nos.)

Items	Opening Stock	Production	Sales	Closing Stock
Fire Extinguishers				
<b>31.03.07</b>	-	3,441	3,441	-
<b>31.03.06</b>	-	3,715	3,715	-

c) There are no common units in respect of turnover, production, purchases, opening and closing stocks for most of the Company's products, therefore no quantitative information has been given.



d) **Expenditure incurred in foreign currency:**

	<b>31.03.07 (Rs. in lacs)</b>	<b>31.03.06 (Rs. in lacs)</b>
Travelling	6.83	5.33
Technical Know how	6.79	-
Professional Fees	49.64	-
<b>Total</b>	<b>63.26</b>	<b>5.33</b>

e) **Value of imports on CIF basis:**

	<b>31.03.07 (Rs. in lacs)</b>	<b>31.03.06 (Rs. in lacs)</b>
Materials and Components	724.04	981.65
Software	10.29	-
<b>Total</b>	<b>734.33</b>	<b>981.65</b>

f) **Earnings in foreign currency:**

	<b>31.03.07 (Rs. in lacs)</b>	<b>31.03.06 (Rs. in lacs)</b>
i) FOB value of Exports	-	-
ii) Commission	-	7.32
<b>Total</b>	<b>-</b>	<b>7.32</b>

g) **Value of Materials, Stores and Spare parts consumed:**

	<b>31.03.07 (Rs. in lacs)</b>	<b>%</b>	<b>31.03.06 (Rs. in lacs)</b>	<b>%</b>
Indigenous	757.96	47.40	327.85	79.77
Imported	841.00	52.60	83.14	20.23
<b>Total</b>	<b>1,598.96</b>	<b>100.00</b>	<b>410.99</b>	<b>100.00</b>

Note: It is not practicable to furnish quantitative information in view of the considerable number of items diverse in size and nature. These items individually account for less than 10 % of the total value of the purchases, stocks and turnover of the aforesaid raw materials, stores and spare parts. Variation in finished goods is reflected under the above head as it can be alternatively used for project activities of the Company.

5. In terms of Accounting Standard (AS -22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, provision for deferred tax liability relates to Fixed Assets amounting to Rs.11.52 lacs (Previous year Rs.9.53 lacs).

6. **Payments to Auditors \*:**

	<b>31.03.07 (Rs. in lacs)</b>	<b>31.03.06 (Rs. in lacs)</b>
Audit Fees	0.84	1.05
Tax Audit Fees	0.39	0.39
Other Matters	0.45	0.65
<b>Total</b>	<b>1.68</b>	<b>2.09</b>

(\*including service tax Rs.0.18 lac previous year Rs.0.19 lac)



## 7. Segment Information:

The Company has identified two reportable segments viz. manufacture, erection, commissioning of fire protection and security systems including supply of related components/spare parts and trading of high pressure cylinders. Segments have been identified and reported taking into account nature of product and services, the differing risks and returns and the internal business reporting systems. The accounting policies adopted for segment reporting are in line with the accounting policy of the Company with following additional policies for segment reporting.

1. Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as “Unallocable”.
2. Segment assets and segment liabilities represent assets and liabilities in respective segments. Investments and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as “Unallocable”.

### (i) Primary Segment

Particulars	Fire Protection & Security Systems		High Pressure Seamless Cylinders		Unallocable		Total	
	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06
<b>1 Segment Revenue</b>								
Domestic Turnover	2,251.12	1,961.77	533.11	815.21	-	-	2,784.22	2,776.98
Inter Segment Turnover	-	-	-	-	-	-	-	-
<b>Net Turnover</b>	<b>2,251.12</b>	<b>1,961.77</b>	<b>533.11</b>	<b>815.21</b>	<b>-</b>	<b>-</b>	<b>2,784.22</b>	<b>2,776.98</b>
<b>2 Segment Result before Interest, Extra Ordinary Items and Taxes</b>	<b>408.24</b>	<b>262.43</b>	<b>20.54</b>	<b>65.61</b>	<b>-</b>	<b>-</b>	<b>428.78</b>	<b>328.04</b>
Less : Interest and Finance Charges	-	-	-	-	14.30	10.03	14.30	10.03
Add : Interest Income	-	-	-	-	4.77	0.89	4.77	0.89
Profit before Extraordinary Items and Taxes	408.24	262.43	20.54	65.61	(9.54)	(9.14)	419.24	318.90
Extraordinary Income					29.49		29.49	
<b>Profit Before Tax</b>	<b>408.24</b>	<b>262.43</b>	<b>20.54</b>	<b>65.61</b>	<b>19.95</b>	<b>(9.14)</b>	<b>448.73</b>	<b>318.90</b>
Current Tax	-	-	-	-	145.00	110.00	145.00	110.00
Deferred Tax	-	-	-	-	2.00	(0.22)	2.00	(0.22)
Fringe Benefit Tax	-	-	-	-	6.00	8.26	6.00	8.26
Wealth Tax	-	-	-	-	0.19	0.65	0.19	0.65
<b>Net Profit after Tax</b>	<b>408.24</b>	<b>262.43</b>	<b>20.54</b>	<b>65.61</b>	<b>(133.24)</b>	<b>(127.83)</b>	<b>295.54</b>	<b>200.21</b>
<b>3 Other Information</b>								
Segment Assets	2,213.24	1,738.82	76.95	199.60	105.73	105.73	2,395.92	2,044.16
Segment Liabilities	1,086.85	610.79	255.09	142.98	190.04	-	1,531.98	753.77
Capital Expenditure	-	-	-	-	-	-	-	-
Depreciation	84.30	41.53	-	-	-	-	84.30	41.53
Non Cash Expenses Other Than Depreciation	-	-	-	-	22.11	2.60	22.11	2.60

### (ii) Secondary Segment

The geographical segment is not relevant as there are no exports.



## 8. Managerial Remuneration :

	31.03.07 (Rs. in lacs)	31.03.06 (Rs. in lacs)
Salary	31.30	18.00
Perquisites	1.49	-
Professional Fees	-	3.95
Contribution to Provident Fund	2.31	1.73
Gratuity* (*Including for earlier years)	**-	7.61
<b>Total</b>	<b>35.10</b>	<b>31.29</b>

(\*\*The amount of gratuity cannot be separately ascertained, as provision for gratuity is made for the Company as a whole)

9. Disclosure pursuant to provisions of section 293 A of the Companies Act, 1956: Donation to a Political Party (BJP) Rs. Nil (Previous year Rs. 5.00 lacs)

## 10. Earnings per share (EPS):

In terms of Accounting Standard 20 on Earnings per Share (EPS) issued by the Institute of Chartered Accountants of India, the EPS has been calculated as under:

	31.03.07 (Rs. in lacs)	31.03.06 (Rs. in lacs)
a) Net profit available for equity share holders as restated	295.54	200.22
b) Weighted Average number of equity shares used as denominator for calculating EPS	8,164,564	4,905,753
c) Basic and Diluted Earnings Per Share of Rs.10 each	Rs.3.62	Rs.4.08

11. The Board of Directors of the Company have reviewed the carrying amounts of assets as at the period end and in their opinion, there is no indication of any impairment of assets. Accordingly, no impairment loss is recognized during the year under report.
12. The Company had acquired 100% of the Equity Share Capital of Alert Fire Protection Systems Private Limited, Eurotech Cylinders Private Limited, Logicon Building Systems Private Limited and Nitin Cylinders Limited on 1.4.05, 18.4.05, 1.1.06 & 4.10.06 respectively making them it's wholly owned subsidiaries from those dates. Additionally, the Company has also acquired 95% interest in a partnership firm viz. Eurotech Corporation with effect from 1.10.06.
13. The net difference in foreign exchange on purchase of materials and components i.e. the difference between the spot price on the date of transaction and the actual rate at which the transaction is settled credited to Profit and Loss Account - Rs. 7.98 lacs (Previous year Rs.2.74 lacs)
14. Balances shown under Advances, Debtors, Creditors etc. are subject to confirmation/ reconciliation, if any. The management does not expect any material differences affecting the financial statements under report.
15. Disclosures pursuant to Accounting Standard (AS) 7 (Revised):

	31.03.07 (Rs. In lacs)	31.03.06 (Rs. in lacs)
a) Contract revenue recognized	2,704.96	1,047.04
b) Gross amount due from customers for contract work	1,126.41	599.40
c) Gross amount due to customers for contract work	Nil	Nil
d) Contracts in progress	Nil *	Nil *

(\* as certified by the management)

16. No amount is due as on March 31, 2007 (Previous year Rs. Nil) for credit to Investor Education Fund.

17. a. Disclosures in respect of Joint Ventures:

S No.	Name of Joint Venture /Blocks	Description of interest/ (Description of job)	Proportion of Ownership Interest	Country of	
				Incorporation	Residence
1.	RJ-ONN-2004/1 (Ref.No.19)	Oil Exploration	10%	Un-incorporated	India

b. Disclosures of other information pursuant to AS -27 - Financial Reporting of Interests in Joint Ventures is not applicable for the year under report.

18. Contingent liability not provided for in respect of guarantees given by the bankers of the Company in favour of its customers

Rs. In lacs)			
	Particulars	31.03.07	31.03.06
1	Aircel Digilink India Limited	-	2.00
2	Bhagyanagar Gas Limited	-	5.25
3	Bharat Petroleum Corporation Limited	-	0.34
4	Central Mining Research Institute	-	0.30
5	Chennai Petroleum Corporation Limited	-	0.54
6	Clearing Corporation of India Limited	-	0.77
7	Department Of Telecommunication	-	2.06
8	Dishnet Wireless Limited	2.91	2.91
9	Gas Authority Of India Limited	0.46	-
10	Green Gas Limited	-	10.30
11	Gujarat Energy Transmission	2.48	-
12	Hutchison Essar Telecom Limited	-	3.59
13	Hutchison Max Telecom	-	3.23
14	Indian Oil Corporation Limited	1.39	1.92
15	Indraprastha Gas Limited	5.94	15.64
16	Indraprastha Power Generation Company Limited	0.30	-
17	Life Insurance Of India Limited	-	2.20
18	Maruti Udyog Limited	12.54	2.39
19	Neyveli Lignite Corporation Limited	-	0.83
20	Nuclear Power Corporation	1.00	10.01
21	Nyvueli Lignite Corporation	0.42	-
22	Oil & Natural Gas Limited	24.69	23.41
23	Reliance Communication & Infrastructure Limited	-	28.95
24	Reliance Industries Limited	0.65	0.72
25	Sterling Celluler Limited	-	0.30
26	Tata Honeywell Limited	-	7.33
27	The Tata Power Company Limited	-	2.30
28	Torrent Power Aec Limited	0.81	-
29	Toyo Engineering India Limited	0.87	-
30	Tripura Natural Gas Company Limited	1.90	-
31	Tripura Natural Gas Limited	-	0.25
32	Westfield Retail Private Limited	10.00	-
	<b>Total</b>	<b>66.36</b>	<b>127.52</b>

Note: None of the above customers are related to the Company/promoters



## Annexure V

### STATEMENT OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

A change in Significant Accounting Policy during the year ended March 31, 2006.

The Company up to the financial years ended March 31, 2005 was accounting for gratuity on payment basis. As a measure of compliance with the accrual method of accounting followed by the Company, it has accounted for the cumulative gratuity liability for the earlier financial years and up to the year ended March 31, 2006 amounting to Rs.22.56 lacs.

Except as stated above there has been no other change in the Accounting Policies of the Company in the preceding five financial years from April 1, 2003 to March 31, 2007. As the amount of gratuity for the earlier financial years have not been quantified, the figures of the earlier financial years have not been restated.

## Annexure VI

### STATEMENT OF SECURED LOANS

(Rs. in lacs)

Particulars	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
ICICI Bank Limited (Secured against hypothecation of vehicle)	-	-	-	-	6.94
<b>Total</b>	-	-	-	-	<b>6.94</b>

## Annexure VII

### STATEMENT OF UNSECURED LOANS

(Rs. in lacs)

Particulars	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
<b>Share holders</b>					
Short Term Loan From Nitin M. Shah (HUF) (Interest @ 12% p.a.)	-	-	7.00	-	-
<b>Others</b>					
(interest free)	-	-	-	-	100.00
<b>Total</b>	-	-	<b>7.00</b>	-	<b>100.00</b>

## Annexure - VIII

### STATEMENT OF ACCOUNTING RATIOS

	For the year ended 31.3.03	For the year ended 31.3.04	For the year ended 31.3.05	For the year ended 31.03.06	For the year ended 31.03.07
i) Number of shares at the beginning of the year	3,500,000	3,500,000	3,500,000	3,500,000	7,500,000
ii) Number of shares at the end of the year	3,500,000	3,500,000	3,500,000	7,500,000	8,873,000
iii) Weighted average number of Equity Shares (Basic & Diluted)	3,500,000	3,500,000	3,500,000	4,905,753	8,164,564
iv) Net Profit after tax Available for equity Shareholders as restated (Rs. In lacs)	64.77	50.39	76.79	200.22	295.54
v) Net Worth (Net of Revaluation Reserve and Share Application Money), as restated (Rs. in lacs)	495.69	545.24	597.39	1,124.35	2,098.37
vi) Basic/diluted Earning per Share (EPS)-(vi=iv/iii)(Rs.)	1.85	1.44	2.19	4.08	3.62
vii) Return on Net worth (a) (%)	13.07	9.24	12.85	17.81	14.08
viii) Net Asset Value per share (b) (Rs.)	14.16	15.58	17.07	14.99	23.65

**Notes:**

- a) Return on Net worth (%) = Net profit after tax / ((Equity Share Capital + Reserves & Surplus, net of Revaluation Reserve) less miscellaneous expenditure).
- b) Net Asset Value per share = (Equity Share Capital + Reserves & Surplus, net of Revaluation Reserve-Miscellaneous Expenditure)/ Number of Equity shares outstanding at the end of year.

**Annexure - IX**
**STATEMENT OF CAPITALIZATION AS AT MARCH 31, 2007**
*(Rs. in lacs)*

	<b>Pre-issue as at 31.03.07</b>	<b>Post-issue *</b>
<b>LOAN FUNDS</b>		
Short Term Debt (A)	100.00	
Long Term Debt (B)	6.94	
<b>Total Debt (C=A+B)</b>	<b>106.94</b>	
<b>SHAREHOLDERS' FUNDS</b>		
Equity Share Capital	887.30	
Share Application Money	178.52	
Reserves & Surplus (Net of Revaluation Reserve)	1,294.93	
Less: Miscellaneous Expenses. (To the extent not written off or adjusted)	(83.86)	
<b>Total Shareholders' Funds (D)</b>	<b>2,276.89</b>	
Long Term Debt/Shareholders' Funds (B/D)	0.003	
Total Debt/Shareholders' Funds (C/D)	0.047	

**Note:**

\* Share Capital and Reserves (Post Issue) can be calculated only on conclusion of the Book Building Process.

**Annexure -X**
**STATEMENT OF TAX SHELTERS**
*(Rs. in lacs)*

	<b>31.3.03</b>	<b>31.3.04</b>	<b>31.3.05</b>	<b>31.3.06</b>	<b>31.03.07</b>
Net profit before tax as per profit and loss account (A)	105.42	93.84	127.33	318.90	448.74
Tax Rate (%) (B)	36.75%	35.87%	36.60%	33.66%	33.66%
Tax at Normal Rate	38.74	33.66	46.60	107.34	151.04
<b>ADJUSTMENTS:</b>					
<b>Permanent Differences</b>					
Under Section 80 G Donation	(6.48)	(3.24)	(1.26)	(3.84)	(0.51)
Other Expenses	(0.04)	(0.30)	-	(0.36)	-
Profit /(Loss) on sale of car	0.76	(2.40)	1.55	(0.57)	2.05



	31.3.03	31.3.04	31.3.05	31.3.06	31.03.07
Dividend	-	0.09	0.07	0.03	-
Share of profit from a partnership firm	-	-	-	-	16.76
<b>Total permanent differences (C)</b>	<b>(5.76)</b>	<b>(5.85)</b>	<b>0.36</b>	<b>(4.74)</b>	<b>18.30</b>
<b>Timing Differences</b>					
Difference between Tax and Book Depreciation	(1.88)	8.30	6.96	(0.64)	5.99
<b>Total Timing Differences (D)</b>	<b>(1.88)</b>	<b>8.30</b>	<b>6.96</b>	<b>(0.64)</b>	<b>5.99</b>
<b>Net Adjustments (C+D=E)</b>	<b>(7.64)</b>	<b>2.45</b>	<b>7.32</b>	<b>(5.38)</b>	<b>24.29</b>
Tax savings thereon (E*B)	(2.81)	0.88	2.68	(1.81)	8.18
Taxable profit as per Income Tax Returns	113.06	91.39	120.01	324.28	424.44
Tax as per Income Tax Returns	41.55	32.78	43.92	109.15	142.86

#### Annexure - XI

#### STATEMENT OF AGEING ANALYSIS OF SUNDRY DEBTORS

##### A. Age-wise analysis of Sundry Debtors

(Rs. in lacs)

Particulars	31.3.03	31.3.04	31.3.05	31.3.06	31.03.07
<b>Age wise Break-up</b>					
Less than six months	255.86	158.14	495.69	752.93	820.52
More than six months	65.85	95.48	156.50	299.33	341.40
<b>Total</b>	<b>321.71</b>	<b>253.62</b>	<b>652.19</b>	<b>1052.26</b>	<b>1,161.92</b>

##### B. Sundry Debtors (Related Party)

(Rs. in lacs)

Particulars	31.3.03	31.3.04	31.3.05	31.3.06	31.03.07
Logicon Building systems Private Limited (Wholly owned subsidiary w.e.f 1.1.06)					
Due for less than six months	-	-	-	60.90	166.81
Due for more than six months	-	-	-	64.77	30.62
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>125.67</b>	<b>197.43</b>

#### Annexure - XII

#### STATEMENT OF LOANS AND ADVANCES

(Rs. in lacs)

	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
Unsecured/Considered Good					
Advances recoverable in cash or in kind or for value to be received/ deposits	43.32	120.47	128.39	30.34	60.24
Advance Income Tax & Fringe Benefit Tax	102.74	120.86	149.69	101.92	255.49
<b>Total</b>	<b>146.06</b>	<b>241.33</b>	<b>278.08</b>	<b>132.26</b>	<b>315.73</b>

**Annexure - XIII**
**STATEMENT OF INVESTMENTS**
*(Rs. in lacs)*

	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
<b>A. Long Term Investments</b>					
<b>i. quoted / others</b>					
2,300 - Equity Shares -Andhra Bank	0.23	0.23	0.23	0.23	0.23
<b>ii. unquoted / Subsidiaries</b>					
10,000 equity shares of Alert Fire Protection Systems Private Limited	-	-	-	101.00	101.00
10,000 equity shares of Eurotech Cylinders Private Limited	-	-	-	1.00	1.00
17,500 equity shares of Logicon Building Systems Private Limited	-	-	-	3.50	3.50
712,500 equity shares of Nitin Cylinders Limited	-	-	-	-	1,330.00
<b>iii. In a partnership firm in which the Company is a partner</b>					
Eurotech Corporation	-	-	-	-	18.87
<b>Total</b>	0.23	0.23	0.23	105.73	1,454.60
<b>Market value of quoted investments</b>	<b>0.48</b>	<b>1.10</b>	<b>2.20</b>	<b>1.86</b>	<b>1.65</b>

**Annexure - XIV**
**STATEMENT OF DIVIDENDS DECLARED**
*(Rs. in lacs)*

Particulars	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
Face value of Equity Shares (Rs.)	10	10	10	10	10
Dividend	52.50	-	24.50	54.12	61.25
Dividend %	15	-	7	15	7
Dividend per Equity Share (Rs.)	1.50	-	0.70	1.50	0.70





## Annexure -XV

### STATEMENT OF RELATED PARTY TRANSACTIONS

#### Related Party Information:

In terms of Accounting Standard 18 issued by the Institute of Chartered Accountants of India, the disclosure of transactions with related parties as defined in the Accounting Standard are given below:

#### a) List of related parties and relationships:

Sr. No.	Name of the Related Party	Relationship
1.	Alert Fire Protection Systems Private Limited	Subsidiary Company with effect from 1.4.05
2.	Eurotech Cylinders Private Limited	Subsidiary Company with effect from 18.4.05
3.	Logicon Building Systems Private Limited	Subsidiary Company with effect from 1.1.06
4.	Nitin Cylinders Limited	Subsidiary Company with effect from 4.10.06
5.	Shri Nitin M. Shah	Key Managerial Personnel
6.	Shri Rahul N. Shah	Key Managerial Personnel
7.	Shri Pravin R. Shah	Key Managerial Personnel
8.	Shri Gopal Krishna Shahi	Key Managerial Personnel
9.	Smt. Saroj N. Shah	Relative of a Key Managerial Personnel
10.	Eurotech Corporation (Partnership firm)	Relative of a Key Managerial Personnel/the Company are partners

#### b)

#### i. Details of Related Party Transactions for the year 1.4.2003 to 31.03.2004

(Rs. in lacs)

	Sales	Purchases	Rent	Professional Fees	Director's Remuneration
<b>a. Subsidiary Companies</b>			N.A.		
<b>b. Key Management Personnel</b>					
Mr. Nitin M. Shah	-	-	4.20	-	18.00
Mr. Gopal K. Shahi	-	-	-	3.60	-
<b>c. Relatives &amp; Enterprises having Management personnel</b>					
Mrs. Saroj N. Shah	-	-	4.80	-	-
Eurotech Corporation	-	66.11	-	-	-
Alert Fire Protection Systems Private Limited	-	-	6.00	-	-

**ii. Details of Related Party Transactions for the year 1.4.2004 to 31.03.2005**
*(Rs. in lacs)*

	Sales	Purchases	Rent	Professional Fees	Director's Remuneration	Short Term Loan Taken
<b>a. Subsidiary Companies</b>			N.A.			
<b>b. Key Management Personnel</b>						
Mr. Nitin M. Shah	-	-	4.20	-	18.00	7.00
Mr. Gopal K. Shahi	-	-	-	3.95	-	-
<b>c. Relatives &amp; Enterprises having Management personnel</b>						
Mrs. Saroj N. Shah	-	-	2.25	-	-	-
Eurotech Corporation	11.99	242.10	-	-	-	-
Alert Fire Protection Systems Private Limited	-	-	6.00	-	-	-

**iii) Details of Related Party Transactions for the year 1.4.2005 to 31.03.2006**
*(Rs. in lacs)*

	Sales	Purchases	Professional Fees	Purchase of shares	Director's Remuneration	Loan Repaid
<b>a. Subsidiary Companies</b>						
Alert Fire Protection Systems Private Limited	49.54	71.68	-	-	-	-
Eurotech Cylinders Private Limited	205.11	69.30	-	-	-	-
Logicon Building Systems Private Limited	38.75	-	-	-	-	-
<b>b. Key Management Personnel</b>						
Mr. Nitin M. Shah	-	-	-	50.50	25.62	7.00
Mr. Gopal K. Shahi	-	-	3.95	-	-	-
<b>c. Relatives &amp; Enterprises having Management personnel</b>						
Mrs. Saroj N. Shah	-	-	-	50.50	-	-
Eurotech Corporation	11.99	242.09	-	-	-	-
Kunal N. Shah	-	-	-	0.50	-	-
Dhruti R. Shah	-	-	-	0.50	-	-



**iv. Details of Related Party Transactions for the year 1.4.06 to 31.03.07**

(Rs. in lacs)

Name	Sales	Purchases	Rent Paid	Director's Remuneration	Purchase of equity shares/ investment in partnership firm	Deposit received for use of infrastructure facilities	Overheads recovered for use of infrastructure facilities
<b>a. Subsidiary Companies/investment in partnership firm</b>							
Alert Fire Protection Systems Private Limited	25.09	134.19	-	-	-	10.00	4.68
Eurotech Cylinders Private Limited	24.98	121.29	-	-	-	150.00	6.00
Logicon Building Systems Private Limited	118.67	3.47	-	-	-	-	-
Nitin Cylinders Limited	-	-	-	-	1,330.00	-	-
Eurotech Corporation	-	-	-	-	18.87	-	-
<b>b. Key Management Personnel</b>							
Mr. Nitin M. Shah	-	-	4.80	19.85	-	-	-
Mr. Gopal K. Shahi	-	-	-	5.95	-	-	-
Mr. Rahul N. Shah	-	-	-	5.80	-	-	-
<b>c. Relatives &amp; Enterprises having Management personnel</b>							
Mrs. Saroj N. Shah	-	-	-	-	-	-	-
Mr. Kunal N. Shah	-	-	-	-	-	-	-
Mrs. Dhruti R. Shah.	-	-	-	-	-	-	-

## Annexure - XVI

### STATEMENT OF CONTINGENT LIABILITY

Contingent liability not provided for in respect of:

(Rs. in lacs)

	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
Guarantees given by the bankers of the Company in favour of its customers	324.21	379.74	118.81	127.52	66.36*
Bills discounted but not matured	-	-	-	57.68	-
Sales tax matter disputed in appeal	5.63	-	-	-	-
Corporate guarantee on behalf of subsidiaries for credit facilities extended to them	-	-	-	-	1,048.93
<b>Total</b>	<b>329.84</b>	<b>379.74</b>	<b>118.81</b>	<b>185.20</b>	<b>1,115.29</b>

#### Notes:

\*Against the issue of guarantees, the company has deposited fixed deposits as mentioned in the following table and provided mortgage of fixed assets belonging to the Company:

(Rs. in lacs)

	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
Fixed Deposit as security	50.76	45.45	31.02	25.02	68.15

## Annexure XVII

### STATEMENT OF OTHER INCOME

(Rs. in lacs)

	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
Share of Profit from a partnership firm	-	-	-	-	16.76
Interest Received (Bank)	5.26	6.18	2.63	0.89	4.76
Interest Received (Others)	-	-	0.02	-	-
Dividend	0.03	0.09	0.07	0.03	-
Debts written off in earlier years, Realised	0.25	-	-	0.55	1.66
Commission	-	-	-	7.32	-
Profit on Sale of Fixed Assets	0.76	-	1.55	-	2.04
Refund of Sales Tax	1.70	0.85	-	-	-
Others	0.22	0.20	0.04	0.42	9.03
<b>Total</b>	<b>8.22</b>	<b>7.32</b>	<b>4.31</b>	<b>9.21</b>	<b>34.25</b>



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## **Annexure XVIII**

### **STATEMENT OF QUALIFICATIONS IN AUDITORS' REPORTS**

#### **1. Financial Year 2002-2003**

AS-2 Valuation of Inventories:

The basis adopted for Valuation of Inventories is not ascertainable due to non-maintenance of stock records by the company.

#### **2. Financial Year 2003-2004**

AS-2 Valuation of Inventories:

The basis adopted for valuation of Inventories is based on cost or market price whichever is lower & certified / valued by the Company.

#### **3. Financial Year 2004-2005**

AS-2 Valuation of Inventories:

The basis adopted for valuation of Inventories is based on cost or market price whichever is lower & certified / valued by the Company.

Note: As the amounts pertaining to qualifications made cannot be quantified, figures of the respective financial years have not been restated.

For **Tolia & Associates**  
Chartered Accountants

Sd/-

**(Kiran P. Tolia)**  
Proprietor  
Membership No.:43637

Mumbai  
April 5, 2007



## CONSOLIDATED FINANCIALS OF NITIN FIRE PROTECTION INDUSTRIES LIMITED

### AUDITORS' REPORT

To,  
The Board of Directors,  
**Nitin Fire Protection Industries Limited,**  
501, Delta, Technology Street,  
Hiranandani Gardens,  
Mumbai 400 076.

Dear Sirs,

- 1) We have examined the attached consolidated financial information of Nitin Fire Protection Industries Limited (hereinafter referred to as 'the Company'), its subsidiaries and a partnership firm which was approved by the Board of Directors of the Company /Partners of the firm, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 (the Act) and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and terms of our engagement agreed with you in accordance with our letter dated March 15, 2006 in connection with the proposed issue of Equity Shares of the Company.
- 2) This information has been prepared by the Management from the financial statements for the year ended March 31, 2006 and March 31, 2007.
- 3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you; we further report that:
  - (a) The Consolidated Restated Summary Statement of Assets and Liabilities and Cash Flows of the Company, its subsidiaries as at March 31, 2006 and March 31, 2007 and a partnership firm as at March 31, 2007 examined by us, as set out in Annexures I and III respectively to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts. (Refer Annexure IV).
  - (b) The Consolidated Statement of Restated Summary Statement of the Profits of the Company, its subsidiaries for the year ended March 31, 2006 and March 31, 2007 and a partnership firm for the year ended March 31, 2007 examined by us, as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts. (Refer Annexure IV).
  - (c) Based on above, we confirm that that the restated financial information has been made after incorporating:
    - (i) Adjustments for the changes in accounting policies retrospectively in respective financial years if any, to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
    - (ii) Adjustments for the material amounts in the respective financial years to which they relate.
    - (iii) And there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.
  - (d) We have also examined the following consolidated other financial information setout in Annexures V and VI prepared by the Management and approved by the Board of Directors/Partners of the firm relating to the Company its subsidiaries for the year ended March 31, 2006 and March 31, 2007 and a partnership firm the year ended March 31, 2007.
    - i. Statement of earnings per share based on the consolidated financial statements of the Company, its subsidiaries and a partnership firm included in Annexure V.
    - ii. Statement of accounting ratios based on the consolidated financial statements of the Company, its subsidiaries and a partnership firm included in Annexure VI.

In our opinion the financial information contained in Annexures I to III, V and VI of this report read along with the Significant Accounting Policies and Notes on Accounts (Refer Annexure IV) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and SEBI (DIP) Guidelines.
- 4) Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company. Our report and should not be used for any other purpose except with our consent in writing.

For **Tolia & Associates**  
Chartered Accountants

Sd/-

**(Kiran P. Tolia)**

Proprietor

Membership No.: 43637

Mumbai

April 5, 2007



## Annexure I

### SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in lacs)

		As at 31.03.06	As at 31.03.07
<b>A)</b>	<b>Fixed Assets</b>		
	Gross Block	910.13	1,103.43
	Less: Depreciation/Amortisation	348.51	478.42
	Net Block	561.62	625.01
	Less: Revaluation Reserve	155.65	136.31
	Add: Capital Work in Progress -at cost (including capital advances)	-	2,972.82
	Pre-Operative Expenses	-	127.68
	<b>Net Block after adjustment for Revaluation Reserve</b>	<b>405.97</b>	<b>3,589.20</b>
<b>B)</b>	<b>Investments</b>	<b>0.28</b>	<b>0.28</b>
<b>C)</b>	<b>Current Asset, Loans &amp; Advances</b>		
	Current Assets:		
	Inventories	714.20	809.01
	Sundry Debtors	1,765.96	2,652.02
	Cash & Bank Balances	134.19	608.34
	Loans & Advances	316.36	1,383.53
	Other Current Assets	1.26	5.94
		<b>2,931.97</b>	<b>5,458.84</b>
<b>D)</b>	<b>Current Liabilities &amp; Provisions</b>		
	Secured Loans	8.30	1,058.60
	Unsecured Loans	270.00	120.00
	Current Liabilities & Provisions	1,484.15	4,426.03
	Deferred Tax Liability	11.51	22.93
	Minority Interest	-	2.76
		<b>1,773.96</b>	<b>5,630.32</b>
<b>E)</b>	<b>Net Worth (A+B+C-D)</b>	<b>1,564.26</b>	<b>3,418.00</b>
<b>F)</b>	<b>Represented by:</b>		
	Share Capital	750.00	887.30
	Share Application Money	-	178.52
	Reserves & Surplus	981.76	2,575.69
	Less: Revaluation Reserve	155.65	136.31
	Reserves (Net of Revaluation Reserves)	826.11	2,439.38
	Less: Miscellaneous Expenditure (to the extent not written off or adjusted)	11.85	87.20
	<b>Net Worth</b>	<b>1,564.26</b>	<b>3,418.00</b>



## Annexure II

### SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(Rs. in lacs)

	For the year ended 31.03.06	For the year ended 31.03.07
<b>Income</b>		
Sales	6,842.43	10,054.17
Other Income	9.5	21.30
Increase in Inventories	408.68	95.66
<b>Total Income</b>	<b>7,260.61</b>	<b>10,171.13</b>
<b>Expenditure</b>		
Materials, Purchases, Stores & Spares	5,317.93	7,114.66
Staff Costs	226.32	372.66
Other Manufacturing Expenses	20.33	15.10
Administrative & Other Expenses	333.88	567.74
Selling & Distribution Expenses	221.96	380.06
Interest and Finance Charges	41.23	31.10
Depreciation /Amortisation (net of transfer from Revaluation Reserve)	46.12	104.81
Amortisation of Preliminary Expenses	2.9	22.51
Goodwill Amortised	20.35	20.35
<b>Total Expenditure</b>	<b>6,231.02</b>	<b>8,628.99</b>
<b>Net Profit before Tax</b>	<b>1,029.59</b>	<b>1,542.14</b>
Less: Minority Interest in Income	-	0.88
<b>Net Profit before Tax (after share of minority interest in income)</b>	<b>1,029.59</b>	<b>1,541.26</b>
Taxation	376.96	542.63
<b>Net Profit after Taxation, as restated</b>	<b>652.63</b>	<b>998.63</b>
Add: Balance brought forward, as restated	136.29	710.21
<b>Balance available for Appropriation</b>	<b>788.92</b>	<b>1,708.84</b>
<b>Less: Appropriations</b>		
Transferred to General Reserve	17	26.25
Interim Dividend	54.12	61.25
Tax on Interim Dividend	7.59	8.59
	<b>78.71</b>	<b>96.09</b>
<b>Balance carried forward, as restated</b>	<b>710.21</b>	<b>1,612.75</b>



### Annexure III

#### STATEMENT OF CASH FLOWS, AS RESTATED

(Rs. in lacs)

	For the year ended 31.03.06	For the year ended 31.03.07
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Taxation	1,029.59	1,541.25
Adjustments for:		
Depreciation/Amortisation	46.12	103.96
Interest Income	(0.96)	(5.41)
Interest Paid	27.9	5.42
Dividend Income	(0.03)	-
Loss/(profit) on Sale of Assets	0.57	(2.05)
Goodwill Amortised	20.35	20.35
Amortisation of equity Share Issue Expenses	2.6	22.11
Amortisation of Preliminary Expenses	0.3	0.40
<b>Operating Profit before Working Capital Changes</b>	<b>1,126.43</b>	<b>1,686.04</b>
Adjustments for:		
Increase in Sundry Debtors	974.01	(886.06)
Increase in Inventories	557.24	(94.81)
Decrease in Loans & Advances	(65.11)	(401.67)
Decrease in Other Current Assets	(4.03)	(4.68)
Increase in Sundry Creditors	(321.40)	2,398.87
Increase in Other Liabilities	(10.41)	11.70
<b>Increase in Working Capital</b>	<b>1,130.30</b>	<b>1,023.35</b>
<b>Cash (Used In) /Generated from Operations</b>	<b>(3.87)</b>	<b>2,709.39</b>
Income & Fringe Benefit Taxes Paid	(260.86)	(665.50)
Excess Provision of Tax for Earlier Years	(3.38)	-
Preliminary/Equity Share Issue Expenses	(14.24)	(97.87)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(282.34)</b>	<b>1,946.02</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of Subsidiaries:		
Eurotech Cylinders Private Limited	(1.00)	-
Logicon Building Systems Private Limited	(3.50)	-
Alert Fire Protection Systems Private Limited	(101.00)	-
Nitin Cylinders Limited	-	(1,330.00)
Purchase of Fixed Assets/Capital Work in Progress	(89.01)	(3,318.47)
Sale of Fixed Assets	0.51	12.12
Dividend Received	0.03	-
Interest Received	0.96	5.48

	For the year ended 31.03.06	For the year ended 31.03.07
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	(193.01)	(4,630.87)
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of Equity Shares including premium	401.00	2,151.80
Share Application Money		178.52
Unsecured Loan taken	808.78	-
Minority Interest	- -	3.64
Unsecured Loan repaid	(567.09)	(150.00)
Interest Paid	(27.90)	(5.42)
Secured loan from banks	—	1,050.30
Dividend Paid including Corporate Dividend Tax	(61.22)	(69.84)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>553.57</b>	<b>3,159.00</b>
<b>D NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>78.22</b>	<b>474.15</b>
Cash and cash equivalents at the beginning of the year	55.97	134.19
Cash and cash equivalents at the end of the year	134.19	608.34

**Notes:**

1. The cash flow statement has been prepared under indirect method as set out in Accounting Standard -3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate Cash Outgo.



## Annexure IV

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### I. SIGNIFICANT ACCOUNTING POLICIES

i. Principles of consolidation:

The consolidated financial statements relate to Nitin Fire Protection Industries Limited ('the company'), its subsidiary companies and a partnership firm. The consolidated financial statements have been prepared on the following basis:

- The financial statements of 'the company', subsidiary companies and a partnership firm are combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 - Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- The difference between the costs of investments in the subsidiaries, and a partnership firm over the net assets at the time of acquisition of shares in the subsidiaries and investment in a Partnership firm is recognized in the financial statements as goodwill, which is amortized over a period of five years.
- As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as 'the company's' separate financial statements.
- The financial statements of the subsidiaries and the partnership firm used in the consolidation are drawn up to the same reporting date as that of 'the company' i.e. March 31, 2007.

ii. The entities considered in the consolidated financial statements are:

	Name of the Subsidiaries /Partnership Firm	Country of Incorporation	Proportion of Ownership Interest	Segment
a.	Alert Fire Protection Systems Private Limited	India	100%	Fire Protection & Security Systems
b.	Eurotech Cylinders Private Limited	India	100%	High Pressure Cylinders
c.	Logicon Building Systems Private Limited	India	100%	Fire Protection & Security Systems
d.	Nitin Cylinders Limited	India	100%	High Pressure Cylinders
e.	Eurotech Corporation	India	95%	Fire Protection & Security Systems

iii. **Basis of Preparation of Accounts**

The accounts have prepared to comply in all material aspects with applicable accounting principles in India, mandatory Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 except for certain fixed assets in respect of 'the company' which have been revalued. The Financial Statements have been prepared under the historical cost convention on an accrual basis.

iv. **Inventories**

- Materials, components and packing materials are carried at lower of cost, computed on FIFO basis, and net realizable value.
- Finished goods are carried at lower of cost, computed on FIFO basis, and net realisable value. Such costs include material cost and other costs incurred in bringing the goods to their present location and condition.

v. **Revenue Recognition**

- Sales are stated net of all taxes and includes other charges billed to customers and is recognized on dispatch to customers.

- b) The revenues in respect of project related activities are recognized on percentage completion method as specified in Accounting Standard 7 (Revised) 'Construction Contracts' issued by the Institute of Chartered Accountants of India. Percentage of completion is determined based on surveys of work performed, which is certified by an operating agency appointed by the customer.
- c) Income from services rendered on project related activities is recognized on due dates of the relevant contracts.
- d) Profit/loss on contracts executed by Integrated Joint Ventures under profit- sharing arrangement being Jointly Controlled Entities, in terms of Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures", is accounted as and when the same is determined by the Joint Venture.

vi. **Fixed Assets and Depreciation**

Fixed assets are stated at cost of acquisition less accumulated depreciation and adjusted for grant received/impairment loss, if any. In case of revaluation of fixed assets, the amount as per the valuer is considered in the accounts and the differential amount is transferred to Revaluation Reserve.

Assets under erection/installation are disclosed under Capital Work in Progress. Preoperative expenses represent capital expenditure included in the Schedule of Fixed Assets. Depreciation on such assets shall be accounted on completion of erection/ installation of fixed assets.

In respect of the partnership firm, fixed assets are stated at written down value.

Depreciation is provided on written down value method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956 except in case of revalued assets where depreciation is computed on such revalued amounts and an appropriate amount transferred from Revaluation Reserve.

In respect of the partnership firm, depreciation is provided on written down value method at the rates and in the manner laid down in the Income Tax Act, 1961.

vii. **Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortization. Software and Technical know how fees are amortised over a period of 2 years. Amortisation is done on written down value basis.

viii. **Investments**

Investments in the nature of long term are carried at cost. Provision for diminution in the value of long-term investments is made only if decline is other than temporary in the opinion of the management. Current investments are stated at lower of cost and market value.

ix. **Foreign Currency Transactions**

Foreign currency transactions are recorded on the basis of exchange rate prevailing on the date of their occurrence. Monetary items in foreign currencies are stated at the closing exchange rate. Gains/losses on conversion/ translation have been adjusted in Capital Work in Progress Account.

x. **Retirement Benefits**

Retirement benefits to employees comprise of payments to provident fund as administered by the Provident Fund Commissioner, Mumbai. Liability on account of encashable leave entitlement of employees in accordance with the rules of the Company is determined and provided / paid for at the close of the year. Gratuity liability is provided on the basis of an actuarial valuation.

xi. **Earnings per share**

The basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the period. As 'the company' does not have any Dilutive Potential Equity Shares, diluted earnings per share is not applicable.

xii. **Impairment of Assets**

The carrying amounts of assets are reviewed by the Management at the end of each year to determine whether there is any indication of impairment. If any indications exist, such asset's recoverable amount is estimated. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use.



xiii. **Provision for Current and Deferred Tax Liability**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961. Deferred tax resulting from “timing difference” between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as at the end of the period.

xiv. **Provision, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

xv. **Miscellaneous Expenditure**

Preliminary and Equity Share Issue Expenses are amortised over a period of five years.

xvi. **Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

## II. NOTES ON ACCOUNTS

1. Contingent liability not provided for in respect of:

	31.03.07 (Rs. in lacs)	31.03.06 (Rs. in lacs)
Bid bond and performance guarantees issued by the bankers of ‘the company’ and its subsidiaries in favour of its customers	*70.27	133.66
Bills discounted but not matured	-	57.67
Bond issued to the Development Commissioner VSEZ	1,625.00	-
Letters of credit issued by the bankers of the Company for purchase of capital goods	**707.52	-
Letter of credit issued by the bankers of the Company for procurement of raw materials	***374.03	-
Estimated amount of contracts remaining to be executed on capital account (net of advances).	64.84	-
Corporate guarantee given by the Company to the bankers of the subsidiaries for credit facilities extended to them	1,048.93	-

(\*Against the above, ‘the company’ and its subsidiaries have deposited fixed deposits aggregating to Rs. 72.06 lacs (Previous year Rs.29.81 lacs) and provided mortgage of fixed assets belonging to ‘the company’.)

(\*\*Against the above, fixed deposits aggregating to Rs.140.00 lacs (Previous year Rs. Nil) have been pledged by the Company.)

(\*\*\*Against the above, fixed deposits aggregating to Rs.88.00 lacs (Previous year Rs. Nil) have been pledged by the Company.)

- The Company had acquired 100% of the Equity Share Capital of Alert Fire Protection Systems Private Limited, Eurotech Cylinders Private Limited, Logicon Building Systems Private Limited and Nitin Cylinders Limited on 1.4.05, 18.4.05, 1.1.06 & 4.10.06 respectively making them it’s wholly owned subsidiaries from those dates. Additionally, the Company also acquired 95% interest in a partnership firm viz. Eurotech Corporation on 1.10.06.
- In view of general clarification issued by the Institute of Chartered Accountants of India on Accounting Standard 21 “Consolidated Financial Statements”, the consolidated financial statements do not include notes such as quantitative information, forex earnings / expense etc. which are not necessary to present true and fair view of the financial statements
- Figures pertaining to the subsidiaries and a partnership firm have been reclassified wherever necessary to bring them in line with ‘the company’s’ financial statements.

## 5. Segment Information:

The group ('the company', its subsidiaries and a partnership firm) has identified two reportable segments viz. manufacture, erection, commissioning of fire protection/security systems including supply of related components/spare parts and trading of high pressure cylinders. Segments have been identified and reported taking into account nature of product and services, the differing risks and returns and the internal business reporting systems. The accounting policies adopted for segment reporting are in line with the accounting policy of 'the company' with following additional policies for segment reporting.

- Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses, which relate to enterprise as a whole and are not allocable to a segment on reasonable basis, have been disclosed as "Unallocable".
- Segment assets and segment liabilities represent assets and liabilities in respective segments. Investments, other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable".

### a. Information about Primary Business Segments:

#### Primary Segment Information

(Rs. in lacs)

Particulars	Fire Protection & Security Systems		High Pressure Seamless Cylinders		Unallocable		Total	
	31.03.07	31.03.06	31.03.07	31.03.06	31.3.07	31.3.06	31.03.07	31.03.06
<b>1 Segment Revenue</b>								
Domestic Turnover	4,596.51	2,985.62	5,457.66	3,856.81	-	-	10,054.17	6,842.43
Inter Segment Turnover								
Gross Turnover	4,596.51	2,985.62	5,457.66	3,856.81	-	-	10,054.17	6,842.43
Less : Excise duty recovered								
Net Turnover	<b>4,596.51</b>	<b>2,985.62</b>	<b>5,457.66</b>	<b>3,856.81</b>	<b>-</b>	<b>-</b>	<b>10,054.17</b>	<b>6,842.43</b>
<b>2 Segment Result before Interest, Extra Ordinary Items and Taxes</b>								
Less : Interest and Finance Charges	-	-	-	-	31.10	41.23	31.10	41.23
Add : Interest Income	-	-	-	-	5.41	0.96	5.41	0.96
Extraordinary Income	-	-	-	-	-	-	-	-
Profit Before Extra Ordinary Items and Taxes	820.40	515.37	788.12	576.65	(46.04)	(60.63)	1,562.48	1,029.59
Extraordinary Income	-	-	-	-	-	-	-	-
Profit Before Tax	820.40	515.37	788.12	576.65	(46.04)	(60.63)	1,562.48	1,029.59
Current Tax	-	-	-	-	516.80	360.50	516.80	360.50
Deferred Tax	-	-	-	-	11.43	1.76	11.43	1.76
Fringe Benefit Tax	-	-	-	-	13.72	14.05	13.72	14.05
Wealth Tax	-	-	-	-	0.69	0.65	0.69	0.65
Net Profit after Tax	<b>820.40</b>	<b>515.37</b>	<b>788.12</b>	<b>576.65</b>	<b>(588.67)</b>	<b>(437.59)</b>	<b>1,019.85</b>	<b>652.63</b>
<b>3 Other Information</b>								
Segment Assets	5,620.50	2,595.31	3,545.32	828.77	105.73	81.63	9,271.55	3,505.71
Segment Liabilities	4,317.87	1,299.94	1,119.66	462.50	190.04	-	5,627.57	1,762.45
Capital Expenditure	-	-	-	-	-	-	-	-
Depreciation	102.07	45.45	22.09	0.66	20.35	20.35	144.51	66.47
Non Cash Expenses Other Than Depreciation	-	-	-	-	22.51	2.60	22.51	2.60

Note: As per Accounting Standard on Segment Reporting (AS-17), issued by the Institute of Chartered Accountants of India, the Company has reported segments information on consolidated basis including business conducted through its subsidiaries/Partnership firm.





b. **Secondary Segment:**

The geographical segment is not relevant as there are no exports.

6. a. Disclosures in respect of Joint Ventures:

S No.	Name of Joint Venture/Block	Description of interest/ (Description of job)	Proportion of Owner-ship Interest	Country of	
				Incorporation	Residence
1.	RJ-ONN-2004/1(Ref.No.19)	Oil Exploration	10%	Un-incorporated	India

b. Disclosures of other information pursuant to AS -27 - Financial Reporting of Interests in Joint Ventures is not applicable for the year under report.

7. Turnover includes revenues in respect of:

		<b>31.03.07 (Rs. in lacs)</b>	<b>31.03.06 (Rs. in lacs)</b>
a	Contracts executed/service income	3,566.27	2,745.25
b	Trading activities	6,335.15	4,014.64
c	Manufacturing activities	152.75	82.53
	<b>Total</b>	<b>10,054.17</b>	<b>6,842.42</b>

8. Variation in finished goods is reflected under the head Materials & Components consumed, it can be alternatively used for project activities undertaken by the Company.

**Annexure V**

**STATEMENT OF EARNINGS PER SHARE ON CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES**

In terms of Accounting Standard 20 on Earnings per Share (EPS) issued by the Institute of Chartered Accountants of India, the EPS has been calculated as under:

	<b>31.03.07</b>	<b>31.03.06</b>
a) Net profit after tax as per Profit & Loss Account (Rs. In Lacs)	998.62	652.63
b) Weighted Average number of equity shares used as denominator for calculating EPS	8,164,564	4,905,753
c) Basic and Diluted Earnings Per Share of Rs.10 each	Rs.12.23	Rs.13.30

**Annexure VI****STATEMENT OF ACCOUNTING RATIOS ON CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES**

	<b>31.03.07</b>	<b>31.3.06</b>
i) Number of shares at the beginning of the year	7,500,000	3,500,000
ii) Number of shares at the end of the year	8,873,000	7,500,000
iii) Weighted average number of Equity Shares (Basic & Diluted)	8,164,564	4,905,753
iv) Net Profit after tax Available for equity Shareholders ( <i>Rs. in lacs</i> )	998.62	652.63
v) Net Worth ( <i>Rs. in lacs</i> )	3,418.00	1,564.26
vi) Basic/diluted Earning per Share (EPS) ( <i>Rs.</i> )	12.23	13.30
vii) Return on Net worth (%)	29.22	41.72
viii) Net Asset Value per share ( <i>Rs.</i> )	38.52	20.86

**Notes: -**

- a) Return on Net worth (%) = Net profit after tax / (Equity Share Capital + Reserves & Surplus, net of Revaluation Reserve) less miscellaneous expenditure.
- b) Net Asset Value per share = (Equity Share Capital + Reserves & Surplus, net of Revaluation Reserve less Miscellaneous Expenditure) / Number of Equity shares outstanding at the end of year.

For **Tolia & Associates**

Chartered Accountants

Sd/-

(Kiran P. Tolia)

Proprietor

Membership No.:43637

Mumbai

April 5, 2007



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## FINANCIAL STATEMENTS ON STANDALONE BASIS OF OUR SUBSIDIARIES

### ALERT FIRE PROTECTION SYSTEMS PRIVATE LIMITED

The Board of Directors,  
**Alert Fire Protection Systems Private Limited,**  
3, Vadhani Industrial Estate,  
LBS Marg, Ghatkopar (W),  
Mumbai 400 086.

Dear Sirs,

- 1) We have examined the attached financial information of Alert Fire Protection Systems Private Limited hereinafter referred to as “the Company”, as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated March 15, 2006 in connection with the proposed issue of Equity Shares of the Holding Company viz. Nitin Fire Protection Industries Limited (herein after referred to as the ‘Holding Company’).
- 2) This information has been extracted by the Management from the financial statements for the year ended March 31, 2006 and March 31, 2007.
- 3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that :
  - (a) The Restated Summary Statement of Assets and Liabilities and Cash Flows of the Company as at March 31, 2006 and March 31, 2007 examined by us, as set out in Annexures I and III respectively to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts (Refer Annexure IV).
  - (b) The Restated Summary Statement of Profits of the Company for the year ended March 31, 2006 and March 31, 2007 and examined by us, as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts (Refer Annexure IV).
  - (c) Based on above, we are of the opinion that that the restated financial information have been made after incorporating:
    - (i) Adjustments for the changes in accounting policies retrospectively in respective financial years if any, to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
    - (ii) Adjustments for the material amounts in the respective financial years to which they relate.
    - (iii) And there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.

In our opinion the financial information contained in Annexures I to III of this report read along with the Significant Accounting Policies and Notes on Accounts (Refer Annexure IV) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the DIP Guidelines.

- 4) Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the ‘Holding Company’. Our report and should not be used for any other purpose except with our consent in writing.

For **Tolia & Associates**  
Chartered Accountants

Sd/-

**(Kiran P. Tolia)**  
Proprietor  
Membership No.: 43637

Mumbai  
April 5, 2007

**Annexure I**
**SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**
*(Rs. in lacs)*

		<b>As at 31.03.06</b>	<b>As at 31.03.07</b>
<b>A.</b>	<b>Fixed Assets</b>		
	Gross Block	42.88	72.01
	Less: Depreciation/Amortisation	7.14	17.00
	<b>Net Block</b>	<b>35.74</b>	<b>55.01</b>
<b>B.</b>	<b>Current Assets, Loans and Advances</b>		
	Inventories	220.96	248.10
	Sundry Debtors	413.55	351.09
	Cash and Bank Balances	6.09	5.00
	Loans and Advances	43.46	176.08
	Other Current Assets	0.01	0.02
		<b>684.07</b>	<b>780.29</b>
<b>C.</b>	<b>Liabilities and Provisions</b>		
	Secured Loan	-	74.00
	Unsecured Loans	250.00	-
	Current Liabilities & Provisions	315.53	429.95
	Deferred Tax Liability	0.16	3.00
		<b>565.69</b>	<b>506.95</b>
<b>D.</b>	<b>Net Worth (A+B-C)</b>	<b>154.12</b>	<b>328.35</b>
<b>E.</b>	<b>Represented by:</b>		
	<b>Shareholders funds</b>		
	Share Capital	1.00	1.00
	Reserves	153.12	327.35
	<b>Net Worth</b>	<b>154.12</b>	<b>328.35</b>

**Annexure II****SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED***(Rs. in lacs)*

	<b>For the year ended 31.03.06</b>	<b>For the year ended 31.03.07</b>
<b>Income</b>		
<b>Sales:</b>		
Of products traded in by the Company	1,195.08	1,550.89
<b>Total</b>	<b>1,195.08</b>	<b>1,550.89</b>
Other Income	0.00	0.12
Increase in Inventories	220.96	27.14
<b>Total Income</b>	<b>1,416.04</b>	<b>1,578.15</b>
<b>Expenditure</b>		
Purchases	1062.66	1,144.45
Administrative & Other Expenses	51.83	69.61
Staff Costs	43.46	45.64
Selling & Distribution Expenses	14.03	33.41
Interest & finance charges	18.61	8.41
Depreciation/Amortisation	1.78	9.87
<b>Total Expenditure</b>	<b>1,192.37</b>	<b>1,311.39</b>
Net Profit before Tax	<b>223.67</b>	<b>266.76</b>
Less: Taxation	78.01	92.53
Net Profit after Taxation	<b>145.66</b>	<b>174.23</b>

**STATEMENT OF CASH FLOWS, AS RESTATED**
*(Rs. in lacs)*

	<b>For the year ended 31.3.06</b>	<b>For the year ended 31.3.07</b>
<b><i>Cash flow from operating Activities</i></b>		
<b>Net profit before tax</b>	<b>223.67</b>	<b>266.76</b>
Adjustments for: -		
Depreciation/Amortisation	1.78	9.87
Interest Paid	16.76	4.33
<b>Operating Profit before working capital changes</b>	<b>242.21</b>	<b>280.96</b>
<b>Adjustments for changes in working capital:</b>		
Increase/(Decrease) in Sundry Debtors	413.55	(62.45)
Increase/(Decrease) in Loans & Advances	(1.68)	12.47
Increase in Inventories	220.96	27.13
Decrease in Trade & other payables	12.13	5.19
Increase in Sundry Creditors	(220.02)	(29.92)
	<b>424.94</b>	<b>(47.56)</b>
<b>Cash generated from/used in operations</b>	<b>(182.73)</b>	<b>328.52</b>
Taxes (Paid)/Received (Net of TDS)	(43.09)	(120.15)
<b>Net Cash generated from (used in) from Operating Activities</b>	<b>(225.82)</b>	<b>208.37</b>
<b><i>Cash flow from Investing Activities</i></b>		
Purchase of fixed assets	(6.90)	(29.13)
<b>Net cash used in Investing Activities</b>	<b>(6.90)</b>	<b>(29.13)</b>
<b><i>Cash flow from Financing Activities</i></b>		
Unsecured Loan from Directors	369.33	-
Unsecured Loan from Others	100.00	(100.00)
Unsecured Loan repaid to Directors	(219.33)	(150.00)
Secured Loan	-	74.00
Interest Paid on loan	(16.76)	(4.33)
Dividend Paid	(0.10)	-
<b>Net Cash generated from financing Activities</b>	<b>233.14</b>	<b>(180.33)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>0.42</b>	<b>-</b>
Cash and Cash Equivalents at the beginning of the year	5.67	6.09
<b>Cash and Cash Equivalents at the end of the year</b>	<b>6.09</b>	<b>5.00</b>

**Notes:**

- The cash flow statement has been prepared under indirect method as set out in Accounting Standard -3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- Figures in brackets indicate Cash Outgo.



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## Annexure IV

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### I. SIGNIFICANT ACCOUNTING POLICIES

**A) Basis of Preparation of Accounts**

The accounts have prepared to comply in all material aspects with applicable accounting principles in India, mandatory Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The Financial Statements have been prepared under the historical cost convention on an accrual basis.

**B) Inventories**

Traded goods are valued at lower of cost, computed on FIFO basis and net realizable value. Such costs include material cost and other costs incurred in bringing the goods to their present location and condition.

**C) Revenue Recognition**

Sales are stated net of taxes and includes other charges billed to customers and is recognized on dispatch to the customers.

**D) Fixed Assets & Depreciation**

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any.

Depreciation is provided on written down value method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956

**E) Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortization and impairment loss, if any. Software is amortised over a period of 2 years. Amortisation is done on written down value basis.

**F) Foreign Currency Transactions**

Foreign currency transactions are recorded on the basis of exchange rate prevailing on the date of their occurrence.

**G) Retirement Benefits**

Retirement benefits comprising liability on account of encashable leave entitlement of employees in accordance with the rules of the Company is determined and provided / paid for at the close of the year.

**H) Earnings per share**

The basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. As the Company does not have any Dilutive Potential Equity Shares, the diluted Earnings per share is not applicable.

**I) Impairment of Assets**

The carrying amounts of assets are reviewed by the management at the end of the balance sheet date to determine whether there is any indication of impairment. If any indications exist, such asset's recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use.

**J) Provision for Current Income Tax and Deferred Tax Liability**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961. Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as at the end of the year.

**K) Provision, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.



## II. NOTES ON ACCOUNTS

1. Loan from bank is in respect of cash credit facilities availed and is secured by way of primary charge of hypothecation on current assets of the Company, Corporate guarantee of the Holding Company and personal guarantee of the Directors of the Company.

2. There are no SSI undertakings to whom the Company owes any dues, which is outstanding for a period exceeding thirty days as on the balance sheet date.

The above information regarding SSI undertaking has been determined to the extent such parties are identified on the basis of information available with the Company, which has been relied upon by the Auditors.

3. In the opinion of the Board, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. The provision for all known liabilities is adequate and not in excess of the amounts reasonably necessary.

4. Additional information in terms of Paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act, 1956

a. Expenditure incurred in foreign currency:

	<b>31.03.07</b> <b>(Rs. in lacs)</b>	<b>31.03.06</b> <b>(Rs in lacs)</b>
Travelling	1.97	3.57
	<b>1.97</b>	<b>3.57</b>

	<b>31.03.07</b> <b>(Rs. in lacs)</b>	<b>31.03.06</b> <b>(Rs in lacs)</b>
b. Value of imports on CIF basis Traded Goods	887.93	716.26
	<b>887.93</b>	<b>716.26</b>

c. Particulars of traded goods:

(Rs. in lacs)

Class of Goods	Opening stock		Purchases		Sales		Closing stock	
	Qty. (Nos.)	Value	Qty. (Nos.)	Value	Qty. (Nos.)	Value	Qty. (Nos.)	Value
Fire Alarm Equipments	71,653	220.96	2,75,663	1,144.45	2,81,080	1,550.90	66,236	248.10
<b>Total</b>	<b>71,653</b>	<b>220.96</b>	<b>2,75,663</b>	<b>1,144.45</b>	<b>2,81,080</b>	<b>1,550.90</b>	<b>66,236</b>	<b>248.10</b>
Previous year	(- -)	(- -)	(2,96,972)	(1,062.65)	(2,25,319)	(1,195.07)	(71,653)	(220.96)

d. There are no earnings in foreign exchange.

5. In terms of Accounting Standard (AS -22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, deferred tax liability relates to Fixed Assets amounting to Rs.3.00 lacs (Previous year Rs.0.16 lac).
6. Payments to Auditors\*:

	<b>31.03.07</b> <b>(Rs. in lacs)</b>	<b>31.03.06</b> <b>(Rs. In lacs)</b>
Audit Fees	0.17	0.11
Tax Audit Fees	0.08	0.06
Other Matters	0.06	0.11
	<b>0.31</b>	<b>0.28</b>

(\*including service tax Rs.0.03 lac, previous year Rs.0.03 lac)



## 7. Segment Information:

### Primary Segment

In terms of Accounting Standard 17 “Segment Reporting” issued by the Council of the Institute of Chartered Accountants of India, the Company has determined its business as supply of fire alarm/protection systems, components and spare parts. There are no other primary reportable segments. Accordingly, the segment revenue, segment result, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of charge for depreciation and amortization are as reflected in the Financial Statements as of and for the year ended March 31, 2007.

### Secondary Segment

The geographical segment is not relevant as there are no exports.

## 8. Managerial Remuneration:

Salary to Directors - Rs.21.01 lacs (Previous year Rs. 24.70 lacs)

## 9. Balances shown under Advances, Debtors, Creditors etc. are subject to confirmation/reconciliation, if any. The management does not expect any material differences affecting the financial statements under review.

## 10. Earnings per share (EPS):

In terms of Accounting Standard 20 on Earnings per Share (EPS) issued by the Institute of Chartered Accountants of India, the EPS has been calculated as under:

	31.03.07 (Rs. in lacs)	31.03.06 (Rs in lacs)
Net profit after tax as per Profit & Loss Account	174.24	145.65
Add: Provision for Taxation for earlier years	- - -	(1.13)
Net profit available for equity share holder	174.24	144.52
Weighted Average number of equity shares used as denominator for calculating EPS	10,000	10,000
Basic and Diluted Earnings per share of Rs.10 each	Rs.1,742	Rs.1,455

## 11. In terms of Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosure of transactions with the related parties as defined in the Accounting Standard are given below:

### a) List of related parties and relationships:

Sr. No.	Name of the Related Party	Relationship
1	Nitin Fire Protection Industries Limited	Holding Company
2	Logicon Building Systems Private Limited	Fellow Subsidiary
3	Eurotech Cylinders Private Limited	Fellow Subsidiary
4	Nitin Cylinders Limited	Fellow Subsidiary
5	Eurotech Corporation (Partnership Firm)	Relative of a Key Managerial Personnel /Holding Company are partners
6	Shri Rahul N. Shah	Key Managerial Personnel
7	Smt. Saroj N. Shah	Key Managerial Personnel
8	Smt. Reshma M. Ratangharya	Relative of a Key Managerial Personnel

**b) Transactions during the year with related parties:**
**(Rs. in lacs)**

Sr. No.	Nature of Transactions	Holding Company (Nitin Fire Protection Industries Limited)	Key Managerial Personnel	Fellow Subsidiary (Logicon Building Systems Private Limited)	Relative of a Key Managerial Personnel
1	Sale of goods	134.19	---	18.71	---
	(Previous year)	(71.68)	(---)	(6.01)	(---)
2	Purchase of goods	25.08	---	---	---
	(Previous year)	(49.54)	(---)	(---)	(---)
	Balance receivable as at March 31, 2007	0.35	---	37.69	---
	(Previous year)	(33.30)	(---)	(*52.64)	(---)
	(* Includes receivable for the period prior to it becoming a company under the same management)				
3	Rent Paid				
	Smt. Saroj N. Shah	---	5.40	---	---
	(Previous year)	(---)	(2.40)	(---)	(---)
4	Salary				
	Shri Rahul N. Shah	---	2.40	---	---
	(Previous year)	(---)	(11.80)	(---)	(---)
	Smt. Saroj N. Shah	---	19.61	---	---
	(Previous year)	(---)	(12.90)	(---)	(---)
	Smt. Reshma M. Ratangharya	---	---	---	5.50
	(Previous year)	(---)	(---)	(---)	(6.20)
5	Interest paid on loans				
	Shri Rahul N. Shah	---	0.66	---	---
	(Previous year)	(---)	(5.28)	(---)	(---)
	Smt. Saroj N. Shah	---	3.67	---	---
	(Previous year)	(---)	(11.48)	(---)	(---)
6	Loans taken				
	Shri Rahul N. Shah	---	57.90	---	---
	(Previous year)	(---)	(165.75)	(---)	(---)
	Smt. Saroj N. Shah	---	26.00	---	---
	(Previous year)	(---)	(203.58)	(---)	(---)
7	Loans repaid				
	Shri Rahul N. Shah	---	92.90	---	---



Sr. No.	Nature of Transactions	Holding Company (Nitin Fire Protection Industries Limited)	Key Managerial Personnel	Fellow Subsidiary (Logicon Building Systems Private Limited)	Relative of a Key Managerial Personnel
	(Previous year)	(---)	(130.75)	---	---
	Smt. Saroj N. Shah	---	141.00	---	---
	(Previous year)	(---)	(88.58)	---	---
	Balance payable as at March 31, 2007				
	Shri Rahul N. Shah	---	---	---	---
	(Previous year)	(---)	(35.00)	(---)	(---)
	Smt. Saroj N. Shah	---	---	---	---
	(Previous year)	(---)	(115.00)	(---)	(---)
8	Deposit given for use of infrastructure facilities	10.00	---	---	---
	(Previous year)	(---)	(---)	(---)	(---)
9	Expenses reimbursed to:	4.68	---	---	---
	(Previous year)	(---)	(---)	(---)	(---)

12. The Board of Directors of the Company have reviewed the carrying amounts of assets as at March 31, 2007 and in their opinion, there is no indication of any impairment of assets. Accordingly, no impairment loss is recognized during the year under report.
13. The net difference in foreign exchange on purchase of traded goods i.e. the difference between the spot price on the date of transaction and the actual rate at which the transaction is settled debited to Profit and Loss Account- Rs. 8.96 lacs (Previous year Rs. 3.37 lacs]
14. Sundry Debtors includes :
  - a. Amounts due from the holding company viz. Nitin Fire Protection Industries Limited Rs.0.35 lacs (Previous year Rs. 33.30 lacs]
  - b. Amounts due from a company under the same management viz. Logicon Building Systems Private Limited Rs.37.69 lacs (Previous year Rs. 52.64 lacs]

For **Tolia & Associates**  
Chartered Accountants

Sd/-

**(Kiran P. Tolia)**  
Proprietor  
Membership No.:43637

Mumbai  
April 5, 2007

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**EUROTECH CYLINDERS PRIVATE LIMITED**

To,  
**The Board of Directors,**  
**Eurotech Cylinders Private Limited,**  
EL-29, T.T.C. Industrial Area,  
Mahape,  
Navi Mumbai - 400 705.

- 1) We have examined the attached financial information of Eurotech Cylinders Private Limited hereinafter referred to as “the Company”, as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated March 15, 2006 in connection with the proposed issue of Equity Shares of the Holding Company viz. Nitin Fire Protection Industries Limited (herein after referred to as the ‘Holding Company’).
- 2) This information has been extracted by the Management from the financial statements for an approximate period of twelve months ended March 31, 2006 and year ended March 31, 2007.
- 3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that :
  - (a) The Restated Summary Statement of Assets and Liabilities and Cash Flows of the Company as at March 31, 2006 and March 31, 2007 examined by us, as set out in Annexures I and III respectively to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts (Refer Annexure IV).
  - (b) The Restated Summary Statement of Profits of the Company for the period ended March 31, 2006 and year ended March 31, 2007 examined by us, as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts (Refer Annexure IV).
  - (c) Based on above, we are of the opinion that that the restated financial information have been made after incorporating:
  - (d) Adjustments for the changes in accounting policies retrospectively in respective financial years if any, to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
  - (e) Adjustments for the material amounts in the respective financial years to which they relate.
  - (f) And there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.

In our opinion the financial information contained in Annexures I to III of this report read along with the Significant Accounting Policies and Notes on Accounts (Refer Annexure IV) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the DIP Guidelines.

- 4) Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the ‘Holding Company’. Our report and should not be used for any other purpose except with our consent in writing.

For **Tolia & Associates**  
Chartered Accountants

Sd/-  
**(Kiran P. Tolia)**  
Proprietor

Membership No.: 43637

Mumbai  
April 5, 2007

**Annexure I****SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

(Rs. in lacs)

	<b>As at 31.03.06</b>	<b>As at 31.03.07</b>
<b>A. Fixed Assets</b>		
Gross Block	12.95	113.50
Less: Depreciation/Amortisation	0.66	22.08
<b>Net Block</b>	<b>12.29</b>	<b>91.42</b>
<b>B. Current Assets, Loans and Advances</b>		
Inventories	188.66	256.24
Sundry Debtors	252.03	374.31
Cash and Bank Balances	65.92	193.70
Loans and Advances	122.52	774.51
Other Current Assets	0.02	0.19
	<b>629.15</b>	<b>1,598.95</b>
<b>C. Liabilities and Provisions</b>		
Current Liabilities & Provisions	319.53	858.28
Deferred Tax Liability	0.21	6.29
	<b>319.74</b>	<b>864.57</b>
<b>D. Net Worth (A+B-C)</b>	<b>321.70</b>	<b>825.80</b>
<b>E. Represented by:</b>		
Share Capital	1.00	1.00
Reserves	321.71	825.55
Miscellaneous Expenditure (to the extent not written off or adjusted) Preliminary Expenses	(1.01)	(0.75)
<b>Net Worth</b>	<b>321.70</b>	<b>825.80</b>

## Annexure II

### SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(Rs. in lacs)

	For the period from 18.4.05 to 31.3.06	For the year ended 31.03.07
<b>Income</b>		
<b>Sales:</b>		
Of products traded in by the Company	3,110.90	5,065.13
<b>Total</b>	<b>3,110.90</b>	<b>5,065.13</b>
Other Income	0.03	1.36
Increase in Inventories	187.72	68.52
<b>Total Income</b>	<b>3,298.65</b>	<b>5,135.01</b>
<b>Expenditure</b>		
Purchases	2,616.05	4,000.19
Administrative & Other Expenses	82.13	131.71
Staff Costs	40.04	61.92
Selling & Distribution Expenses	48.45	138.15
Interest & Finance Charges	12.29	7.57
Depreciation/Amortisation	0.66	21.43
Miscellaneous Expenditure Written off	0.25	0.25
Total Expenditure	2,799.87	4,361.22
<b>Net Profit before Tax</b>	<b>498.78</b>	<b>773.79</b>
Taxation	177.07	269.94
<b>Net Profit after Taxation</b>	<b>321.71</b>	<b>503.85</b>





**Annexure III**  
**STATEMENT OF CASH FLOWS, AS RESTATED**

(Rs. in lacs)

	<b>For the period from 18.04.05 to 31.03.06</b>	<b>For the year ended 31.03.07</b>
<b><i>Cash flow from operating Activities</i></b>		
<b>Net profit before tax</b>	498.78	773.79
Adjustments for: -		
Depreciation /Amortisation	0.66	21.42
Amortisation of Preliminary Expenses	0.25	0.25
Interest paid	7.84	- -
Interest income	(0.03)	(0.37)
	<b>8.72</b>	<b>21.30</b>
<b>Operating Profit before working capital changes</b>	<b>507.50</b>	<b>795.09</b>
<b>Adjustments for changes in working capital:</b>		
Increase/(Decrease) in Sundry Debtors	252.03	122.28
Increase/(Decrease) in Loans & Advances	30.71	275.26
Increase/(Decrease) in Inventories	188.66	67.58
Increase/(Decrease) in Other Current Assets	0.03	0.17
(Increase)/ Decrease in Sundry Creditors	(122.91)	(269.04)
(Increase) / Decrease in other Liabilities	(19.77)	(5.84)
	<b>328.75</b>	<b>190.41</b>
<b>Cash generated from operations</b>	<b>178.75</b>	<b>604.68</b>
Taxes (Paid)	(91.81)	(376.72)
Preliminary Expenses	(1.26)	- -
<b>Net Cash generated from/(used in) Operating Activities</b>	<b>85.68</b>	<b>227.96</b>
<b>Cash flow from Investing Activities</b>		
Purchase of fixed assets	(12.95)	(100.55)
<b>Net Cash generated from/(used in Investing Activities</b>	<b>(12.95)</b>	<b>(100.55)</b>
<b>Cash flow from Financing Activities</b>		
Proceeds from Share Capital	1.00	- -
Interest Paid	(7.84)	- -
Interest received	0.03	0.37
<b>Net cash generated from/ (used in) financing activities</b>	<b>(6.81)</b>	<b>0.37</b>
Net Increase in Cash & Cash Equivalents	65.92	127.78
Cash and Cash Equivalents at the beginning of the period	-	65.92
<b>Cash and Cash Equivalents at the end of the period</b>	<b>65.92</b>	<b>193.70</b>

- Notes:1. The cash flow statement has been prepared under indirect method as set out in Accounting Standard -3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate Cash Outgo.

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## Annexure IV

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### I. SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Preparation of Accounts**

The accounts have prepared to comply in all material aspects with applicable accounting principles in India, mandatory Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The Financial Statements have been prepared under the historical cost convention on an accrual basis.

b) **Inventories**

- i) Packing materials are carried at lower of cost, computed on FIFO basis, and net realizable value.
- ii) Traded goods are carried at lower of cost, computed on FIFO basis, and net realizable value. Such costs include material cost and other costs incurred in bringing the goods to their present location and condition.

c) **Revenue Recognition**

Sales are stated net of all taxes and includes other charges billed to customers and is recognized on dispatch to customers.

d) **Fixed Assets & Depreciation**

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any.

Depreciation is provided on written down value method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956.

e) **Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortization. Software is amortised over a period of 2 years. Amortisation is done on written down value basis.

f) **Foreign Currency Transactions**

Foreign currency transactions are recorded on the basis of exchange rate prevailing on the date of their occurrence.

g) **Retirement Benefits**

Retirement benefits liability comprising encashable leave entitlement of employees in accordance with the rules of the Company is determined and provided/paid for at the close of the period.

h) **Earnings per share**

The basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the period. As the Company does not have any Dilutive Potential Equity Shares, the diluted earnings per share is not applicable.

i) **Impairment of Assets**

The carrying amounts of assets are reviewed by the management at the end of each balance sheet date to determine whether there is any indication of impairment. If any indications exist, such asset's recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use.

j) **Provision for Current Tax and Deferred Tax Liability**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961. Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as at the end of the period.

k) **Provision, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.



## I) Miscellaneous Expenditure

Preliminary Expenses are amortised equally over a period of five years.

## II. NOTES ON ACCOUNTS

### 1) Contingent liability not provided for in respect of:

Guarantee issued by a bank - Rs. Nil (Previous period Rs.2.23 lacs)

Against the issue of above guarantee, the Company has deposited Fixed Deposit of Rs. Nil (Previous period Rs.2.23 lacs).

### 2) There are no SSI undertakings to whom the Company owes any dues, which is outstanding for a period exceeding thirty days as on the balance sheet date. The above information regarding SSI undertaking has been determined to the extent such parties are identified on the basis of information available with the Company, which has been relied upon by the Auditors.

### 3) On 18.4.05, the Holding Company viz. Nitin Fire Protection Industries Limited acquired the entire equity share capital from the erstwhile promoters of the Company making it its wholly owned subsidiary from that date.

### 4) Additional information in terms of Paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act, 1956.

#### a. Expenditure incurred in foreign currency:

(Rs in lacs)

	31.03.07	31-03-06
Traveling	5.97	3.07
<b>Total</b>	<b>5.97</b>	<b>3.07</b>

#### b. Value of imports on CIF basis:

(Rs in lacs)

	31.03.07	31-03-06
Traded Goods	2,421.37	1,333.71
<b>Total</b>	<b>2,421.37</b>	<b>1,333.71</b>

#### c. Particulars of purchases/traded goods:

(Rs. in lacs)

Class of Goods	Opening stock		Purchases		Sales		Closing stock	
	Qty. (Nos.)	Value	Qty. (Nos.)	Value	Qty. (Nos.)	Value	Qty. (Nos.)	Value
High Pressure Gas Cylinders	10,548	187.72	1,02,639	3,466.09	1,03,978	5,065.13	9,209	244.62
(Previous period)	(---)	(---)	(80,248)	(2,068.04)	(69,700)	(3,110.90)	(10,548)	(187.72)
Caps, valves, valve guards and other materials	191	0.94	65,307	534.10	61,148	* ---	4,381	11.62
(Previous period)	(---)	(---)	(68,580)	(548.94)	(68,389)	(* ---)	(191)	(0.94)
<b>Total</b>	<b>10,739</b>	<b>188.66</b>	<b>1,67,946</b>	<b>4,000.19</b>	<b>1,65,126</b>	<b>5,065.13</b>	<b>13,590</b>	<b>256.24</b>
(Previous period)	---	---	(148,828)	(2,616.98)	(138,089)	(3,110.90)	(10,739)	(188.66)

(\*Caps, valves, valve guards and other materials are not separately invoiced and form part of the sales consideration of high pressure gas cylinders)

#### d. There are no earnings in foreign exchange.

### 5) In terms of Accounting Standard (AS -22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, deferred tax liability relates to fixed assets amounting to Rs.6.28 lacs (Previous period- Rs.0.21 lac)

6) Payments to Auditors \*:

	31.03.07 (Rs. in lacs)	31.03.06 (Rs. in lacs)
Audit Fees	0.15	0.11
Tax Audit Fees	0.05	0.06
Other Matters	0.11	0.11
<b>Total</b>	<b>0.31</b>	<b>0.28</b>

(\*including service tax Rs.0.03 lac previous period Rs.0.03 lac)

7) Segment Information:

**Primary Segment:**

In terms of Accounting Standard 17 “Segment Reporting” issued by the Institute of Chartered Accountants of India, the Company has determined its business as supply of high pressure gas cylinders and as such there are no other primary reportable segments. Accordingly, the segment revenue, segment result, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of charge for depreciation and amortization are as reflected in the Financial Statements as of and for the year ended March 31, 2007.

**Secondary Segment:**

The geographical segment is not relevant as there are no exports.

8) Managerial Remuneration

Salary to Directors - Rs.30.50 lacs. (Previous period Rs.24.90 lacs)

9) Disclosure pursuant to provisions of section 293 A of the Companies Act, 1956: Donation to a Political Party (BJP)-Rs. Nil (Previous period Rs.5.00 lacs).

10. In terms of Accounting Standard 20 on Earnings per Share (EPS) issued by the Institute of Chartered Accountants of India, the EPS has been calculated as under:

	(Rs. in lacs)	
	31.03.07	31.03.06
a. Net profit after tax as per Profit & Loss Account	503.85	321.71
b. Net profit available for Equity Shareholder	503.85	321.71
c. Weighted Average number of equity shares used as denominator for calculating EPS	10,000	10,000
d. Basic and Diluted Earnings per share of Rs.10 each	Rs.5,038	Rs.3,217

11. In terms of Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below:

**b) List of related parties and relationships:**

Sr.	Name of the Related Party	Relationship
1.	Nitin Fire Protection Industries Limited	Holding Company
2.	Alert Fire Protection Systems Private Limited	Fellow Subsidiary
3.	Logicon Building Systems Private Limited	Fellow Subsidiary
4.	Nitin Cylinders Limited	Fellow Subsidiary
5.	Eurotech Corporation (Partnership firm)	Key Managerial Personnel/ Holding Company are partners.
6.	Shri Kunal N. Shah	Key Managerial Personnel
7.	Smt. Dhruti R. Shah	Key Managerial Personnel
8.	Shri K.H.Vaidyanathan	Key Managerial Personnel
9.	Shri Nitin M. Shah	Relative of a Key Managerial Personnel



**c) Transactions during the year with related parties:**

<b>Sr. No.</b>	<b>Nature of Transaction</b>	<b>Holding Company (Nitin Fire Protection Industries Limited)</b>	<b>Key Managerial Personnel (including Ex-Director)</b>	<b>Relative of a Key Managerial Personnel</b>	<b>Key Managerial Personnel/ Holding Company are partners</b>
1	Sale of goods	121.29	---	---	19.28
	(Previous period)	(69.29)	(---)	(---)	(---)
	Balance receivable	73.29	---	---	---
	(Previous period)	(---)	(---)	(---)	(---)
2	Purchase of goods	24.98	---	---	---
	(Previous period)	(205.11)	(---)	(---)	(---)
3	Rent Paid				
	Shri Nitin M. Shah	---	---	18.00	---
	(Previous period)	(---)	(---)	(18.00)	(---)
4	Salary				
	Shri Kunal N. Shah	---	21.04	---	---
	(Previous period)	(---)	(12.60)	(---)	(---)
	Smt. Dhruti R. Shah	---	9.45	---	---
	(Previous period)	(---)	(12.30)	(---)	(---)
5	Interest paid on loans borrowed				
	Shri Kunal N. Shah	---	---	---	---
	(Previous period)	(---)	(6.56)	(---)	(---)
	Smt. Dhruti N. Shah	---	---	---	---
	(Previous period)	(---)	(1.27)	(---)	(---)
6	Professional Fees				
	Shri K.H.Vaidyanathan	---	3.85	---	---
	(Previous period)	(---)	(3.85)	(---)	(---)
7	Loans taken and repaid				
	Shri Kunal N.Shah	---	---	---	---
	(Previous period)	(---)	(256.67)	(---)	(---)
	Smt. Dhruti R. Shah	---	---	---	---
	(Previous period)	(---)	(91.08)	(---)	(---)
8	Expenses re-imbursed to:	6.00	---	---	---
	(Previous period)	(---)	(---)	(---)	(---)
9	Deposit given for use of infrastructure facilities	150.00	---	---	---
	(Previous period)	(---)	(---)	(---)	(---)

12. The Board of Directors of the Company have reviewed the carrying amounts of assets as at the balance sheet date and in their opinion, there is no indication of any impairment of assets. Accordingly, no impairment loss is recognized during the year under report.
13. In the opinion of the Board, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. The provision for all known liabilities is adequate and not in excess of the amounts reasonably necessary.
14. Balances shown under Advances, Debtors, Creditors etc. are subject to confirmation/reconciliation, if any. The Management does not expect any material differences affecting the financial statements under report.
15. The net difference in foreign exchange on purchases of traded goods i.e. the difference between the spot price on the date of transaction and the actual rate at which the transaction is settled credited to Profit and Loss Account - Rs.22.08 lacs (Previous period, debited Rs.2.95 lacs).

For **Tolia & Associates**  
Chartered Accountants

Sd/-  
**(Kiran P. Tolia)**  
Proprietor  
Membership No.:43637

Mumbai  
April 5, 2007



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**LOGICON BUILDING SYSTEMS PRIVATE LIMITED**

To,  
**The Board of Directors,**  
**Logicon Building Systems Private Limited,**  
101, Tulsi Shyam, 1st Floor,  
Highway Junction,  
Thane (W) - 400 604.

Dear Sirs,

- 1) We have examined the attached financial information of Logicon Building Systems Private Limited hereinafter referred to as “the Company”, as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated March 15, 2006 in connection with the proposed issue of Equity Shares of the Holding Company viz. Nitin Fire Protection Industries Limited (herein after referred to as the ‘Holding Company’).
- 2) This information has been extracted by the Management from the financial statements for the three months period ended March 31, 2006 and year ended March 31, 2007.
- 3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that :
  - (a) The Restated Summary Statement of Assets and Liabilities and Cash Flows of the Company as at March 31, 2006 and March 31, 2007 examined by us, as set out in Annexures I and III respectively to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts (Refer Annexure IV).
  - (b) The Restated Summary Statement of Profits of the Company for the three months period ended March 31, 2006 and year ended March 31, 2007 examined by us, as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts (Refer Annexure IV).
  - (c) Based on above, we are of the opinion that that the restated financial information have been made after incorporating:
    - (i) Adjustments for the changes in accounting policies retrospectively in respective financial years if any, to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
    - (ii) Adjustments for the material amounts in the respective financial years to which they relate.
    - (iii) And there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.In our opinion the financial information contained in Annexures I to III of this report read along with the Significant Accounting Policies and Notes on Accounts (Refer Annexure IV) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the DIP Guidelines.
- 4) Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the ‘Holding Company’. Our report and should not be used for any other purpose except with our consent in writing.

For **Tolia & Associates**  
Chartered Accountants

Sd/-  
**(Kiran P. Tolia)**  
Proprietor  
Membership No.: 43637

Mumbai  
April 5, 2007



# Annexure I

## SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in lacs)

	As at 31.03.06	As at 31.03.07
<b>A. Fixed Assets</b>		
Gross Block	35.32	36.94
Less: Depreciation/Amortisation	12.65	20.38
<b>Net Block</b>	<b>22.67</b>	<b>16.56</b>
<b>B. Investments</b>	<b>0.05</b>	<b>0.05</b>
<b>C. Current Assets, Loans and Advances</b>		
Inventories	23.12	8.04
Sundry Debtors	218.09	412.71
Cash and Bank Balances	10.85	7.06
Other Current Assets	- -	0.26
Loans and Advances	18.12	33.20
	<b>270.18</b>	<b>461.27</b>
<b>D. Liabilities and Provisions</b>		
Secured Loans	8.29	2.72
Unsecured Loans	20.00	20.00
Current Liabilities & Provisions	274.82	419.37
Deferred Tax Liability	1.60	2.11
	<b>304.71</b>	<b>444.20</b>
<b>E. Net Worth (A+B+C-D)</b>	<b>(11.81)</b>	<b>33.68</b>
<b>F. Represented by:</b>		
Share Capital	1.75	1.75
Balance of Profit & Loss Account	(13.11)	32.23
Miscellaneous Expenditure		
(to the extent not written off or adjusted) Preliminary Expenses	(0.45)	(0.30)
<b>Net Worth</b>	<b>(11.81)</b>	<b>33.69</b>

**Annexure II****SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED**

(Rs. in lacs)

	<b>For the period from 1.01.06 to 31.03.06</b>	<b>For the year ended 31.03.07</b>
<b>Income</b>		
<b>Sales:</b>		
Of contracts executed by the Company	199.87	1,026.87
<b>Total</b>	<b>199.87</b>	<b>1,026.87</b>
Other Income	0.25	2.33
<b>Total Income</b>	<b>200.12</b>	<b>1,029.20</b>
<b>Expenditure</b>		
Material, Components and Spare Parts	151.63	751.50
Staff Costs	11.15	97.36
Administrative & Other Expenses	23.35	77.78
Selling & Distribution Expenses	2.90	21.56
Interest & Finance charges	0.30	0.82
Depreciation/Amortisation	2.15	7.72
Miscellaneous Expenditure Written off	0.05	0.15
<b>Total Expenditure</b>	<b>191.53</b>	<b>956.89</b>
<b>Net Profit before Tax</b>	<b>8.59</b>	<b>72.31</b>
Taxation	3.20	26.97
<b>Net Profit after Taxation</b>	<b>5.39</b>	<b>45.34</b>

**STATEMENT OF CASH FLOWS, AS RESTATED**

(Rs. in lacs)

	<b>For the period from 1.01.06 to 31.03.06</b>	<b>For the year ended 31.03.07</b>
<i>Cash flow from operating Activities</i>		
<b>Net profit before tax</b>	<b>8.59</b>	<b>72.31</b>
Adjustments for: -		
Depreciation/Amortisation	2.14	7.72
Interest paid	0.22	0.55
Amortisation of Preliminary Expenses	0.05	0.15
Interest Income	(0.04)	(0.27)
<b>Operating Profit before working capital changes</b>	<b>10.96</b>	<b>80.46</b>
<b>Adjustments for changes in working capital:</b>		
Increase in Sundry Debtors	78.32	194.63
Increase in Loans & Advances	3.91	0.14
Increase/ (Decrease) in Inventories	(6.23)	(15.08)
Increase in Other Current Assets	- -	0.27
(Increase)/ Decrease in Sundry Creditors	(65.40)	(120.40)
(Increase) / Decrease in other Liabilities	(6.21)	2.29
	<b>4.39</b>	<b>61.85</b>
<b>Cash generated from operations</b>	<b>6.57</b>	<b>18.61</b>
Taxes (Paid)	(0.11)	(14.94)
<b>Net Cash generated from Operating Activities</b>	<b>6.46</b>	<b>3.67</b>
<i>Cash flow from Investing Activities</i>		
Purchase of fixed assets	(3.68)	(1.61)
<b>Net cash used in Investing Activities</b>	<b>(3.68)</b>	<b>(1.61)</b>
<i>Cash flow from Financing Activities</i>		
Secured Loans repaid	(1.31)	(5.57)
Interest Paid	(0.21)	(0.55)
<b>Interest Received</b>	<b>0.04</b>	<b>0.27</b>
Net cash used in financing activities	(1.48)	(5.85)
Net Increase/(Decrease) in Cash & Cash Equivalents	1.30	(3.79)
Cash and Cash Equivalents at the beginning of the year/period	9.55	10.85
Cash and Cash Equivalents at the end of the year	10.85	7.06

**Notes:**

1. The Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate Cash Outgo.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****I. SIGNIFICANT ACCOUNTING POLICIES****a) Basis of Preparation of Accounts**

The accounts have prepared to comply in all material aspects with applicable accounting principles in India, mandatory Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The Financial Statements have been prepared under the historical cost convention on an accrual basis.

**b) Inventories**

Materials and components are valued at lower of cost, computed on FIFO basis, and net realisable value. Such costs include material cost and other costs incurred in bringing the goods to their present location and condition.

**c) Revenue Recognition**

- i. Sales are stated net of all taxes and includes other charges billed to customers and is recognized on dispatch to customers.
- ii. The revenues in respect of project related activities are recognized on percentage completion method as specified in Accounting Standard 7 (Revised) 'Construction Contracts' issued by the Institute of Chartered Accountants of India. Percentage of completion is determined based on surveys of work performed, which is certified by an operating agency appointed by the customer.
- iii. Income from services rendered on project related activities is recognized on due dates of the relevant contracts.

**d) Fixed Assets & Depreciation**

Fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any.

Depreciation is provided on written down value method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956

**e) Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortization and impairment loss, if any. Software is amortised over a period of 2 years. Amortisation is done on written down value basis.

**f) Investments**

Investments in Government Securities are of long term in nature and carried at cost.

**g) Foreign Currency Transactions**

Foreign currency transactions are recorded on the basis of exchange rate prevailing on the date of their occurrence.

**h) Retirement Benefits**

Retirement benefits to employees comprise of payments to provident fund as administered by the Provident Fund Commissioner, Mumbai. Liability on account of encashable leave entitlement of employees in accordance with the rules of the Company is determined and provided / paid for at the close of the year.

**i) Earnings per share**

The basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the period. As the Company does not have any Dilutive Potential Equity Shares, the diluted Earnings per share is not applicable.

**j) Impairment of Assets**

The carrying amounts of assets are reviewed by the Management at the end of the balance sheet date to determine whether there is any indication of impairment. If any indications exist, such asset's recoverable amount is estimated. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use.

**k) Provision for Current and Deferred Tax Liability**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961. Deferred tax resulting from “timing difference” between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as at the end of the year.

**l) Provision, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**m) Miscellaneous Expenditure**

Preliminary Expenses are amortised equally over a period of five years.

## **II. NOTES ON ACCOUNTS**

**1. Contingent liability not provided for in respect of:**

Guarantee given by the bankers of the Company in favour of its customers Rs.3.91 lacs (Previous period Rs.3.91 lacs).

Against the above guarantee, the Company has deposited fixed deposits with the bank aggregating to Rs.3.91 lacs (Previous period Rs.3.91 lacs).

**2. On 1.1.06, the Holding Company viz. Nitin Fire Protection Industries Limited acquired the entire equity share capital from the erstwhile promoters of the Company making it its wholly owned subsidiary from that date.**

**3. There are no SSI undertakings to whom the Company owes any dues, which is outstanding for a period exceeding thirty days as on the balance sheet date.**

The above information regarding SSI undertaking has been determined to the extent such parties are identified on the basis of information available with the Company, which has been relied upon by the Auditors.

**4. In the opinion of the Board, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. The provision for all known liabilities is adequate and not in excess of the amounts reasonably necessary.**

**5. Additional information in terms of Paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act, 1956.**

a. Licensed and Installed Capacity - Not Applicable

b. Value of Raw Materials, Stores and Spare Parts consumed:

	<b>31.03.06</b> <b>(Rs. in lacs)</b>	<b>%</b>	<b>31.03.07</b> <b>(Rs. in lacs)</b>	<b>%</b>
Indigenous	151.63	100	751.50	100
Imported	---	---	---	---
<b>Total</b>	<b>151.63</b>	<b>100</b>	<b>751.50</b>	<b>100</b>

Note: It is not practicable to furnish quantitative information in view of the considerable number of items diverse in size and nature. These items individually account for less than 10 % of the total value of the purchases, stocks and turnover of the aforesaid raw materials, stores and spare parts.

c. There are no earnings in foreign exchange, expenditure in foreign currency and imports on CIF basis.

d. There are no common units in respect of turnover, production, purchases, opening and closing stocks for most of the Company's products, therefore no quantitative information has been given.

**6. In terms of Accounting Standard (AS -22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, the provision for deferred tax liability relates to Fixed Assets amounting to Rs. 2.11 lacs (Previous period Rs.1.60 lacs).**



7. Payments to Auditors\*:

	31.03.06 (Rs. in lacs)	31.03.07 (Rs. in lacs)
Audit Fees	0.11	0.15
Tax Audit Fees	0.06	0.05
Other Matters	0.11	0.11
	<b>0.28</b>	<b>0.31</b>

(\*including service tax Rs.0.03 lac previous period Rs.0.03 lac)

8. Segment Information:

**Primary Segment**

In terms of Accounting Standard 17 “Segment Reporting” issued by the Council of the Institute of Chartered Accountants of India, the Company has determined its business as erection and commissioning of fire protection/ security systems and supply of related components and spare parts. There are no other primary reportable segments. Accordingly, the segment revenue, segment result, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of charge for depreciation and amortisation are as reflected in the Financial Statements as of and for the year ended March 31, 2007.

**Secondary Segment**

The geographical segment is not relevant, as there are no exports.

9. Balances shown under Advances, Debtors, Creditors etc. are subject to confirmation/reconciliation, if any. The Management does not expect any material differences affecting the financial statements under review.
10. In terms of Accounting Standard 20 on Earnings per Share (EPS) issued by the Institute of Chartered Accountants of India, the EPS has been calculated as under:

	31.03.06 (Rs. in lacs)	31.03.07 (Rs. in lacs)
Net profit after tax as per Profit & Loss Account	5.39	45.34
Net profit available for equity share holder	5.39	45.34
Weighted Average number of equity shares used as denominator for calculating EPS	17,500	17,500
Basic and Diluted Earnings per share of Rs.10 each	Rs.30.80	Rs.259.11

11. Disclosures pursuant to Accounting Standard (AS) 7 (Revised):

	31.03.06 (Rs. in lacs)	31.03.07 (Rs. in lacs)
a) Contract revenue recognized	199.87	1,026.87
b) Gross amount due from customers for contract work	218.09	412.71
c) Gross amount due to customers for contract work	Nil	Nil
d) Contracts in progress	Nil*	Nil*

(\* as certified by the management)

12. The Board of Directors of the Company have reviewed the carrying amounts of assets as at March 31, 2007 and in their opinion, there is no indication of any impairment of assets. Accordingly, no impairment loss is recognized during the year under report.

13. In terms of Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosure of transactions with the related parties as defined in the Accounting Standard are given below:

a. List of related parties and relationships:

Sr. No	Name of the Related Party	Relationship
1	Nitin Fire Protection Industries Limited	Holding Company
2	Alert Fire Protection Systems Private Limited	Fellow Subsidiary
3	Eurotech Cylinders Private Limited	Fellow Subsidiary
4	Nitin Cylinders Limited	Fellow Subsidiary
5	Eurotech Corporation (Partnership firm)	Holding Company is a partner

b. Transactions during the year with related parties:

(Rs in lacs)

Sr. No.	Nature of Transactions	Holding Company	Company under the same Management
1	Purchase of goods (Previous period)	118.67 (142.17)	18.71 (8.13)
2	Payable (Previous period)	197.30 (125.66)	37.69 (*52.64)
3	Sales of goods (Previous period)	3.48 --	-- --

(\* Includes payable for the period prior to it becoming a subsidiary & a company under the same management)

For **Tolia & Associates**  
Chartered Accountants

Sd/-

**(Kiran P. Tolia)**  
Proprietor  
Membership No.:43637

Mumbai  
April 5, 2007





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**NITIN CYLINDERS LIMITED**

To,

The Board of Directors,

**Nitin Cylinders Limited**

501, Delta, Technology Street

Hiranandani Gardens,

Mumbai 400 086.

Dear Sirs,

- 1) We have examined the attached financial information of Nitin Cylinders Limited hereinafter referred to as “the Company”, as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated March 15, 2006 in connection with the proposed issue of Equity Shares of the Holding Company viz. Nitin Fire Protection Industries Limited (herein after referred to as the ‘Holding Company’).
- 2) This information has been extracted by the Management from the financial statements for an approximate period of six months ended March 31, 2007.
- 3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that :
  - (a) The Restated Summary Statement of Assets and Liabilities and Cash Flows of the Company, as at March 31, 2007 examined by us, as set out in Annexures I and II respectively to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts (Refer Annexure III).
  - (b) No Profit & Loss Accounts is prepared as the company has not commenced commercial operations.
  - (c) Based on above, we are of the opinion that that the restated financial information have been made after incorporating:
    - (i) Adjustments for the material amounts in the period to which they relate.
    - (ii) And there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.

In our opinion the financial information contained in Annexures I & II of this report read along with the Significant Accounting Policies and Notes on Accounts (Refer Annexure III) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the DIP Guidelines.

- 4) Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the ‘Holding Company’. Our report and should not be used for any other purpose except with our consent in writing.

For **Tolia & Associates**

Chartered Accountants

Sd/-

**(Kiran P. Tolia)**

Proprietor

Membership No.: 43637

Mumbai

April 5, 2007

# Annexure I

## SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in lacs)

	As at 31.03.07
<b>A. Fixed Assets</b>	
Capital Work in Progress - at cost (including Capital advances)	2,972.82
Preoperative Expenses	127.69
	<b>3,100.51</b>
<b>B. Current Assets, Loans and Advances</b>	
Cash and Bank Balances	256.37
Other Current Assets	2.66
Loans & Advances	239.64
	<b>498.67</b>
<b>C. Liabilities and Provisions</b>	
Secured Loans	974.93
Current Liabilities	1,296.54
	<b>2,271.47</b>
<b>D. Net Worth (A+B-C)</b>	<b>1,327.71</b>
<b>E. Represented by:</b>	
<b>Shareholders funds</b>	
Share Capital	71.25
Reserves & Surplus	1,258.75
<b>Miscellaneous Expenditure (to the extent not written off or adjusted)</b>	
Preliminary Expenses	(2.29)
<b>Net Worth,</b>	<b>1,327.71</b>



## Annexure II

### STATEMENT OF CASH FLOWS, AS RESTATED

(Rs. in lacs)

	For the period from 04.10.06 to 31.03.07
<b>Cash flow from operating Activities</b>	
Net profit before tax	-
Adjustments for: -	
Preliminary Expenses	(2.29)
<b>Operating Profit before working capital changes</b>	<b>(2.29)</b>
<b>Adjustments for changes in working capital:</b>	
Increase in Loans & Advances	(239.64)
Increase in Other Current Assets	(2.65)
Increase in Sundry Creditors	1,293.81
Increase in Other Liabilities	2.71
<b>Cash generated from/used in operations</b>	<b>1,051.94</b>
<b>Net Cash generated from (used in) from Operating Activities</b>	<b>1,051.94</b>
<b>Cash flow from Investing Activities</b>	
Capital Work in Progress & Preoperative Expenses	(3,100.50)
<b>Net cash used in Investing Activities</b>	<b>(3,100.50)</b>
<b>Cash flow from Financing Activities</b>	
Issue of Equity Shares	71.25
Securities Premium	1,258.75
Secured Loans	974.93
<b>Net Cash generated from financing Activities</b>	<b>2,304.93</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>256.37</b>
Cash and Cash Equivalents at the beginning of the year	—
<b>Cash and Cash Equivalents at the end of the period</b>	<b>256.37</b>

#### Notes:

1. The cash flow statement has been prepared under indirect method as set out in Accounting Standard -3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate Cash Outgo.

## Annexure III

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### I. SIGNIFICANT ACCOUNTING POLICIES

##### A) Basis of Preparation of Accounts

The accounts have prepared to comply in all material aspects with applicable accounting principles in India, mandatory Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The Financial Statements have been prepared under the historical cost convention on an accrual basis.

##### B) Fixed Assets & Depreciation

Assets under erection/installation are disclosed under Capital Work in Progress. Preoperative expenses represent capital expenditure included in the Schedule of Fixed Assets. Depreciation shall be accounted on completion of erection/ installation of fixed assets.

##### C) Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

##### D) Foreign Currency Transactions

Foreign currency transactions are recorded on the basis of exchange rate prevailing on the date of their occurrence. Monetary items in foreign currencies are stated at the closing exchange rate. Gains/losses on conversion/ translation have been adjusted in Capital Work in Progress Account.

##### E) Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### II. NOTES ON ACCOUNTS

##### 1. Contingent Liabilities not provided for in respect of:

- Bond issued to the Development Commissioner VSEZ - Rs.1,625.00 lacs.
- Letters of credit issued by the bankers of the Company for purchase of capital goods - Rs.707.52 lacs. Against the above, fixed deposits aggregating to Rs.140.00 lacs have been pledged by the Company.
- Letter of credit issued by the bankers of the Company for procurement of raw materials - Rs.374.03 lacs. Against the above, fixed deposits aggregating to Rs.88.00 lacs have been pledged by the Company.

##### 2. Additional information in terms of Paragraphs 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 to the extent applicable to the Company:

Expenditure incurred in foreign currency:

	Current period (Rs. in lacs)
Travelling	2.00
	<u>2.00</u>



3. There are no SSI undertakings to whom the Company owes any dues, which is outstanding for a period exceeding thirty days as on the balance sheet date. The above information regarding SSI undertaking has been determined to the extent such parties are identified on the basis of information available with the Company, which has been relied upon by the Auditors.
4. In the opinion of the Board, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. The provision for all known liabilities is adequate and not in excess of the amounts reasonably necessary.
5. The Company has not commenced commercial operations and is in the process of setting up a plant to manufacture high pressure seamless cylinders. All expenses are treated as Pre-Operative Costs and no Profit & Loss Account is prepared. Income is also adjusted against Preoperative Costs. Accordingly, there is no need for disclosure of Accounting Policies such as Retirement Benefits, Impairment of Assets, Provision for Current Income Tax, Deferred Tax Liability etc.
6. Payments to Auditors:

**Current period  
(Rs. in lacs)**

Audit Fees	0.10
	<b>0.10</b>

7. In terms of Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosure of related parties as defined in the Accounting Standard are given below:

**a) List of related parties and relationships:**

Sr. No.	Name of the Related Party	Relationship
1	Nitin Fire Protection Industries Limited	Holding Company
2	Logicon Building Systems Private Limited	Fellow Subsidiary
3	Eurotech Cylinders Private Limited	Fellow Subsidiary
4	Alert Fire Protection Systems Private Limited	Fellow Subsidiary
5	Shri Nitin M Shah	Key Managerial Personnel
6	Shri Rahul N. Shah	Key Managerial Personnel
7	Shri Kunal N. Shah	Key Managerial Personnel
8	Eurotech Corporation (Partnership Firm)	Key Managerial Personnel/Holding Company are partners

**b) Transactions during the period with related parties:**

Sr. No.	Nature of Transaction	Holding Company (Nitin Fire Protection Industries Limited) (Rs. in lacs)
1	Share application money received against which equity shares have been allotted	1,330.00

**8. Segment Information:**

**Primary Segment**

In terms of Accounting Standard 17 "Segment Reporting" issued by the Council of the Institute of Chartered Accountants of India, the Company has determined its business as manufacture of high pressure seamless cylinders. There are no other primary reportable segments. Accordingly, total carrying amount of segment assets, total carrying amount of segment liabilities, and total cost incurred to acquire segment assets are as reflected in the Financial Statements as of and for the period ended March 31, 2007. Disclosure of segment revenue, segment result, total amount of charge for depreciation and amortization is not applicable, as the Company has not commenced commercial operations.

**Secondary Segment**

The geographical segment is not relevant as the Company has not commenced commercial operations.

9. During the period, the Company has purchased and sold 21.94 lacs units of Rs.10 each of Prudential ICICI Mutual Fund - Prudential ICICI Institutional Liquid Plan - Daily Dividend Option.
10. Loans from banks are secured against:
  - a. Hypothecation charge of plant & machinery and other assets purchased out of bank finance situated at Block H, Visakhapatnam Special Economic Zone, Duvvada, Andhra Pradesh (Primary Security)
  - b.
    - (i) Equitable mortgage of land and building and hypothecation of plant and machinery situated at A-117, TTC Industrial Area, MIDC, Thane standing in the name of the Holding Company on pari passu basis with State Bank of India.
    - (ii) Equitable mortgage of office premises standing in the name of the Holding Company on pari-passu basis with State Bank of India
    - (iii) Personal guarantee of two Directors of the Company and Corporate Guarantee of the Holding Company. (collateral security)
11. Estimated amount of contracts remaining to be executed on capital account and not provided for - Rs.64.84 lacs (net of advances).
12.
  - a. Borrowing costs capitalised during the period- Rs.11.70 lacs
  - b. Exchange rate difference arising due to import of plant and machinery in foreign currency and credited to Capital Work in Progress Account - Rs.10.58 lacs.

For **Tolia & Associates**  
Chartered Accountants

Sd/-  
**(Kiran P. Tolia)**  
Proprietor  
Membership No.:43637

Mumbai  
April 5, 2007



## EUROTECH CORPORATION

### AUDITORS' REPORT

To,  
The Partners,  
**Eurotech Corporation,**  
Ground Floor, Guru Nanak Market,  
NH 22, Sector 3,  
Parwanoo,  
Himachal Pradesh 173220.

Dear Sirs,

- 1) We have examined the attached financial information of Eurotech Corporation hereinafter referred to as “the partnership firm”, as approved by the Partners of the partnership firm prepared in terms of the requirements of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated March 15, 2006 in connection with the proposed issue of Equity Shares of Nitin Fire Protection Industries Limited (herein after referred to as ‘the Company’), a partner in the said partnership firm.
- 2) This information has been extracted by the partners of the partnership firm from the financial statements for six months period ended March 31, 2007.
- 3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that :
  - (a) The Restated Summary Statement of Assets and Liabilities and Cash Flows of the partnership firm as at March 31, 2007 examined by us, as set out in Annexures I and III respectively to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts (Refer Annexure IV).
  - (b) The Restated Summary Statement of Profits of the partnership firm for the period October 1, 2006 to March 31, 2007 examined by us, as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts (Refer Annexure IV).
  - (c) Based on above, we are of the opinion that that the restated financial information have been made after incorporating:
    - (i) Adjustments for the material amounts in the respective financial years to which they relate.
    - (ii) And there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.In our opinion the financial information contained in Annexures I to III of this report read along with the Significant Accounting Policies and Notes on Accounts (Refer Annexure IV) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the DIP Guidelines.
- 4) Our report is intended solely for use of the partners of the partnership firm and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company. Our report and should not be used for any other purpose except with our consent in writing.

For **Tolia & Associates**  
Chartered Accountants

Sd/-  
**(Kiran P. Tolia)**  
Proprietor  
Membership No.: 43637

Mumbai  
April 5, 2007



**Annexure I**  
**SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

(Rs. in lacs)

	<b>As at 31.03.07</b>
<b>A. Fixed Assets</b>	
Written Down Value	10.66
Less: Depreciation	0.85
<b>Net Block</b>	<b>9.81</b>
<b>B. Current Assets, Loans and Advances</b>	
Inventories	0.24
Sundry Debtors	43.20
Cash and Bank Balances	2.12
Loans and Advances	4.37
	<b>49.93</b>
<b>C. Liabilities and Provisions</b>	
Current Liabilities & Provisions	38.11
Minority Interest	2.76
	<b>40.87</b>
<b>D. Net Worth (A+B-C)</b>	<b>18.87</b>
<b>E. Represented by:</b>	
Partners Capital:	
Nitin Fire Protection Industries Limited	<b>18.87</b>

**Annexure II**  
**SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED**

(Rs. in lacs)

	<b>For the period from 1.10.06 to 31.03.07</b>
<b>Income</b>	
<b>Sales:</b>	
Of products manufactured by the partnership firm	92.75
<b>Total Income</b>	<b>92.75</b>
<b>Expenditure</b>	
Material, Components and Spare Parts	63.68
Administrative & Other Expenses	5.02
Staff Costs	1.92
Selling & Distribution Expenses	3.64
Depreciation	0.84
<b>Total Expenditure</b>	<b>75.10</b>
Net Profit before Tax	<b>17.64</b>
Less: Minority Interest in Income	<b>0.88</b>
<b>Net Profit after Taxation</b>	<b>16.76</b>



### Annexure III

#### STATEMENT OF CASH FLOWS, AS RESTATED

(Rs. in lacs)

	For the period from 1.10.06 to 31.03.07
<b>Cash flow from operating Activities</b>	
<b>Net profit before tax</b>	<b>17.64</b>
Adjustments for: -	
Depreciation	0.85
<b>Operating Profit before working capital changes</b>	<b>18.49</b>
<b>Adjustments for changes in working capital:</b>	
Increase in Sundry Debtors	(43.20)
Increase in Loans & Advances	(4.37)
Increase in Inventories	(0.24)
Increase in Sundry Creditors	38.01
Increase in Minority Interest	2.76
*Others	7.04
Increase in Working Capital	(5.71)
<b>Net Cash generated from (used in) from Operating Activities</b>	<b>12.78</b>
<b>Cash flow from Investing Activities</b>	
Purchase of fixed assets	(10.66)
<b>Net cash used in Investing Activities</b>	<b>(10.66)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>2.12</b>
Cash and Cash Equivalents at the beginning of the period	- -
<b>Cash and Cash Equivalents at the end of the period</b>	<b>2.12</b>

#### Notes:

1. The cash flow statement has been prepared under indirect method as set out in Accounting Standard -3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Figures in brackets indicate Cash Outgo.
3. \*Others represent net increase in cash flows due to adjustments becoming necessary as the partnership firm was in existence prior to 1.10.06.

## Annexure IV

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### I. SIGNIFICANT ACCOUNTING POLICIES

##### A) Basis of Preparation of Accounts

The accounts have prepared to comply in all material aspects with applicable accounting principles in India and the mandatory Accounting Standards issued by The Institute of Chartered Accountants of India. The Financial Statements have been prepared on an accrual basis.

##### B) Inventories

Finished goods are valued at lower of cost, computed on FIFO basis and net realizable value. Such costs include material cost and other costs incurred in bringing the goods to their present location and condition.

##### C) Revenue Recognition

Sales are stated net of all taxes and includes other charges billed to customers and is recognized on dispatch to customers.

##### D) Fixed Assets & Depreciation

Fixed assets are stated at written down value.

Depreciation is provided on written down value method at the rates and in the manner laid down in the Income Tax Act, 1961.

#### II. NOTES ON ACCOUNTS

- On 1.10.06, the Company viz. Nitin Fire Protection Industries Limited acquired 95% share in the interest of the partnership firm.
- In terms of Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosure of transactions with the related parties as defined in the Accounting Standard are given below:

##### a) List of related parties and relationships:

Sr. No.	Name of the Related Party	Relationship
1	Nitin Fire Protection Industries Limited	Partner in the firm
2	Alert Fire Protection Systems Private Limited	Subsidiary Company of a partner in the firm
3	Eurotech Cylinders Private Limited	Subsidiary Company of a partner in the firm
4	Logicon Building Systems Private Limited	Subsidiary Company of a partner in the firm
5	Nitin Cylinders Limited	Subsidiary Company of a partner in the firm
6	Shri Kunal N. Shah	Partner in the firm
7	Smt. Saroj N.Shah	Relative of a Partner in the firm

##### b) Transactions during the period with related parties:

Sr. No.	Nature of Transactions	Partner (Nitin Fire Protection Industries Limited)	Partner (Shri Kunal N. Shah)	Subsidiary Company of a partner in the firm
1	Partners Capital payable	18.87	2.76	-
2	Purchase of materials and components	-	-	19.27



3. The partners of the firm have reviewed the carrying amounts of assets as at March 31, 2007 and in their opinion, there is no indication of any impairment of assets. Accordingly, no impairment loss is recognized during the period under report.
4. Quantitative Information:

(Nos.)

Items	Opening Stock	Production	Sales	Closing Stock
Fire Extinguishers	–	4,500	4,500	–

For **Tolia & Associates**  
Chartered Accountants

Sd/-  
(**Kiran P. Tolia**)  
Proprietor  
Membership No.:43637

Mumbai  
April 5, 2007

Except as stated hereinabove, there are no other material notes to the auditors report, which have bearing on the financial status of the company. Further, all notes to accounts, significant accounting policies as well as the auditors qualifications, if any, have been incorporated in the Red Herring Prospectus.

## OTHER GROUP COMPANIES / VENTURES PROMOTED BY PROMOTERS

### 1. INTEGRATED RURAL SERVICES PRIVATE LIMITED

Integrated Rural Services Pvt. Ltd was incorporated under the Companies Act, 1956 vide Certificate of Incorporation No. 11-96588 dated 25th of January 1996, having its Registered Office at 3, Vadhani Industrial Estate, LBS Marg, Ghatkopar west, Mumbai 400086.

Presently Integrated Rural Services Private Limited does not have any activity. However, the Main Objects of Integrated Rural Services Private Limited allows the company to conduct the following business:

To carry on business as manufacturers, dealers, stockists, distributors, importers, exporters, marketing, development, business development, research, trade in agricultural products, seeds, fertilizers, pesticides, agricultural equipments and services in agricultural activities such as storage facilities, etc. household items, consumer durables, health care items & services and other items and services used by rural community.

#### Board of Directors:

Name of the Director	Designation
Mr. Rahul N. Shah alias Sanghavi	Director
Mrs. Saroj N Shah alias Sanghavi	Director

#### Shareholding pattern

Name of the Shareholder	No. of shares held	% holding
Mr. Rahul N. Shah alias Sanghavi	5,000	50%
Mrs. Saroj N Shah alias Sanghavi	5,000	50%
<b>Total</b>	<b>10,000</b>	<b>100%</b>

#### Financial performance:

(Rs. In Lacs)

Particulars	For the Financial Year ended March 31		
	2004	2005	2006
Total Income	-	2.068	-
PAT	-	0.789	(0.720)
Share Capital	1.000	1.000	1.000
Share application	90.000	90.000	90.000
Networth*	0.591	0.096	(0.249)
NAV per Share of Rs.10 (Rs.)*	5.92	0.96	-
EPS per Share of Rs.10 (Rs.)	-	7.89	(7.20)

\* Networth and NAV has been calculated excluding Share Application Money.

Integrated Rural Services Private Limited has not availed any secured loans. There are no defaults in meeting any statutory/bank/institutional dues/obligations. No proceedings have been initiated for economic offences against Integrated Rural Services Private Limited.

There are no pending litigations, defaults, etc against Integrated Rural Services Private Limited, its promoters and/or its Directors.

The above company is neither a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 nor under winding up.



## 2. ALLIANCE PHARMA - CHEM PRIVATE LIMITED

Alliance Pharma - Chem Private Limited was originally incorporated as Flora Beauty And Healthcare Private Limited under the Companies Act, 1956 vide Certificate of Incorporation No. 11-98944/TA dated 17th of April 1996, having its Registered Office at 3, Vadhani Industrial Estate, LBS Marg, Ghatkopar (West), Mumbai 400086. Subsequently, the name of the Company was changed to Alliance Pharma - Chem Private Limited and a fresh Certificate of Incorporation was issued on 21 January 1999.

Presently Alliance Pharma - Chem Private Limited does not have any activity. However, the Main Objects of Alliance Pharma - Chem Private Limited allows it to conduct the following business:

To carry on business of manufacturers, dealers Importers, exporters, stockists, distributors, agents, traders of all kinds of ayurvedic, herbal, pharmaceuticals, nutrition, and all kinds of beauty and healthcare products.

### Board of Directors:

Name of the Director	Designation
Mr. Nitin M Shah alias Sanghavi	Director
Mr. Kunal N. Shah alias Sanghavi	Director

### Shareholding pattern

Name of the Shareholder	No. of shares held	% holding
Mr. Nitin M. Shah alias Sanghavi	5,000	50%
Mr. Kunal N. Shah alias Sanghavi	5,000	50%
<b>Total</b>	<b>10,000</b>	<b>100%</b>

### Financial performance:

(Rs. In Lacs)

Particulars	For the Financial Year ended March 31		
	2004	2005	2006
Total Income	-	3.769	-
PAT	-	1.462	(0.940)
Share Capital	1.000	1.000	1.000
Share application	—	—	—
Networth	0.514	0.694	0.129
NAV per Share of Rs.10 (Rs.)	5.14	6.94	1.29
EPS per Share of Rs.10 (Rs.)	-	14.64	-

Alliance Pharma - Chem Private Limited has not availed any secured loans. There are no defaults in meeting any statutory/bank/institutional dues/obligations. No proceedings have been initiated for economic offences against Alliance Pharma - Chem Private Limited.

There are no pending litigations, defaults, etc against Alliance Pharma - Chem Private Limited, its promoters and/or its Directors.

The above company is neither a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 nor under winding up.

## 3. AANANT DEVELOPERS PRIVATE LIMITED

**Aanant Developers Private Limited** was incorporated under the Companies Act, 1956 vide Certificate of Incorporation bearing no. U70100MH 2003 PTC 140443 dated May 13, 2003, having its Registered Office G/14, Bhaveshwar Complex, Vidyavihar (west), Mumbai - 400 086. Presently Aanant Developers Private Limited does not have any activity. However, the Main Objects of the company allows Aanant Developers Private Limited to conduct the following business:



To carry on business of constructing, developing and maintaining any infrastructure project of rail, road, bridge, power house, airport, dams, irrigation project and to also develop real estate construction and to develop housing colonies.

**Board of Directors:**

Name of the Director	Designation
Mr. Aishariya Lalji Vedor	Director
Mr. Nitin Aishariya Vedor	Director
Mr. Nitin M. Shah alias Sanghavi	Director
Mrs. Tejal Nitin Doshi	Director
Mr. Bharat Narottamdas Narshana	Director

**Shareholding pattern**

Name of the Shareholder	No. of shares held	% holding
Mr. Aishariya Lalji Vedor	2,000	20%
Mr. Nitin Aishariya Vedor	2,000	20%
Mr. Nitin M. Shah alias Sanghavi	1,100	11%
Mr. Nitin M. Shah HUF	1,100	11%
Mrs. Saroj N Shah alias Sanghavi	1,100	11%
Smt. Tejal Nitin Doshi	1,000	10%
Mr. Nitin S. Doshi HUF	900	9%
Mr. Bharat Narottamdas Narshana	400	4%
Mr. Ajay Narottam Das Narshana	400	4%
<b>Total</b>	<b>10,000</b>	<b>100%</b>

**Financial performance:**

(Rs. In Lacs)

Particulars	For the Financial Year ended March 31		
	2004	2005	2006
Total Income	-	-	-
PAT	-	(0.440)	-
Share Capital	1.000	1.000	1.000
Share application	15.00	-	-
Networth *	0.810	0.371	0.371
NAV per Share of Rs.10 (Rs.)*	8.10	3.71	3.71
EPS per Share of Rs.10 (Rs.)	-	(4.40)	-

\* Networth and NAV has been calculated excluding Share Application Money.

Aanant Developers Private Limited has not availed any secured loans. There are no defaults in meeting any statutory/bank/institutional dues/obligations. No proceedings have been initiated for economic offences against Aanant Developers Private Limited.

There are no pending litigations, defaults, etc against Aanant Developers Private Limited, its promoters and/or its Directors.

The above company is neither a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 nor under winding up.





#### 4. AANANT REALITIES PRIVATE LIMITED

Aanant Realities Private Limited was incorporated under the Companies Act, 1956 vide Certificate of Incorporation bearing no. V45200 MH 2006 PTC 158554 dated January 2, 2006 having its Registered Office at G/14, Bhaveshwar Complex, Vidyavihar (west), Mumbai - 400 086.

Presently Aanant Realities Private Limited does not have any activity. However, the Main Objects of Aanant Realities Private Limited allows it to conduct the following business:

To carry on business of constructing, developing and maintaining any infrastructure project of rail, road, bridge, power house, airport, dams, irrigation project and to also develop real estate construction and to develop housing colonies.

##### Board of Directors:

Name of the Director	Designation
Mr. Ashariya Lalji Vedor	Director
Mr. Nitin M. Shah alias Sanghavi	Director
Smt. Tejal Nitin Doshi	Director
Mr. Bharat Narottamdas Narshana	Director

##### Shareholding pattern:

Name of the Shareholder	No. of shares held	% holding
Mr. Ashariya Lalji Vedor	4,000	40.00%
Mr. Nitin M. Shah alias Sanghavi	3,300	33.00%
Smt. Tejal N Doshi	1,900	19.00%
Mr. Bharat Narottamdas Narshana	800	8.00%
<b>Total</b>	<b>10,000</b>	<b>100.00%</b>

##### Financial performance:

Since the Company has been incorporated recently, we have not prepared the financials.

Aanant Realities Private Limited has not availed any secured loans. There are no defaults in meeting any statutory/bank/institutional dues/obligations. No proceedings have been initiated for economic offences against Aanant Realities Private Limited.

There are no pending litigations, defaults, etc against Aanant Realities Private Limited, its promoters and/or its Directors.

The above company is neither a sick Company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1995 nor under winding up.

##### Companies with which our Promoters have disassociated themselves in the last three years

Our Promoters have not disassociated themselves from any of the companies/ firms during preceding three years.

##### Common Pursuits among the Group Companies:

Currently there are no common pursuits, being carried on among the Group Companies.

##### Related business transactions within the group

Interest free loan given by	Year	To	Amount in Rs. Lacs	Remarks
Alliance Pharma Chem Private Ltd	31.03. 2004	Aanant Developers Private Ltd	50.00	Carried forward
Alliance Pharma Chem Private Ltd	31.03. 2005	Aanant Developers Private Ltd	71.98	Outstanding till date
Integrated Rural Services Private Ltd	31.03. 2005	Aanant Developers Private Ltd	51.63	Outstanding till date
Integrated Rural Services Private Ltd	31.03. 2005	Alliance Pharma Chem Private Ltd	19.00	Outstanding till date

##### Sales Or Purchase Between Companies In The Promoter Group

There have been no sales or purchases between companies in the Promoter Group of our Company exceeding in value in the aggregate 10% of the total sales or purchases of our Company.

##### Changes in Accounting Policies in the last three years

There have been no change in accounting policies in the last three years except as stated in section titled "Financial Statements" beginning on page 102.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations are based on standalone financial statements for the years ended March 31, 2003, 2004, 2005, 2006 and 2007 including the notes thereto and reports thereon, prepared in accordance with Indian GAAP and the Companies Act, 1956.

### Overview

We are into business of (i) Fire Protection, Safety and Security, including Intelligent Building Management Systems and (ii) High Pressure Seamless Cylinders and Refuelling Systems. In the Financial year 2006, we acquired the 100% interests in Alert Fire Protection Systems Private Limited (ALERT), Logicon Building Systems Private Limited (LOGICON) and Eurotech Cylinders Private Limited (ECPL) thus making them our wholly-owned subsidiaries. We acquired ALERT which is engaged in the business of fire detection products w.e.f April 01, 2005, ECPL, which is engaged in the business of dealing in high pressure seamless cylinders w.e.f April 18, 2005 and LOGICON, a Company engaged in turnkey contracts for intelligent building management systems, clean agent and fire detection alarm system and water based hydrant systems, CCTV and Security systems w.e.f. January 01, 2006. We became a 95% partner in Eurotech Corporation, a partnership concern w.e.f September 2006, which is engaged in the business of manufacturing and supplying Fire Protection and Detection Equipments and Safety equipments. It has received UL listing for a few of its products in Fire Protection and Suppression systems.

In our High Pressure Seamless Cylinders (HPSC) business, we manufacture CNG Cascades at our facility near Taloja and get the cylinders contract manufactured in China and sell them locally. In our fire protection and security solutions (FPSS) business, we manufacture fire extinguishers and design, install and maintain fire and security solutions to residential and commercial buildings, malls, hospitals, factories, refineries, oil exploration facilities, telecommunication facilities, etc. We import fire detection equipment and other such accessories and use them as part of the solutions we provide and sell them independently as well. We import fire suppressant gases and supply them for refilling the fire protection systems supplied by us.

We sell our CNG Cascades to PSUs through tenders and provide fire protection and security solutions to large corporations and to PSUs through tenders as well as direct marketing. We believe our commitment to quality of the goods and services supplied by us, the skilled and dedicated workforce and our experienced management and design capabilities, enable us to market our products and services successfully and operate profitably in our business space. The CNG Cascades supplied by us have met the stringent regulatory norms and are in use at various CNG dispensing stations.

### Material Developments since the last Balance Sheet date:

Our Company has allotted 3,37,000 equity of Rs. 10/- each at Rs. 162/- details of which are appearing under the Heading 'Share Capital History of our Company' on page no.14 of Red Herring Prospectus.

Other than the above, in the opinion of the Board of Directors of our Company, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstance that materially or adversely affect or are likely to affect the profitability of our Company or the value of its consolidated assets or its ability to pay its material liabilities within the next twelve months.

### Factors affecting our results of operations:

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

*Demand and supply:* Demand for CNG Cascades and high pressure seamless cylinders is influenced by factors such as industrial activity, availability of CNG, government regulations, prices of alternative fuels like petrol, diesel, etc. The demand for our fire protection and security solutions business is influenced by the buoyancy in the real estate sector and the general economic conditions. Our business also gets influenced by the level of business activity of our major customers.

*Currency exchange rates:* The high pressure seamless cylinders are at present contract manufactured at China. Besides certain components like smoke detectors etc. are required for our FPSS business are imported by us. Therefore, exchange rate fluctuations could cause some of our costs to grow higher than the proportionate revenues. Any decline in the value of the rupee against such other currencies could increase the rupee cost of purchasing such products.

*Other general factors affecting our operations:*

- Change in technical specifications and/or regulations in India and/or in foreign countries
- Introduction of new competitive products
- Emergence of new players in the market
- Improved functional capabilities and capacity expansion of existing players.



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## Discussion on Results of Operations

The following descriptions set forth information with respect to key components of our statement of operations.

### Income

*Sales:* Our sales includes sale of fire extinguishers manufactured by us, sale of high pressure seamless cylinders, CNG Cascades, fire detection equipment and fire protection and security solutions contracts executed for designing and installing fire protections systems.

*Other income:* Other income primarily consists of interest earned.

### Expenditure

*Raw materials, Purchases, Stores and Spares:* The raw materials we use for manufacturing fire extinguishers are steel sheets. The cost of raw materials consumed; the CIF cost of the cylinders (contract manufactured at China) and other stores and spares items we consume in the manufacturing process are included under this head.

*Other Manufacturing and installation expenses:* Our manufacturing and installation expenses consist of expenditures on power and fuel, water charges, etc. and expenses incurred for installing systems on site. We also incur additional expenses in respect paint materials, packing material, processing costs and other miscellaneous costs.

*Personnel expenses (Staff Costs):* Personnel expenses consist primarily of salary and wage expenses, provident fund contributions, bonus and gratuity.

*Financial expenses:* Our financial expenses consist of borrowing costs being interest payable on loans.

*Selling & distribution expenses:* Our selling & distribution expenses consist of all the expenses incurred for the marketing of our products and other sales-related expenses.

*Administrative & other expenses:* The administrative and other expenses include establishment and general expenses.

*Depreciation:* Depreciation expense relates principally to the machinery installed for manufacturing purposes and the other assets.

*Taxation:* We are subject to income tax liability pursuant to the Income Tax Act, 1961. Also, pursuant to this act, corporations are in some circumstances subject to a minimum tax liability based on book profit. We make provision for current tax as well as for deferred tax liability based on the effect of timing differences. The Government also has introduced a fringe benefit tax on various benefits and expenditures we are deemed to provide or incur towards our employees as part of our business, for which we have made provision with effect from the current fiscal.

### Relationship between different items of Financial Statements:

In our financial statements, some of the items have either direct or inverse relationship with other items. The Cost of Raw Materials, Purchases and Other manufacturing Expenses, Stores and Spares and Personnel Expenses have direct relationship with Sales. However, the relationship varies in terms of proportion. The reason for the variance in the proportion is that the amount of sales includes not only the element of materials supplied, but also the service element which changes depending upon various factors such as the demand supply dynamics at the time of supply, the competitive edge we enjoy in the quality of particular services provided, etc. There is a relationship between the financial expenses and the amounts borrowed by us. The amount of depreciation has a relation with the Fixed Assets and its composition. Taxation has a direct relationship with Profit before Tax, but the same may not be a proportionate relationship, as the incidence of taxation is subject to incentives, which may or may not have been charged to the Profit & Loss Account.

As a result of the various factors discussed above our results of operations may vary from period to period. The highlights of financial activities are explained here in below for each of the past five years.

Rs. In lacs

	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
A. Long Term Investments					
i. quoted / others					
2,300 - Equity Shares -Andhra Bank	0.23	0.23	0.23	0.23	0.23
ii. unquoted / Subsidiaries					
10,000 equity shares of Alert Fire Protection Systems Private Limited	-	-	-	101.00	101.00
10,000 equity shares of Eurotech Cylinders Private Limited	-	-	-	1.00	1.00
17,500 equity shares of Logicon Building Systems Private Limited	-	-	-	3.50	3.50
712,500 equity shares of Nitin Cylinders Limited	-	-	-	-	1,330.00
iii. In a partnership firm in which the Company is a partner					
Eurotech Corporation	-	-	-	-	18.87
<b>Total</b>	<b>0.23</b>	<b>0.23</b>	<b>0.23</b>	<b>105.73</b>	<b>1,454.60</b>
Market value of quoted investments	0.48	1.10	2.20	1.86	1.65

Investments have increased from Rs. 0.23 Lacs in 2004-05 to Rs. 105.73 Lacs in 2005-06, due to Equity investment in subsidiaries of our Company, namely Alert Fire Protection Systems Private Limited, Eurotech Cylinders Private Limited and Logicon Building Systems Private Limited. Investments have increased from Rs. 105.73 lacs in 2005-2006 to Rs. 1,454.60 lacs in 2006-2007 due to investment of Rs. 1,330 lacs in Nitin Cylinders Limited for the proposed project in terms of the objects of the issue and Rs. 18.87 lacs for investing in Eurotech Corporation, partnership concern for becoming a 95% partner.

## Reserves & Surplus

Rs. In lacs

	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
Reserves & Surplus	380.05	399.38	425.49	540.39	1,431.24
Less: Revaluation Reserve	234.36	204.14	178.10	155.65	136.31
Net Reserves & Surplus	145.69	195.24	247.39	384.74	1,294.93

Reserves & Surplus have increased from Rs. 384.74 Lacs in 2005-06 to Rs. 1,294.93 Lacs in 2006-07 mainly due to issue of shares at premium during the year 2006-07. For further details refer chapter titled "Capital Structure" on page 14.

## Inventories

Rs. In lacs

	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
Inventories	241.28	35.91	127.60	281.45	296.38

The increase in inventories from Rs. 127.60 lacs in 2004-05 and Rs. 281.45 lacs in 2005-06 was due to carrying cost of CNG Cascades. Due to the boom in the construction, the demand for our goods and services has gone up and we are required to keep a higher inventories anticipating increase in the demand.

## Sundry Debtors

Rs. In lacs

	31.03.03	31.03.04	31.03.05	31.03.06	31.03.07
Sundry Debtors	321.71	253.62	652.19	1,052.26	1,161.92



The increase of 61.34% in the Sundry Debtors from Rs. 652.19 lacs in 2004-2005 to Rs. 1052.26 lacs mainly because of the increase in the turnover. Moreover, we sell goods on 90-120 days credit and sales of Rs. 1068 lacs out of the annual turnover of Rs. 2776.98 lacs took place during the last quarter. Out of the total amount of debtors Rs. 125.66 lacs is due from related parties.

### Discussion on results of operation

A summary of unconsolidated past financial results are given below:

(Rs. In Lacs)

	For the year ended 31.03.03	For the year ended 31.03.04	For the year ended 31.03.05	For the year ended 31.03.06	For the year ended 31.03.07
<b>Income</b>					
Sales					
- Of products manufactured by the Company	27.59	31.66	75.12	82.53	79.26
- Of turnkey contracts executed by the Company	3,222.40	1,872.09	1,932.16	2,694.45	2,704.96
<b>Total Sales</b>	<b>3,249.99</b>	<b>1,903.75</b>	<b>2,007.28</b>	<b>2,776.98</b>	<b>2784.22</b>
Other Income	8.22	7.32	4.31	9.21	34.26
Increase/(decrease) in Inventories	88.24	(199.63)	92.40	(10.71)	14.93
<b>Total Income</b>	<b>3,346.45</b>	<b>1,711.44</b>	<b>2,103.99</b>	<b>2,775.47</b>	<b>2,833.41</b>
<b>Expenditure</b>					
Materials, components and spare parts	2,684.01	1,106.03	1,429.32	1,924.53	1,643.65
Staff Costs	87.67	85.64	91.11	131.66	165.82
Other manufacturing expenses	2.21	1.55	1.66	1.72	1.98
Administrative & other expenses	196.07	219.69	199.78	197.46	324.43
Selling & distribution expenses	243.56	176.99	224.79	156.58	183.29
<b>Total Expenditure</b>	<b>3,213.51</b>	<b>1,589.90</b>	<b>1,946.66</b>	<b>2,411.95</b>	<b>2,319.18</b>
<b>Profit before Depreciation, Interest and Tax</b>	<b>132.94</b>	<b>121.54</b>	<b>157.33</b>	<b>363.52</b>	<b>514.23</b>
Depreciation (Net of transfer from Revaluation Reserve)/ Amortisation	27.52	27.70	29.13	41.54	64.95
<b>Profit before Interest and Tax</b>	<b>105.42</b>	<b>93.84</b>	<b>128.20</b>	<b>321.98</b>	<b>449.28</b>
Interest and Finance Charges	-	-	0.87	3.08	0.54
<b>Net Profit before Tax</b>	<b>105.42</b>	<b>93.84</b>	<b>127.33</b>	<b>318.90</b>	<b>448.74</b>
Less: Taxation	42.31	40.32	49.46	118.68	153.19
Net Profit after Taxation before adjustments	63.11	53.52	77.87	200.22	295.55
<b>Adjustments for</b>					
Excess / (Short) provision for tax	1.66	(3.13)	(1.08)	-	-
<b>Net Profit as restated</b>	<b>64.77</b>	<b>50.39</b>	<b>76.79</b>	<b>200.22</b>	<b>295.55</b>

## **Comparison of performance for year 2005-06 vis-à-vis 2006-07**

### **Income**

Our total income increased by 2.08 % from Rs. 2775.47 Lacs in fiscal 2006 to Rs. 2833.41 Lacs in fiscal 2007. Our total sales remained almost flat at Rs.2784.22 lacs in fiscal 2007 when compared to Rs.2776.98 lacs in fiscal 2005-06. Within the total sales we have witnessed marginal decrease of 3.96% in the segment of “products manufactured by the company” to Rs.79.26 Lacs in fiscal 2007 from Rs.82.53 Lacs in fiscal 2006. Within “Turnkey contracts executed by the Company” we have witnessed marginal growth of 0.39% as compared to the previous year, from Rs. 2694.45 Lacs to Rs.2704.96 Lacs in fiscal 2007. In terms of segmental revenues , there is an increase in revenues from fire protection and security systems from Rs. 1961.77 lacs in 2006 to Rs. 2251.12 lacs in the fiscal 2007 while revenues from high pressure seamless cylinders showed a decrease from Rs. 815.21 lacs to Rs. 533.11 lacs. This was because now trading of High Pressure Seamless Cylinders is being carried on in Eurotech Cylinders Private Limited which was acquired in April 2005.

### **Other Income**

Other income has increased from Rs. 9.21 Lacs in fiscal 2006 to Rs. 34.26 Lacs in fiscal 2007 which is a growth of 271.98% which is mainly attributed to share of profit from Eurotech Corporation, partnership concern and rent received from the subsidiaries.

### **Expenditure**

Our total expenditure decreased by 3.85% to Rs. 2319.18 Lacs in fiscal 2007 from Rs. 2411.95 Lacs in fiscal 2006. This was primarily due to flat sales revenue as stated in the paragraph above. During fiscal 2006, the Raw materials, purchases, stores & spares were Rs.1924.53 Lacs which decreased to Rs. 1643.65 Lacs in 2006-07 due to flat sales as stated above. Our administrative expenses increased by 64.30 %from Rs. 197.46 Lacs in fiscal 2006 to Rs. 324.43 Lacs in fiscal 2007. During the year we have spent Rs. 48 lacs for getting accreditation for our products from UL. Besides, there is also increase in Repairs & Maintenance expenses for renovation of office premises. The selling & distribution expenses increased by 17.06% from Rs.156.58 Lacs in fiscal 2006 to Rs. 183.29 Lacs in fiscal 2007, which is due to amount of Rs. 57.04 lacs being written off as bad debt.

### **Profit before tax**

Our Profit Before Tax increased by 40.71% to Rs. 448.74 Lacs in fiscal 2007 from Rs. 318.90 Lacs in fiscal 2006, which is primarily due to decrease in Expenditure and increase in other income.

### **Provision for tax and net profit**

Our provision for tax is Rs. 153.19 in Fiscal 2007 as against Rs. 118.68 Lacs in fiscal 2006, which is 29.07% increase. The increase in the provision for taxation is due to increase in the profit. Net Profit after tax has increased from Rs. 200.22 lacs in 2006 to Rs. 295.55 Lacs in 2007.

## **Comparison of performance for year 2005-06 vis-à-vis 2004-05**

### **Income**

Our total income increased by 31.91% from Rs. 2103.99 Lacs in fiscal 2005 to Rs. 2775.47 Lacs in fiscal 2006. Our total sales increased by 38.35% to Rs.2776.98 Lacs in fiscal 2006 from Rs. 2007.28 Lacs in fiscal 2005. Within the total sales we have witnessed 9.86% growth in the segment of “products manufactured by the company” to Rs.82.53 Lacs in fiscal 2006 from Rs.75.12 Lacs in fiscal 2005. Within “Turnkey contracts executed by the Company” we have witnessed a growth of 39.45% as compared to the previous year, from Rs. 1932.16 Lacs to Rs. 2694.45 Lacs which includes increase in volume of sales of both Fire Protection Systems and High Pressure Seamless Cylinders.

### **Other Income**

Other income has increased from Rs. 4.31 Lacs in fiscal 2005 to Rs. 9.21 Lacs in fiscal 2006 which is a growth of 113.69%. Increase in other income can be attributed to the commission received on sale of CNG Dispensers of Kraus Global, Canada

### **Expenditure**

Our total expenditure increased by 23.90% to Rs. 2411.95 Lacs in fiscal 2006 from Rs. 1946.66 Lacs in fiscal 2005. This was primarily due to increase in sales revenue as stated in the paragraph above. During fiscal 2005, the Raw materials, purchases, stores & spares were Rs.1429.32 Lacs which increased to Rs. 1924.53 Lacs in 2005-06 due to increase in sales as stated above. Our administrative expenses reduced by 1.16% from Rs. 199.78 Lacs in fiscal 2005 to Rs. 197.46 Lacs in fiscal 2006 and selling & distribution expenses reduced by 30.34% from Rs.224.79 Lacs in fiscal 2005 to Rs. 156.58 Lacs in fiscal 2006.





Introduction of VAT from, FY2005, resulted in decrease of “rates and taxes”, which led to reduction of selling and distribution expenses.

#### **Profit before tax**

Our Profit before tax increased by 150.45% to Rs. 318.90 Lacs in fiscal 2006 from Rs. 127.33 Lacs in fiscal 2005, which is mainly attributed due to increase in turnkey projects executed by our Company.

#### **Provision for tax and net profit**

Our provision for tax was Rs. 118.68 Lacs in fiscal 2006, and was Rs. 49.46 Lacs in fiscal 2005. The increase in the provision for taxation is due to increase in the profit. Net Profit after tax has increased from Rs. 77.87 lacs in 2005 to Rs. 200.22 Lacs in 2006.

#### **Comparison of performance for year 2004-05 vis-à-vis 2003-04**

##### **Income**

Our total income increased by 22.94% from Rs. 1711.44 Lacs in fiscal 2004 to Rs. 2103.99 Lacs in fiscal 2005. Our total sales increased by 5.44% to Rs.2007.28 Lacs in fiscal 2005 from Rs. 1903.75 Lacs in fiscal 2004. Within the total sales we have witnessed a 137.27% growth in the segment of “products manufactured by the company” to Rs.75.12 Lacs in fiscal 2005 from Rs.31.66 Lacs in fiscal 2004. This rise in sales was due to increase in orders for ozone friendly equipments, which we had introduced in FY04, and found higher acceptability in FY05. Within “Turnkey contracts executed by the Company” we witnessed a growth of 3.21% in fiscal 2005 as compared to the previous year, from Rs. 1872.09 Lacs to Rs. 1932.16 Lacs.

##### **Other Income**

Other income has decreased from Rs. 7.32 Lacs in fiscal 2004 to Rs. 4.31 Lacs in fiscal 2005 which is a reduction of 41.12%. Decrease in other income can be attributed to reduction in the amounts kept with banks in Fixed Deposits.

##### **Expenditure**

Our total expenditure increased by 22.44% to Rs. 1946.66 Lacs in fiscal 2005 from Rs. 1589.90 Lacs in fiscal 2004. This was primarily due to increase in sales revenue as stated above. During fiscal 2004, the Raw materials, purchases, stores & spares were Rs.1106.03 Lacs which increased to Rs. 1429.32 Lacs in fiscal 2005 due to increase in sales as stated above. Our administrative expenses reduced by 9.06% from Rs. 219.69 Lacs in fiscal 2004 to Rs. 199.78 Lacs in fiscal 2005 and selling & distribution expenses increased by 27.01% from Rs. 176.99 Lacs in fiscal 2004 to Rs. 224.79 Lacs in fiscal 2005. Interest and Finance charges were nil in fiscal 2004 as against Rs. 0.87 Lacs in fiscal 2005, due to the fact that we had taken an unsecured loan during the year.

##### **Profit before tax**

Our Profit before tax increased by 35.69% to Rs. 127.33 Lacs in fiscal 2005 from Rs. 93.84 Lacs in fiscal 2004. This is due to reduction in cost of sales by 1.50% which led to an increase of profit of approximately Rs.30 Lacs.

##### **Provision for tax and net profit**

Our provision for tax was Rs. 49.46 Lacs in fiscal 2005, and the same was Rs. 40.32 Lacs in fiscal 2004. This is due to higher profits. Net Profit after tax has increased from Rs. 53.52 lacs in 2004 to Rs. 77.87 Lacs in 2005.

#### **Comparison of performance for year 2003-04 vis-à-vis 2002-03**

##### **Income**

Our total income decreased by 48.86% from Rs. 3346.45 Lacs in fiscal 2003 to Rs. 1711.44 Lacs in fiscal 2004. Our total sales decreased by 41.42% to Rs. 1903.75 Lacs in fiscal 2004 from Rs. 3249.99 Lacs in fiscal 2003. Within the total sales we have witnessed a 14.75% growth in the segment of “products manufactured by the company” to Rs. 31.66 Lacs in fiscal 2004 from Rs. 27.59 Lacs in fiscal 2003. Within “Turnkey contracts executed by the Company” we witnessed a decline of 41.90% in fiscal 2004 as compared to the previous year, from Rs. 3222.40 Lacs to Rs. 1872.09 Lacs. FY03 was an exceptional year, during which the company completed 2 major contracts from ONGC worth approximately Rs. 1900 Lacs for replacement of Ozone depletion systems. This global tender contract was awarded against stiff competition. With an exception to this contract the sales have actually risen from Rs.1446 Lacs to Rs. 1711.44 Lacs representing an increase of 18.35%.



## Other Income

Other income has decreased from Rs. 8.22 Lacs in fiscal 2003 to Rs. 7.32 Lacs in fiscal 2004, which is mainly due to Profit on sale of Motor Cars in fiscal 2003.

## Expenditure

Our total expenditure decreased by 50.52% to Rs. 1589.90 Lacs in fiscal 2004 from Rs. 3213.51 Lacs in fiscal 2003. During fiscal 2003, the Raw materials, purchases, stores & spares were Rs. 2684.01 Lacs which decreased to Rs. 1106.03 Lacs in 2004. Our administrative expenses increased by 12.05% from Rs. 196.07 Lacs in fiscal 2003 to Rs. 219.69 Lacs in fiscal 2004 and selling & distribution expenses reduced by 27.33% from Rs. 243.56 Lacs in fiscal 2003 to Rs. 176.99 Lacs in fiscal 2004. The decrease was primarily due to decrease in sales revenue as stated above.

## Profit before tax

Our Profit before tax decreased by 10.98% to Rs. 93.84 Lacs in fiscal 2004 from Rs. 105.42 Lacs in fiscal 2003 due to decrease in the turnover.

## Provision for tax and net profit

Our provision for tax was Rs. 40.32 Lacs in fiscal 2004, and was Rs. 42.31 Lacs in fiscal 2003. There is no significant change in the provision for taxation when compared to the previous year. Net Profit after tax has decreased from Rs. 63.11 lacs in 2003 to Rs. 53.52 Lacs in 2004.

## INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 OF SEBI (DIP) GUIDELINES.

### 1. Unusual or infrequent events or transactions

FY03 was an exceptional year, during which the company bagged 2 major contracts from ONGC worth approximately Rs. 1900 Lacs for replacement of Ozone depletion systems and was completed in the same year. Except this there are no unusual or infrequent events or transactions having significant impact on the operations of our Company.

### 2. Significant economic changes that materially affected or likely to affect income from continuing operations.

There are no significant economic changes that materially affected or likely to affect income from existing operations.

### 3. Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

Apart from the risks disclosed in the RHP, there are no other trends and uncertainties that have had or are expected to have material adverse impact on sales, revenues or income from continuing operations.

### 4. Future changes in relationships between costs and revenues in case of events such as future increase in labour or material cost or prices that will cause material change are known.

There are no such changes in relationship between cost and revenues.

### 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 material increases in net sales has been mainly due to increased sales volume.

### 6. Total turnover of each major industry segment in which our Company operated.

Standalone Basis as on March 31, 2007 and March 31, 2006

(Rs. In Lacs)

Particulars	Fire Protection & Security Systems		High Pressure Seamless Cylinders		Total	
	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06
<b>Segment Revenue</b>						
Domestic Turnover	2,251.12	1,961.77	533.11	815.21	2,784.22	2,776.98
Inter Segment Turnover	-	-	-	-	-	-
<b>Net Turnover</b>	<b>2,251.12</b>	<b>1,961.77</b>	<b>533.11</b>	<b>815.21</b>	<b>2,784.22</b>	<b>2,776.98</b>



Consolidated Basis as on March 31, 2007 and March 31, 2006

(Rs. In Lacs)

Particulars	Fire Protection & Security Systems		High Pressure Seamless Cylinders		Total	
	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06
<b>Segment Revenue</b>						
Domestic Turnover	4,596.51	2,985.62	5,457.66	3,856.81	10,054.17	6,842.43
Inter Segment Turnover						
Gross Turnover	4,596.51	2,985.62	5,457.66	3,856.81	10,054.17	6,842.43
Less : Excise duty recovered						
<b>Net Turnover</b>	<b>4,596.51</b>	<b>2,985.62</b>	<b>5,457.66</b>	<b>3,856.81</b>	<b>10,054.17</b>	<b>6,842.43</b>

**7. Status of any publicly announced new products or business segment.**

Our Company has not publicly announced any new products or segments other than those mentioned in this RHP.

**8. The extent to which our Company's business is seasonal.**

Our Company's business is not seasonal.

**9. Any significant dependence on a single or few suppliers or customers.**

The revenues of our Company are not dependent on few customers. For the year 2005-2006, top ten customers contributed 35.73% of total sales for the year. Similarly our Company is not dependent on few suppliers.

**10. Competitive conditions**

For details of competitive conditions, please refer to Section titled, "Our Business" on page no. 57 of this Red Herring Prospectus.

## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

#### Outstanding Litigations / Disputes/ Defaults

Our Company has no criminal, securities, statutory or other litigations. Further no proceeding has been initiated for economic offences against Nitin Fire Protection Industries Limited and is not a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985.

Following Litigation is filed against our Company-

Sr. No	Parties Involved	Pending Before	Relief Requested by the Complainant	Brief Description
1.	Mr. Sushilchand R. Singh V/S The Company, Mr. Hiren Gor (Employee of NFPIL) and Directors of the Company	Labour Court at Mumbai	The Complainant has requested the Court to grant ad-interim or interim reliefs as under vide application dated March 31, 2006: 1. Our Company be directed to allow the Complainant to report for his duty on his original post immediately. 2. Such further and other reliefs. 3. Our Company be directed to pay the monthly wages to the Complainant by each month or to deposit the monthly wages to the Court.	The Complainant, an ex-employee has filed a complaint in the labour court under Section 30(2) of Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1972. The Complainant submits that the Respondents have engaged in and continue to engage in Unfair Labour Practices under the said Act from 10th January, 2006. The hearing is scheduled on 25th May 2007. The amount of claim has not been quantified.

There are no outstanding litigations, defaults etc pertaining to matter likely to affect operations and finances of our Company including prosecution under any enactment in respect of Schedule XIII of the Companies Act 1956 (1 of 1956).

There are no 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. No disciplinary action / investigation has been taken by Securities and Exchange Board of India (SEBI)/ Stock Exchanges against our 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.

There are no cases against our Company or its Promoters of economic offences in which penalties were imposed on promoters.

Our Company, confirms that there are no 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 our Company/ Promoters and their business ventures/Directors other than those mentioned above and its Directors take full responsibility of the information mentioned in the Red Herring Prospectus.

#### Litigations against the Promoters/ Directors

There are no outstanding litigations, disputes, defaults, non-payment of statutory dues, overdues 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 Nitin Fire Protection Industries Limited other than those mentioned above.

#### 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 our 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.

#### **MATERIAL DEVELOPMENTS**

Except as stated under the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 174 and our financial statements included herein, no material developments have taken place after March 31, 2007, the date of the latest balance sheet, that would materially adversely affect the performance or prospects of our Company. In accordance with SEBI requirements, our Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

#### **Amounts due to small-scale undertakings**

There are no outstandings to whom the issuer company owes a sum exceeding Rs. 1 Lac which is outstanding more than 30 days.

## GOVERNMENT APPROVALS / LICENSING ARRANGEMENTS

Our Company has received all the necessary license, consents, permissions and approvals required for its present business and no further material approvals are required for carrying on the present and proposed business of our Company except as stated in the chapter on Business in the Red Herring Prospectus of the approvals listed below, We can undertake this issue and the current and proposed business activities and no further material approvals are required from any government or any other authority to continue our activities. It must, however, be distinctly understood that in granting the above consents/ licenses/ permissions/ approvals, the Government of India does not take any responsibility for our financial soundness or for the correctness of any of the statements or any commitments made or opinions expressed.

### APPROVAL RECEIVED: -

No	License	Issued By	Expiry Date	Place of Business
1.	VAT TIN No. 27510297118V dated April 01, 2006	Sales Tax Department	N.A.	29, Vadhani Industrial Estate with additional place of business at A-117, TTC Industrial Area, Khairana Village.
2.	CST TIN No. 27510297118C dated April 01, 2006	Sales Tax Department	N.A.	29, Vadhani Industrial Estate with additional place of business at A-117, TTC Industrial Area, Khairana Village.
3.	Permanent Account No. AAACN1967G allotted under section 139A of the Income Tax Act, 1961.	Income Tax Department	N.A.	
4.	Tax Deduction Account Number MUMN08086B	Income Tax Department	N.A.	
5.	Bureau of Indian Standards (BIS) License No. CM/L 7118159 IS No. 2171:1999 to use Standard Mark of BIS on Portable DCP Fire Extinguishers	Bureau of Indian Standard	October 15, 2007	A-117, TTC Industrial Area, Khairana Village.
6.	Bureau of Indian Standards (BIS) License No. CM/L 7118260 IS No. 2878:2004 to use Standard Mark of BIS on Portable & CO2 Fire Extinguishers	Bureau of Indian Standard	October 15, 2007	A-117, TTC Industrial Area, Khairana Village.
7.	Bureau of Indian Standards (BIS) License No. CM/L 7120348 IS No. 10658:1999 to use Standard Mark of BIS on Higher Capacity Trolley Mounted DCP Fire Extinguishers	Bureau of Indian Standard	November 15, 2007	A-117, TTC Industrial Area, Khairana Village.
8.	Bureau of Indian Standards (BIS) License No. CM/L 7153060 IS No. 13849:1993 to use Standard Mark of BIS on Stored Pressure DCP & ABC Fire Extinguishers	Bureau of Indian Standard	October 15, 2007	A-117, TTC Industrial Area, Khairana Village.
9.	License to Store Compressed Gas in the Cylinder License No.G/HO/MH/06/231(G1095) dated 2nd May 2006.	Chief Controller Of Explosives	September 30, 2007	A-117, TTC Industrial Area, Khairana Village.
10.	License to fill compressed gas in cylinders License No. G/HO/MH/05/250(G1095) dated 2nd May 2006.	Chief Controller Of Explosives	September 30, 2007	A-117, TTC Industrial Area, Khairana Village.
11.	License to conduct Hydraulic Pressure Test of High Pressure Seamless Cylinders License No. GC (WC)/ F 559 / MS dated 14th December 2005.	Chief Controller Of Explosives	N.A.	D-20-4, TTC Industrial Area, Turbhe



No	License	Issued By	Expiry Date	Place of Business
12.	Central Excise Registration Certificate bearing No. AAACN1967GXM002 dated 14th December 2005. for the Taloja Unit	Asst. Commissioner of Central Excise	N.A.	A-18, MIDC, Taloja
13.	Provident Fund Registration no. MH/24934/PF/APP/DDP/1048 dated January 1, 1989. (*code no. allotted to the company is MH/24934)	Regional Provident Fund Commissioner.	N.A.	29, Vadhani Industrial Estate
14.	Employees state Insurance Corporation No. NS-31382 (31-36680-90SF) dated June 24, 1988	Regional Office of Employees State Insurance Corporation	N.A.	29, Vadhani Industrial Estate
15.	Certificate of Registration under the Finance Act bearing registration No. ST/M-II/MRS-CAI/Regn/404/03 dated July 31, 2003.	Central Excise Service Tax Cell	N.A.	29, Vadhani Industrial Estate
16.	Import Export Code (IEC) registration no. 0395065917 dated March 6, 1996.	Government of India, Ministry of Commerce	N.A.	29, Vadhani Industrial Estate
17.	Certificate Of registration of Professional Tax No. PT/R/1/1/32/8204 dated August 25, 1999	Sales Tax Department	N.A.	29, Vadhani Industrial Estate
18.	Shop & Establishment License No. S-II/007250 dated 1st September 2003	Bombay Municipal Corporation	N.A.	501, Delta, Hiranandani Garden, Powai, Mumbai 400 076
19.	Shop & Establishment License No. N-II/003630 dated 10th February 1999.	Bombay Municipal Corporation	N.A.	29, Vadhani Industrial Estate.
20.	Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing No. AP/RONM/NNM/C-114 dated May 20, 1996 for the operation of the plant under Section 21 of the said Act.	Maharashtra Pollution Control Board	April 30, 2009	A-117, TTC Industrial Area, Khairana Village.
21.	Consent under Air (Prevention and Control of Pollution) Act, 1981 bearing No. RONM/TECH/868 dated 20th December 1997 for the operation of the plant under Section 21 of the said Act.	Maharashtra Pollution Control Board	N.A.	A-117, TTC Industrial Area, Khairana Village.
22.	Certificate of Approval for Consumer Product containing Radioactive Substance bearing No. AERB/445/TAC/ICSD/ 40/045/2000/1893 dated March 31, 2000	Atomic Energy Regulatory Board of Government of India	N.A.	29, Vadhani Industrial Estate.
23.	Certificate of ISO 9001:2000 Registration No. IT - 39380 dated September 07, 2004.	IQNET and its Partner CISQ / RINA	N.A.	501, Delta, Hiranandani Garden, Powai, Mumbai 400 076
24.	Registration-cum-membership Certificate No. RCMC:B:MFG: 8006:2006-07 dated February 21, 2007	Engineering Export Promotion Council	March 31, 2009	29, Vadhani Industrial Estate.

## PENDING LICENCES, PERMISSIONS, CERTIFICATES AND APPROVALS FOR OUR COMPANY:

We have applied for the renewal of the following Licenses,

No	License	Authority to whom application has been made	Date of Application for Renewal	Place of Business
1.	License to Store Compressed Gas in the Cylinder License	Chief Controller Of Explosives	Applied for the renewal vide letter dated January 04, 2007	D-20-4, TTC Industrial Area, Turbhe
2.	License to fill compressed gas in cylinders License.	Chief Controller Of Explosives	Applied for the renewal vide letter dated January 04, 2007	D-20-4, TTC Industrial Area, Turbhe

We confirm that apart from the licenses, permissions and approvals stated above there are no other licenses, permissions, certificates and approvals pending and/or required by us.

## GOVERNMENT APPROVALS IN NITIN CYLINDERS LIMITED

We are undertaking our project in NCL which is our wholly owned subsidiary. Following are the details of licenses, permissions, certificates and approvals we have received in NCL.

No	License	Issued By	Expiry Date	Place of Business
1.	Importer Exporter Code. 4606000171 issued on 26th October 2006	Government of India, Ministry of Commerce	N.A.	501, Delta, Hiranandani Garden, Powai, Mumbai 400 076
2.	Permanent Account Number AAACN3694A allotted under section 139A of the Income Tax Act, 1961.	Income Tax Department	N.A.	
3.	Certificate of Enrollment under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 being Form I-A bearing No.0433606 and having Registration Certificate No. PT/R/1/1/32/10594 dated 12th December 2006.	Sales Tax Officer, Enrollment Registration Branch, Enforcement, Mumbai	N.A.  N.A.	501, Delta, Hiranandani Garden, Powai, Mumbai 400 076
4.	Certificate of Enrollment under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 being Form II-A bearing No.1180482 and having Registration Certificate No. PT/E/1/1/32/18/2105 dated 12th December 2006.	Profession Tax Officer, Enrollment Registration Branch, Mumbai	N.A	501, Delta, Hiranandani Garden, Powai, Mumbai 400 076
5.	VAT TIN No. 28280877162 dated October 10, 2006	Sales Tax Department	N.A	Plot No. 139, Narava, VSEZ, Visakhapatnam, Andhra Pradesh.
6.	Consent Order for Establishment Order No. 7350/PCB/ZO-Vsp/Tech/2007-2385 dated February 03, 2007	Andhra Pradesh Pollution Control Board	N.A	Phase - I , Duvvada, Visakhapatnam.
7.	In principle approval from Chief Controller of Explosives for manufacture of High Pressure Seamless Steel Gas Cylinders under BIS Certificate Marks Scheme vide letter no. G.3(42)530	Chief Controller of Explosives	N.A	Duvvada, Visakhapatnam.





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## **PENDING LICENCES, PERMISSIONS, CERTIFICATES AND APPROVALS FOR NCL:**

NCL will require licenses/approvals under:

1. The Factories Act before commencement of commercial production.
2. Registration under the Employees Provident Fund Act on the Company employing more than 20 persons.

### **Trademarks**

We currently have certificate of registration of trade mark for the word mark “NITIE” bearing Application No.468675 in Class 9 in the name of Nitin Industries a sole proprietorship, dated 1st May, 1991. The said mark has been registered in respect of fire fighting equipments.

We have renewed this trade mark registration in the name of Nitin Industries for a period of 7 years from 4th March, 2001 (i.e. upto 3rd March, 2008) and filed an application to the TradeMarks Registry for transfer of the Trademark “NITIE” from Nitin Industries to our Company in pursuance of the takeover of business and assets of Nitin Industries.

We have also filed an application vide Form TM-1 dated 20th May 2006 being registration of a trade mark under the Trade Marks Act, 1999 for the word mark “NITIE” in Class 9 in respect of high pressure seamless cylinders, CNG cylinders, CNG Dispensers, CNG Compressors, Fire fighting Equipment, Fire extinguishing apparatus and all its allied products.

We confirm that there are no other intellectual property rights like trade mark, patents, copyright, or designs.

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## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The Issue of equity shares in the Issue by our company has been authorized by the resolution of the Board of Directors of our Company adopted at their meeting held on April 20, 2006 which was superceded by a Board Meeting held on November 24, 2006 and by a special resolution adopted pursuant to Section 81(1 A) of the Companies Act, 1956, at the AGM of our Company held on May 26, 2006 which was superceded by an EGM held on December 19, 2006 respectively.

### Prohibition by SEBI

Our Company, our Directors, our Promoters, our Promoter group companies, other companies/entities promoted by our Promoters and companies/entities with which our Directors are associated as directors, have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI. The listing of any securities of our Company has never been refused at anytime by any of the stock exchanges in India. Our Company, our Directors, associates, our Promoters, promoter group companies, or relatives of our promoters, other companies/entities promoted by our Promoters have not been detained as willful defaulters by RBI or Government authorities and there are no violation of securities laws committed by them in the past or pending against them.

### Eligibility of our Company to enter the capital market

In terms of clause 2.2.2 of the SEBI (DIP) Guidelines, 2000 an unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

- (a) (i) The issue is made through the book-building process, with at least (50% of net offer to public) being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

- (a) (ii) 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

AND

- (b) (i) The minimum post-issue face value capital of the company shall be Rs. 10 crores.

OR

- (b) (ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares , subject to the following:

- (a) Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;
- (b) Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;
- (c) The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed issue of the company.)

We will also comply with clause 2.2.2(b)(i) of the SEBI DIP Guidelines and the Post-Issue face value capital of the company shall be Rs. 1260.00 Lacs which is more than the minimum requirement of Rs. 10 crores (Rs. 1000 Lacs). We have taken the financials of March 2006 as the basis for the eligibility of our Issue.

Hence in terms of clause 2.2.2 of the SEBI (DIP) Guidelines, 2000, we are eligible to make an Initial Public Offering (IPO) of Equity Shares or any other securities which convert into or exchanged with equity shares at a later date. The eligibility to make an IPO is based on the following audited figures:



(Rs. In Lacs)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Net Tangible Assets	490.18	495.69	545.24	604.39	1018.84	929.45
Monetary Assets	121.35	102.89	56.96	40.74	51.32	144.06
Monetary Assets as a % of Net Tangible Assets	24.76%	20.76%	10.45%	6.74%	5.03%	15.50%
Distributable profits	79.89	64.77	50.39	76.79	200.22	295.54
Net Worth (Net of Share Application Money)	491.46	495.69	545.24	597.39	1124.35	2098.38

Note:

1. Net Tangible assets = Net Block + Trade Investment + Net Current Assets
2. Monetary Assets include cash on hand and bank
3. Distributable Profits = Profit After Tax
4. Net Worth = Share Capital + Reserves & Surplus (Net of Revaluation Reserves) - Miscellaneous Expenses.

The name of our Company has not been changed since inception.

The proposed issue and all previous issues made by our Company in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document), exceeds five (5) times its pre-issue Net Worth as per the audited balance sheet of the last financial year.

In addition to these, our Company shall ensure that the number of allottees in our IPO is not less than one thousand in number.

#### Disclaimer Clause of SEBI

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE OFFER DOCUMENT TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY THE SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE BOOK RUNNING LEAD MANAGERS VIZ. KARVY INVESTOR SERVICES LIMITED AND UTI SECURITIES LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS VIZ. KARVY INVESTOR SERVICES LIMITED AND UTI SECURITIES LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 26, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:**

- “1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
2. ON THE BASIS OF SUCH EXAMINATION AND DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

**3. WE CONFIRM THAT:**

- (A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
- (D) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID;**
- (E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

**4. WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF 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 DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT."**

**General Disclaimer**

Our Company, the Directors, and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, [www.nitinfire.com](http://www.nitinfire.com), would be doing so at his or her own risk.

The BRLMs accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs and us dated December 26, 2006 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and BRLMs 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 show presentations, in research or sales reports or at bidding centres etc.

Neither we nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software / hardware system or otherwise.

**Disclaimer in Respect of Jurisdiction**

The Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, cooperative banks (subject to RBI permission) or Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares), Pension Funds, Permitted Insurance companies to permitted non-residents including NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI. The Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such



jurisdiction. Any person into whose possession the Red Herring Prospectus comes is required to inform himself or herself about and to observe any such restrictions. Any dispute arising out of the Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus has been filed with the RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and the Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**Investors may please note that Central Government / RBI do not take any responsibility for the financial soundness or correctness of the statements disclosed in this Red Herring Prospectus.**

#### **Disclaimer Clause of Bombay Stock Exchange Limited**

As required a copy of the Draft Red Herring Prospectus has been submitted to Bombay Stock Exchange Limited (“BSE”).

Bombay Stock Exchange Ltd. (“the Exchange”) has vide its letter dated January 18, 2007 given permission to this Company to use the Exchange’s name in this Offer Document as one of the stock exchanges on which this Company’s securities are proposed to be listed. The Exchange has scrutinized this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner: -

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; or
- (ii) warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- (iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Offer Document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **Disclaimer Clause of National Stock Exchange of India Limited**

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has vide its letter ref.: NSE/LIST/37829-T dated January 22, 2007 permission to the Issuer to use the Exchange’s name in this Offer Document as one of the stock exchanges on which this Issuer’s securities are proposed to be listed. . The Exchange has scrutinized this Draft Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; nor does it warrant that this 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 Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against 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.

#### **Filing**

A copy of the Draft Red Herring Prospectus dated December 27, 2006 has been filed with SEBI at SEBI Bhavan, Plot No. C-4A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with the ROC, 100, Everest, Marine Lines, Mumbai 400 002. We will comply with all the legal requirements applicable till the filing of the Prospectus with ROC.

## Listing

Applications have been made to BSE and NSE for permission to deal in and for an official quotation of the Equity Shares of our Company.

BSE shall be the Designated Stock Exchange with which the basis of allotment will be finalized for the QIB, Non Institutional, Retail and the Employee reservation portion. If the permissions to deal in and for an official quotation of the Equity Shares are not granted by either of the Stock Exchanges mentioned above, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight (8) days after our Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of Bid/ Issue Closing Date, whichever is earlier), then our Company and every Director of our Company, who is an officer in default shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act. Provided however, that where such refusal results from the fraud or willful default or negligence of our Company, our Company shall be liable to pay the interest on the application money as per Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the basis of allotment for the Issue.

## Consents

The written consents of Directors, our Company Secretary cum Compliance Officer, the Auditors, Legal Advisors to the Issue, Book Running Lead Managers, Underwriters, Registrars to the Issue, Bankers to our Company and Escrow Bankers to the Issue, Syndicate Members to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Maharashtra, Mumbai as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with ROC.

M/s. Tolia and Associates, Chartered Accountants, our Statutory Auditors, have given their written consent for inclusion of their Auditors report, Tax benefits accruing to our Company and its members in the form and context in which it appears in the Red Herring Prospectus and such consent and Auditors report have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

## Expert Opinion

Except as quoted from the Feasibility Report by Mott MacDonald India for a term loan sanction from SBI and SBH we have not obtained any expert opinion.

## Expenses of the Issue

The expenses of the Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, Legal fees, statutory advertisement expenses and listing fees. The estimated issue expenses are as follows:

(Rs in Lacs)				
Sr No.	Particulars	Amount	As a % of the Issue Size	As a % of the total issue expenses
1	Fees to Book Running Lead Managers	[●]	[●]	[●]
2	Fees to Registrar to the Issue	[●]	[●]	[●]
3	Fees to Legal Advisors to the Issue	[●]	[●]	[●]
4	Fees to Auditors	[●]	[●]	[●]
5	Underwriting & Selling Commission	[●]	[●]	[●]
6	Printing and Stationery	[●]	[●]	[●]
7	Advertising Expenses	[●]	[●]	[●]
8	Other Expenses (including filing fees, listing fees, depository charges etc)	[●]	[●]	[●]
9	Contingencies	[●]	[●]	[●]
	<b>Total</b>	[●]	[●]	[●]





### **Fees Payable to the BRLMs, Underwriting Commission, brokerage and Selling Commission**

The total fees payable to the BRLMs including Brokerage and selling commission and Underwriting commission is as set out in the memorandum of Understanding and the Syndicate Agreement amongst our Company, the BRLMs and the Syndicate Members. Underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and the amount underwritten in the manner mentioned on Page 13 of the Red Herring Prospectus.

### **Fees payable to the Registrar to the Issue**

Fees payable to the Registrar to the Issue will be as per the Registrar's Memorandum of Understanding which is available for inspection at our Registered office.

Adequate funds will be provided to the registrar to the issue to enable them to send refund orders or allotment advice by registered post or speed post or under certificate of posting.

### **Previous Public or Rights Issues if any during the last five years**

Our Company has not made any public issues in India or abroad in the five years preceding the date of this RHP. However our Company has allotted shares on right basis to the shareholders during the last five years. For details of the previous right issues made by our company please refer chapter titled "Capital Structure" on page 14.

### **Previous Issue of Shares Otherwise than for Cash**

We have made following allotments of Equity Shares for consideration other than cash.

<b>Date of Allotment</b>	<b>Number of Equity Shares</b>	<b>Face Value (Rs.)</b>	<b>Nature of Allotment</b>
September 27, 1997	180,000	10	Allotment for acquisition of Nitin Industries

### **Commission or Brokerage on Previous Issues**

We have not made any public or rights Issue since our inception and have accordingly not paid any commission or brokerage.

### **Particulars in Regard to our Company and Other Listed Companies under the Same Management within the meaning of Section 370(1)(B) of the Companies Act, 1956, which made any Capital Issue during last three years**

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act that made any capital issue during the last three years.

### **Promises Vs Performance**

Our Company has not made any public issue of shares since its incorporation. None of the group companies have made any public issues.

### **Outstanding Bonds/ Debentures**

There are no outstanding debentures or bonds or redeemable preference shares or any other instruments issued by our company outstanding as on the date of Red Herring Prospectus.

### **Stock Market Data**

This being the first public issue by our Company, no stock market data is available.

### **Mechanism for Redressal of Investor Grievances**

The memorandum of understanding between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, depository participant, and the respective syndicate member, bank branch or collection centre where the application was submitted.

### **Disposal of Investor Grievances by our Company**

The average time required by our Company/Registrar for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, our



Company/Registrar would strive to redress these complaints as expeditiously as possible.

Investors can also contact the Compliance Officer for any investor grievances at the following contact details:

**Mr. Abhishek Shrivastava**

Compliance Officer

Nitin Fire Protection Industries Limited

501, Delta, Technology Street,

Hiranandani Garden, Powai,

Mumbai - 400 076, Maharashtra.

Telephone No.: +91 22 40457000

Fax: + 91 22 2570 1110,

e-mail: ipo@nitinfire.com

**Changes in the Auditors during the last Three Years and Reasons thereof**

There have been no changes in the auditors of our Company during past three years.

**Capitalization of Reserves or Profits during the Last Five Years**

Date of allotment of Bonus Shares	Date of approval to the Bonus	Ratio of Bonus Issue	Number of Equity issue Shares of Rs.10/- each issued as bonus	Amount of reserves Capitalised (Rs. in Lacs)
December 20, 2001	September 29, 2001	1:2	10,00,000	100.00

**Revaluation of Assets during the last Five Years**

As per our Company's 7th Annual Report for the year ended 31st March 2002, our Company has revalued the fixed assets i.e. land, building, and plant and machinery as on 08.10.2001 as per valuer certificate.

Name of the Asset	Revalued By (Rs. In Lacs)
Land	15.12
Building	8.75
Plant and Machinery	286.24

The Company has received various machineries under UNDP projects for environment preservation/ protection. During the FY 02 the above revaluations have been done by the company,



## ISSUE STRUCTURE

Issue of 33,90,000 Equity Shares of face value Rs.10/- each for cash at a price of Rs.[●] per Equity Share (including share premium of Rs. [●] per share) aggregating to Rs. [●] Lacs, including Reservation for Employees of 1,50,000 Equity Shares of face value Rs. 10/- each for cash at a price of Rs.[●] per Equity Share and Net Issue to Public of 32,40,000 Equity Shares of face value Rs. 10/- each ("Net Issue"). This Issue is being made through a 100% book building process. Details on the Issue structure are as follows:

Particulars	QIBs	Non-institutional Bidders	Retail	Employees
Number of Equity Shares (*)	Atleast 16,20,000 Equity Shares	Not Less than 4,86,000 Equity Shares or Net Issue Size less allocation to QIB Bidders and Retail Individual Bidders	Not Less than 11,34,000 Equity Shares or Net Issue Size less allocation to QIB Bidders and Non Institutional Bidders	Upto 1,50,000 Equity shares
Percentage of Issue Size available for allocation	Atleast 50% of Net offer to the public. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds.	Not Less than 15% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	Not Less than 35% of Net Issue or Issue Size less allocation to QIB Bidders and Non Institutional Bidders	Upto 1,50,000 equity shares
Basis of Allotment/ allocation if respective category is oversubscribed	Proportionate (a) 81,000 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds;and  (b) 15,39,000 Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares thereafter.	35 Equity Shares and in multiples of 35 Equity Share thereafter	35 Equity Shares and in multiples of 35 Equity Share thereafter
Maximum Bid	Such number of Equity Shares not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares not exceeding the size of the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs.1,00,000/-	Not exceeding 1,50,000 equity shares reserved for employees.
Mode of Allotment	Compulsorily in Dematerialized form	Compulsorily in Dematerialized form	Compulsorily in Dematerialized form	Compulsorily in Dematerialized form
Bid Lot	35 Equity Shares & in multiples of 35 Equity Shares	35 Equity Shares & in multiples of 35 Equity Shares	35 Equity Shares & in multiples of 35 Equity Shares	35 Equity Shares & in multiples of 35 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share

Particulars	QIBs	Non-institutional Bidders	Retail	Employees
Who can Apply (**)	Public financial institutions, as specified in Section 4A of the Companies Act: FIIs registered with SEBI, scheduled commercial banks, mutual funds, venture capital funds registered with SEBI, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs	NRI, Resident Indian individuals, HUFs (in the name of karta), companies, corporate bodies, Societies and trusts.	Individuals (including HUFs in the name of karta) applying for Equity Shares such that the Bid Amount per Retail Individual Bidder does not exceed Rs. 100,000 in value.	Eligible Employees of our Company as on the date of filing Red Herring Prospectus with RoC.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form.	Amount applicable to Non-institutional Bidder at the time of submission of Bid cum Application Form.	Amount applicable at the time of submission of Bid cum Application Form.	Margin Amount applicable to Employees at the time of submission of Bid-cum-Application Form.
Margin Amount	10% of the Bid Amount in respect of bids placed by QIB Bidder on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.



- \* The Issue is being made through the 100% Book Building Process wherein atleast 50% of the Net offer to the public shall be available for allocation to Qualified Institutional Buyers (QIB's) on a proportionate basis (out of which 5% shall be allocated proportionately to mutual funds. Mutual fund applicants shall also be eligible for proportionate allocation under the balance available for Qualified Institutional Buyers). Further, not less than 15% of the Net offer to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net offer to the public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid bids being received at or above the Issue Price. Under subscription in the Employee Reservation Portion shall be allowed to be met through over-subscription in the Retail Portion and the Non-Institutional Portion at the discretion of our Company, and the BRLMs. See "Issue Procedure" on page 201.
- \*\* In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

### Withdrawal of the Issue

Our Company in consultation with the BRLMs, reserves the right not to proceed with the Issue at any time including after the Bid Closing Date, without assigning any reason thereof.

### Bidding/Issue Programme

BID/ISSUE OPENS ON:	TUESDAY, MAY 15, 2007
BID/ISSUE CLOSES ON:	FRIDAY, MAY 18, 2007

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

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

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



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## SECTION VII: ISSUE INFORMATION

### TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI (DIP) Guidelines, the Memorandum and Articles, the terms of the Red Herring Prospectus, the Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note 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 / GoI / Stock Exchanges / RBI / RoC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

#### Authority for the Issue

The Issue of equity shares in the Issue by our company has been authorized by the resolution of the Board of Directors of our Company adopted at their meeting held on April 20, 2006 which was superceded by a Board Meeting held on November 24, 2006 and by a special resolution adopted pursuant to Section 81(1 A) of the Companies Act, 1956, at the AGM of our Company held on May 26, 2006 which was superceded by an EGM held on December 19, 2006 respectively.

#### Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Memorandum and Articles and shall rank paripassu in all respects with the other existing Equity Shares of our Company including rights in respect of dividend, if any, declared by our Company after the date of Allotment.

#### Mode of payment of dividend

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition.

#### Face Value and Issue Price

The Equity Shares with a face value of Rs.10 each are being offered in terms of this Red Herring Prospectus at a price band of Rs . 171/- to Rs. 190/- per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company.

#### Compliance with SEBI Guidelines

Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

#### Rights of the Equity Shareholder

Subject to applicable laws, the Equity shareholders shall have the following rights:-

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation / splitting of Shares, refer to the section titled “Description of Equity Shares and Terms of Articles of Association” on page 223 .

#### Market lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares of our Company shall be issued only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of our Company shall only be in dematerialized form for



all investors.

Since trading of the Equity Shares will be in dematerialized form/mode, the tradable lot shall be one Equity Share. Allocation and allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of 35 Equity Shares.

#### **Nomination facility to Investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, in the event of death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his/her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company and the Registrars and transfer agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either; -

- a) To register himself or herself as the holder of the Equity Shares; or
- b) 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 elect/choose either to register himself or herself or to transfer the Equity Shares, and if the notice is not complied within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

**Since the allotment/transfer of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with our Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.**

#### **Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Issue amount, including devolvments of underwriters, if any, within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the company becomes liable to pay the amount, our Company and every director of our Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act. If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

#### **Withdrawal of the Issue**

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after filing the RHP with Roc until the Basis of Allotment is completed.

#### **Arrangements for disposal of odd lots**

Our Company's shares will be traded in dematerialized form only and therefore the marketable lot is one (1) share. Therefore there is no possibility of odd lots.

#### **Restriction On Transfer And Transmission Of Shares**

Nothing contained in the Articles of Association of our Company shall prejudice any power of our Company to refuse to register the transfer of any share. No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.



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**Subscription by NRI/FIIs/ Foreign Venture Capital Funds registered with SEBI**

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a person Resident outside India) Regulations, 2000, there exists a general permission to the NRIs, FIIs and Foreign Venture Capital Investors registered with SEBI to invest in shares of an Indian company by way of subscription in a Public Issue. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIBP/RBI for the specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI. Applicants will be treated on the same basis with other categories for the purpose of allocation.

**As per the extant policy of the Government of India, OCBs cannot participate in this Issue.**





## ISSUE PROCEDURE

### Book building procedure

The Issue is being made through the 100% book building process atleast 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds.

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

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through Syndicate Member. In case of QIB Bidders, our Company in consultation with the BRLMs may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders and Employee Reservation Portion, our Company would have a right to reject the Bids only on technical grounds.

**Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.**

### Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of bid-cum-application form
Indian public, NRIs applying on a non-repatriation basis	White
Non-residents, eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue
Eligible Employees	Pink

### Who can bid?

- Indian nationals resident in India who are majors in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;

- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FIIs registered with SEBI on a repatriation basis;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As permitted under applicable laws, provident funds with minimum corpus of Rs. 2,500 Lacs and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 2,500 Lacs and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions.

**As per existing regulations, OCBs cannot participate in the Issue.**

**Note:** The BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe for Equity Shares in the Issue.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law, rules, regulations, guidelines and approvals.**

**The investors shall have the right to revise their bids provided that Qualified Institutional Buyers shall not be allowed to withdraw their bids after the closure of the bidding.**

#### **Application by mutual funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 81,000 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

#### **Bids by NRIs**

Bid cum application forms have been made available for NRIs at our registered office, members of the Syndicate and the Registrar to the Issue.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment on repatriation basis. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

#### **Application by FIIs**

*As per the current regulations, the following restrictions are applicable for investments by FIIs:*

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital i.e. 10% of 1,26,00,000 equity shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.



Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub-account may issue, deal or hold, off-shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

#### **Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors**

*As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:*

The SEBI (Venture Capital) 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 in our Company by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 33.33% of the corpus of the venture capital fund/ foreign venture capital investor.

**The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**

#### **Maximum and minimum Bid size**

- **For Retail Individual Bidders:** The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at ‘Cut-off’.

- **For Employee Reservation Portion:** The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter. You cannot bid more than 1,50,000 equity shares in the Employee Portion.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.**

#### **Information for the Bidders:**

- (a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

- (d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Member or their authorised agent(s) to register their Bids.
- (e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

#### **Method and process of bidding**

- (a) Our Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and one in Marathi). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX-A of the SEBI Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (b) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in three national newspapers (one each in English and Hindi and one in Marathi newspaper) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.
- (c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation / allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (d) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph entitled “Build up of the Book and Revision of Bids” on page 207 of this Red Herring Prospectus.
- (e) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (f) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.
- (g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph entitled “Terms of Payment and Payment into the Escrow Accounts” on page 213 of the Red Herring Prospectus.

#### **Bids at different price levels**

- (a) The Price Band has been fixed at Rs. 171/- to Rs. 190/- per Equity Share of Rs. 10 each, Rs. 171/- being the lower end of the Price Band and Rs. 190/- being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (Rupee One).
- (b) Our Company, in consultation with the BRLMs, reserves the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Red Herring Prospectus.
- (c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English, Hindi and one Marathi newspaper), and also by indicating the change on the websites of the BRLMs, and at the terminals of the Syndicate Members.



- (d) Our Company, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non- Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (f) Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to bid at Cut off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
- (i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall be suitable revised, if necessary such that the minimum application is in the range of Rs. 5,000/- to Rs. 7,000/-.

#### **Escrow mechanism**

Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Price from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank(s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the refund account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

#### **Terms of payment and payment into the Escrow Accounts**

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph entitled "Payment Instructions" on page 213) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account



shall be held for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section entitled “Issue Structure” on page 195. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated/allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation/allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

### **Electronic registration of Bids**

- (a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
  1. Name of the investor.
  2. Investor Category -Individual, Corporate, NRI, FII, or Mutual Fund etc.
  3. Numbers of Equity Shares bid for.
  4. Bid price.
  5. Bid cum Application Form number.
  6. Whether Margin Amount has been paid upon submission of Bid cum Application Form.
  7. Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotment either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In case of QIB Bidders, members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees who Bid in the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed in the section titled “Issue Procedure” on page 201 of this Red Herring Prospectus.



- (h) The permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

#### **Build up of the book and revision of Bids**

- (a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
- (c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
- (f) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (i) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In case of a discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

#### **Price discovery and allocation/allotment**

- (a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our Company in consultation with the BRLMs shall finalise the "Issue Price".
- (c) The allocation to QIBs will be atleast 50% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be at least 15% and 35% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.



- (d) Under-subscription, if any, in any of the categories other than the QIB category would be met with the spill over from any other category at the sole discretion of our Company in consultation with the BRLMs. If atleast 50% of the Net Issue is not subscribed to by the QIBs the application monies shall be refunded forthwith. Under-subscription in the Employee Reservation Portion shall be allowed to be met through over-subscription in the Retail Portion and the Non-Institutional Portion at the discretion of our Company and the BRLMs.
- (e) Allocation to Eligible NRIs, FIIs, foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law, rules, regulations guidelines and approvals.
- (f) The BRLMs, in consultation with our Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Price has not been collected from the Bidders.
- (g) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

#### **Notice to QIBs: Allotment Reconciliation**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **Signing of Underwriting Agreement and RoC filing**

- (a) Our Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/allotment to the Bidders.
- (b) After signing the Underwriting Agreement, our Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

#### **Filing of the Prospectus with the ROC**

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

#### **Announcement of pre-Issue advertisement**

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on this Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in an English national daily with wide circulation, one Hindi national newspaper and one regional language newspaper.

#### **Issuance of CAN**

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that our Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.
- (b) The BRLMs or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.



- (c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.
- (d) The Issuance of CAN is subject to “Notice to QIBs: Allotment Reconciliation” as set forth under the chapter “Issue Procedure” of this Red Herring Prospectus.

#### **Advertisement regarding Issue price and Prospectus**

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Designated Date and allotment of Equity Shares**

- (a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account, allotment of the Equity Shares to the allottees shall be within 15 days from the Bid / Issue Closing Date.
- (b) In accordance with the SEBI Guidelines, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated / allotted to them pursuant to this Issue.**

#### **GENERAL INSTRUCTIONS Do's:**

- (a) Check if you are eligible to apply;
- (b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) as the case may be;
- (c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialised form only;
- (d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- (e) Ensure that you have been given a TRS for all your Bid options;
- (f) Ensure that the Bid is within the Price Band;
- (g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS; and
- (h) Where Bid(s) is/ are for Rs. 50,000 or more, each of the Bidders should mention their Permanent Account Number (PAN) allotted under the I.T. Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application form. If you have mentioned “Applied for” or “Not Applicable”, in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;
- (i) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;
- (j) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

#### **Don'ts:**

- (i) Do not bid for lower than the minimum Bid size;
- (ii) Do not bid/revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (iii) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;



- (iv) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;
- (v) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- (vi) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders and such bidders in the Employee Reservation Portion whose maximum Bid exceeds Rs.1,00,000);
- (vii) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- (viii) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**
- (ix) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by a QIB.

#### **INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM**

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

#### **Bids and Revisions of Bids**

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white or blue or pink).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) For Retail Individual Bidders, the Bid must be for a minimum of 35 Equity Shares and in multiples of 35 thereafter subject to a maximum Bid Amount of Rs. 100,000.
- (d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 35 Equity Shares so that the Bid Price exceeds or equal to Rs. 100,000 and in multiples of 35 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) For Employee Reservation Category, the Bid must be for a minimum of 35 Equity Shares and in multiples of 35 thereafter.
- (f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

#### **Bids by Eligible Employees**

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of our Company who are Indian Nationals on the payroll of our Company as on the date of filing of Red Herring Prospectus with RoC, and are based in India and are physically present in India on the date of submitting their bids.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour form).
- Eligible Employees, as defined above, should mention the following at the relevant place in the Bid cum Application Form
- Employee Number
- The sole/ first bidder should be Eligible Employees as defined above.
- Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.
- Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid Amount exceeds Rs. 100,000.



- Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 150,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- Under subscription in the Employee Reservation Portion shall be allowed to be met through oversubscription in the Retail Portion and the Non-Institutional Portion at the discretion of our Company, and the BRLMs. Under subscription, if any, in any other category, other than the QIB portion would be met with spill over from other categories at the sole discretion of our Company, in consultation with the BRLMs.
- If the aggregate demand in this category is greater than 150,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to section titled “Issue Procedure” on page 201 of this Red Herring Prospectus.
- This is not an issue for sale within the United States of any equity shares or any other security of our Company. Securities of our Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

#### **Bidder’s bank details**

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These Bank Account details would be printed on the refund orders/refund advices, if any, to be sent to Bidders and for giving refund through any of the mode namely ECS or Direct Credit or RTGS or NEFT. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor our Company shall have any responsibility and undertake any liability for the same.

#### **Bidder’s Depository Account Details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, occupation, bank account details for printing on refund orders or giving credit through ECS or Direct Credit or RTGS or NEFT (hereinafter referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ ECS credit for refunds/ Direct credit of refund/ CANs/ Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum application Form would not be used for these purposes by the Registrar to the Issue. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, the Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Refund Orders/Refund Advice/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/Refund Advice/ allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk**



**and neither our Company or Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company, in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

#### **Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis**

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. By FIIs for a minimum of such number of Equity Shares and in multiples of 35 thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure-Maximum and Minimum Bid Size" on page 203.
3. In the names of individuals, or in the names of FIIs or Foreign Venture Capital Funds registered with SEBI and multilateral and bilateral development financial institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
4. In a single name or joint names (not more than three).

NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible non-resident Bidders for a minimum of such number of Equity Shares and in multiples of 35 thereafter such that the Bid Price exceeds Rs. 100,000.

For further details, please refer to the section entitled 'Maximum and Minimum Bid Size' on page 203. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

Our Company does not require approvals from FIPB or RBI for the Issue of Equity Shares to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

**There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.**

#### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.





In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part.

In case of Bids made by provident funds with minimum corpus of Rs. 2,500 Lacs (subject to applicable law) and pension funds with minimum corpus of Rs. 2,500 Lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, and the BRLMs may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

## **PAYMENT INSTRUCTIONS**

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/allotment in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/allotment as per the following terms:

### **Payment into Escrow Account**

- (a) The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated/allotment to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
- (c) The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - In case of Resident QIB Bidders: **“Escrow Account - NFPIL IPO - QIB - R”**
  - In case of Non-Resident QIB Bidders: **“ Escrow Account - NFPIL IPO - QIB - NR”**
  - In case of Resident Retail and Non-Institutional Bidders: **“ Escrow Account - NFPIL IPO - R”**
  - In case of Non-Resident Retail and Non-Institutional Bidders: **“Escrow Account - NFPIL IPO - NR”**
  - In case of Eligible Employees: **“Escrow Account - NFPIL IPO - EMP”**
- (d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of NRO account.

- (e) In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- (f) Where a Bidder has been allocated/allotment a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the refund account as per the terms of the Escrow Agreement and the Red Herring Prospectus.
- (g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- (h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
- (i) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/allotment to the Bidders.
- (j) Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques / bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash / Stockinvest / Money Orders / Postal orders will not be accepted.

#### **Payment by Stockinvest**

In terms of RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

#### **SUBMISSION OF BID CUM APPLICATION FORM**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

#### **OTHER INSTRUCTIONS**

##### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

##### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple master.
2. In this master, 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 applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application





received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names.

5. The applications will be scanned for similar DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.
6. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

#### **Permanent Account Number or PAN**

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving Licence (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 01, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

#### **UNIQUE IDENTIFICATION NUMBER (UIN)**

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular bearing number MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

#### **OUR RIGHT TO REJECT BIDS**

In case of QIB Bidders, our Company in consultation with the BRLMs may reject Bids, provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, our Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque /pay order / draft ECS/Direct Credit/RTGS/NEFT and will be sent to the Bidder's address at the Bidder's risk.

#### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected inter alia on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;



3. In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. GIR number furnished instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut Off Price by Non-Institutional and QIB Bidders applying for greater than 100,000 Equity Shares;
11. Bids for number of Equity Shares which are not in multiples of 35;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Forms does not have the stamp of the BRLMs, or Syndicate Members;
18. Bid cum Application Forms does not have Bidder's depository account details;
19. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
22. Bids by QIBs not submitted through the Syndicate;
23. Bids by OCBs;
24. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act.
25. Bids by any persons outside India if not in compliance with applicable foreign and Indian Laws.
26. Any other reason which the BRLMs or Our Company deem necessary.

#### **EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL**

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). However, the investor will have the option to rematerialize the shares subsequent to the allotment.

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- (a) Agreement dated May 18, 2006 with NSDL, our Company and the Registrar to the Issue;
- (b) Agreement dated March 29, 2006 with CDSL, our Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.



1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
3. Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
4. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
6. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
7. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
8. The trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.
9. Non-transferable allotment, advice or refund orders will be directly sent to the Bidder by the Registrar to the Issue.

#### **Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof. 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 shares in the respective beneficiary accounts, refund orders etc.

#### **Disposal of Applications and Applications Money**

We shall ensure dispatch of allotment advice or refund orders or refund advice (in case refunds made through ECS/ Direct Credit, RTGS, NEFT) 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.

Refunds shall be made in the manner described in the section titled "Issue Procedure" on page 201 of this Red Herring Prospectus.

For this purpose, the details of bank accounts of applicants would be taken directly from the depositories' database. The registrar will send the electronic files with the refund data to the bankers to the issue and the bankers to the issue shall send the refund files to the RBI system within 15 days from the Bid/ Issue Closing date. A suitable communication shall be sent to the bidders receiving refund through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

We shall dispatch refund above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk, except for Bidders who have opted to receive refunds through the ECS facility or RTGS or Direct Credit.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for allotment and trading at all 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 Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we further undertake that:

- allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- dispatch refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and



- We shall pay interest @ 15% per annum if the allotment letters/ refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

### **Impersonation**

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

**“Any person who:**

- (a) **makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) **otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”**

### **BASIS OF ALLOTMENT**

#### **A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 11,34,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 11,34,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 35 Equity Shares. For the method of proportionate basis of allotment, refer below.

#### **B. For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 4,86,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 4,86,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of 35 Equity Shares. For the method of proportionate basis of allotment refer below.

#### **C. For QIBs**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - i. In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.



- ii. In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
  - iii. Equity Shares remaining unsubscribed, if any, and not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;
- (b) In the second instance allotment to all QIBs shall be determined as follows:
- i. The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
  - ii. The subscription level for this category shall be determined based on the overall subscription in the QIB
  - iii. Portion less allocation only to Mutual Funds as calculated in (a) above.
  - iv. Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.
- The aggregate allotment to QIB Bidders shall be atleast 16,20,000 Equity Shares.

#### **D. For Employee Reservation Portion**

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,50,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 1,50,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 35 Equity Shares. For the method of proportionate allocation, refer below.
- Only Eligible Employees may apply for Equity Shares under the Employee Reservation Portion.

#### **Method of proportionate basis of allocation**

In the event of the Issue being over-subscribed, we shall finalise the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders will be categorised according to the number of Equity Shares applied for.
- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (d) In all Bids where the proportionate allotment is less than 35 Equity Shares per Bidder, the allotment shall be made as follows:
  - Each successful Bidder shall be allotted a minimum of 35 Equity Shares; and
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- (e) If the proportionate allotment to a Bidder is a number that is more than 35 but is not a multiple of one (which is the marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of one. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.



- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

## **RELEASE OF ISSUE FUNDS**

The issue proceeds will be kept in a separate bank account with the bankers to the issue and we shall be eligible to access the funds only after dealing approval is received from all the Stock Exchanges mentioned in this Red Herring Prospectus

## **LETTERS OF ALLOTMENT OR REFUND ORDERS**

We shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Closing Date / Issue Closing Date. We shall ensure refunds as per the modes of refund discussed in the paragraph given below.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;

### **Dispatch of refund orders**

Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk. We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue; and

### **Interest in case of delay in dispatch of allotment letters/refund orders**

We 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 15 days from Bid/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

### **Modes of Refund**

The payment of refund, if any, shall be undertaken in the following order of preference:

#### **1. NEFT**

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.

#### **2. ECS**

Payment of refund shall be undertaken 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. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned fifteen centres.

#### **3. Direct Credit**

For applicants applying through the web/internet and whose service providers have provided an option to have the refund amounts sent to such applicants by way of direct disbursement (such disbursements being made by the service provider through their internal networks), the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.



#### 4. RTGS

Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 10 Lacs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

**Note:** We expect that all payments including where refund amounts exceed Rs. 10,00,000 (Rupees Ten Lacs) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 10,00,000 (Rupees Ten Lacs), refunds may be made through RTGS.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

#### UNDERTAKINGS BY OUR COMPANY

We undertake the following:

- i. that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- ii. that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- iii. that the funds required for dispatch of refund orders or allotment letters to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;  
  - (iii)(a) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of Bid/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and
- iv. that refund orders to the non-resident Indians shall be dispatched within specified time.
- v. that no further issue of securities shall be made till the securities offered through this prospectus are listed or till the application moneys are refunded on account of non-listing, undersubscription, etc.

#### UTILISATION OF ISSUE PROCEEDS

Our Board of Directors certify that:

- i. all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act, 1956;
- ii. details of all monies utilised out of Issue referred to in sub-item(i) shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised; and
- iii. details of all unutilised monies out of the Issue, if any referred to in sub-item(i) shall be disclosed under the appropriate separate head in our balance sheet indicating the form in which such unutilized monies have been invested; and
- iv. The utilization of monies received from reservations shall be disclosed under an appropriate head in our Balance Sheet indicating the purpose for which such monies have been utilized; and
- v. The details of all unutilized monies, out of the funds received from reservations, shall be disclosed under a separate head in our Balance Sheet indicating the form in which such unutilized monies have been invested.



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## RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the construction and engineering sector is permitted under the automatic route.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

### **Subscription by foreign investors (NRIs/FIIs)**

There is no reservation for Non Residents, NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

As per existing regulations, OCBs cannot participate in the Issue.

**The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the Securities Act) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**



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## SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of our Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI DIP Guidelines, the main provisions of the Articles of Association of our Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and or their consolidation/splitting are detailed below.

### SHARE CAPITAL, INCREASE AND REDUCTION IN CAPITAL

- 4) The Authorised Share Capital of the Company shall be as per paragraph V of the Memorandum of Association of the Company with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase the Authorised Capital which may consist of Equity and/or Preference Shares as the Company in General Meeting may determine in accordance with the law for the time being in force relating to Companies with power to increase or reduce such capital from time to time in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively and preferential, qualified or special rights, privileges or conditions and to vary, modify and abrogate the same in such manner as may be determined by or in accordance with these presents.
- 5) 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 direction be given, the directors shall determine accordingly and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the company, and with a right of voting at General Meetings of the Company in conformity with provisions of the Act. Whenever the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the relevant provisions of the Act.
- 6) Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.
- 7) The Company may (subject to the applicable provisions of the Act) from time to time by Special Resolution, reduce its capital and any Capital Redemption Reserve Account or Securities / Share Premium Account in any manner for the time being authorised by law; and in particular, capital may be paid off on the basis that it may be called up again or otherwise. This Article is not to derogate the company from any power which it would have, if it was omitted.
- 8) Subject to the applicable provisions 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 sub-divided, may determine that, as between the holders of the shares resulting from such sub-division, one or more of such shares shall have same preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others. 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 the shares so cancelled.

### MODIFICATION OF RIGHTS

- 9) Whenever the capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the applicable provisions of the Act, be 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 agreement is ratified in writing by holders of at least three-fourths in nominal value of the issued shares of the class or is confirmed by a special Resolution passed at separate General Meeting of the holders of shares of that class.

### ARTICLE 4 :POWER TO ISSUE SWEAT EQUITY SHARES

- 10) Notwithstanding anything contained in Section 79 or other applicable provisions of the Act, a Company may make issue of sweat equity shares or of a class of shares/other securities already issued if the applicable provisions of the Companies Act, 1956 or any other statutory modification(s) for the time being in force in this regard be fulfilled.

## **FURTHER ISSUE OF SHARES**

- 11) Where at any 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, whether out of unissued Share Capital or out of increased Share Capital, then 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 nearly as circumstances admit to the capital paid-up on these shares at that date. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. The amount to be paid-up on application and allotment on the shares so offered shall be equal in all respect for all the share-holders. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company.
- 12) Notwithstanding anything contained in the immediately preceding clause, the Company may:
- (i) by a Special Resolution; or
  - (ii) 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 that General Meeting (including the casting vote, if any, of the Chairman) by Members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members so entitled and voting and the Central Government is satisfied, on an application made by the Board in this behalf, that the proposal is most beneficial to the Company, offer further shares to any person and such person need not be at the date of such offer, a holder of equity shares.
  - (iii) Notwithstanding anything contained in the above para, but subject, however to the applicable provisions of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures issued or loans raised by the company to convert such debentures or loans into shares, or to subscribe for shares in the Company.

## **POWER OF COMPANY TO PURCHASE ITS OWN SECURITIES**

- 33) The Company shall have power, subject to and in accordance with Section 77A, 77AA, 77B and other applicable provisions of the Act, to purchase any of its own shares or other securities, (i.e. buy-back) whether or not redeemable, from out of the sources as permissible under the Law. As regard to the financing for subscribing or investing in its own shares or securities by the Company, the statutory provisions for the time being applicable to the Company shall be observed.

## **UNDERWRITING AND BROKERAGE**

### **POWER TO PAY CERTAIN COMMISSION AND PROHIBITION OF PAYMENT OF ALL OTHER COMMISSIONS DISCOUNTS ETC.**

- 34) (A) The Company may pay a commission to any person in consideration of :-
- (i) his subscribing or agreeing to subscribe whether absolutely or conditionally, for any shares in or debentures of the Company, subject to the restrictions specified in sub-section (4A) of Section 76 of the Act, or
  - (ii) his procuring or agreeing to procure subscriptions, whether absolute or conditional for any shares in or debentures of the Company, if the following conditions are fulfilled, namely:
- (a) the commissions paid or agreed to be paid does not exceed in the case of shares, five percent of the price at which the shares are issued and in the case of debentures, two and half percent of the price at which the debentures are issued.
  - (b) The amount or rate percent of the commission paid or agreed to be paid on shares or debentures offered to the public for subscription, is disclosed in the Prospectus, and in the case of shares or debentures not offered to the public for subscription, is disclosed in the Statement in lieu of Prospectus and filed before the payment of the Commission with the Registrar, and where a circular or notice, not being a Prospectus inviting subscription for the shares or debentures is issued is also disclosed in that circular or notice.
  - (c) The number of shares or debentures which such persons have agreed for a commission to subscribe, absolutely or conditionally is disclosed in the manner aforesaid and



- (d) A copy of the contract for the payment of commission is delivered to the Registrar at the time of delivery of the prospectus or the statement in lieu of prospectus for registration.
- (B) Save as aforesaid and save as provided in Section 75 of the Act, the Company shall not allot any of its shares or debentures or apply any of its moneys, either directly or indirectly, in payment of any commission, discount or allowance, to any person in consideration of :-
- (i) his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in, or debentures of the Company or
  - (ii) his procuring or agreeing to procure subscriptions, whether absolute or conditional for any shares in or debentures of the Company whether the shares, debentures or money be so allotted or applied by, being added to the purchase money of any property acquired by the Company or to the contract price of any work to be executed for the Company or the money be paid out of the nominal purchase money or contract price, or otherwise.
- (C) Nothing in this Article shall affect the power of the Company to pay such brokerage as it has hereto before been lawful for the Company to pay
- (D) A vendor to, promoter of, or other person who receives payment in shares, debentures or money from the Company shall have and shall be deemed always to have had power to apply any part of the shares, debentures or money so received for payment of any commission, the payment of which, if made directly by the Company would have been legal under Section 76 of the Act,
- (E) The commission may be paid or satisfied (subject to the provisions of the Act and these Articles) in cash, or in shares, debentures or debenture-stock of the Company.

#### **INTEREST OUT OF CAPITAL**

- 35) 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 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**

- 36) The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by a circular resolution) make such calls 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 made payable by instalments.

##### **NOTICE OF CALL**

- 37) 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 by whom such call shall be paid.
- 38) A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board.
- 39) A call may be revoked or postponed at the discretion of the Board.

##### **LIABILITY OF JOINT HOLDERS OF SHARES**

- 40) The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

##### **DIRECTORS MAY EXTEND TIME**

- 41) 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 for any reason which the Board may consider satisfactory but no Member shall be entitled to such extension save as a matter of grace and favour.



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#### **WHEN INTEREST ON CALL OR INSTALMENT PAYABLE**

- 42) 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 to 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.
- 43) Any sum, which by the terms of issue of shares becomes 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 purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

#### **PROOF ON TRIAL OF SUITS FOR MONEY DUE ON SHARES**

- 44) On the trial or hearing of any action or suit brought by the Company against any Member or his representatives for the recovery of any money/claim to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the Member in respect of whose shares the money is sought to be recovered is alleged to have become due on the shares in respect of which such money is sought to be recovered; that the resolution making the call is duly recorded in the Minute Book; and that notice of such call was duly given to the Member or his representatives issued in pursuance of these Articles; and that it shall not be necessary to prove the appointment of the Directors who made such call, nor that a quorum of Directors was present at the Board 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**

- 45) Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of 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 CALLS MAY CARRY INTEREST**

- 46) The Board may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of the amounts of 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, as 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 any amount so advanced or may at any time repay the same upon giving to the member one month's notice in writing. Provided that moneys paid in advance calls shall not confer a right to dividend or to participate in profits.
- 47) 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 payable.

#### **LIEN**

##### **COMPANY'S LIEN ON SHARES/DEBENTURES**

- 48) The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any shares shall be created except any contrary provisions in these Articles. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed, the registration of shares shall operate as a waiver of the Company's lien, if any, on such shares.

##### **AS TO ENFORCING LIEN BY SALE**

- 49) 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 shares and may authorise one of their number to execute a transfer thereof on behalf of and in the name of such Member. No sale shall be made until such period as aforesaid shall have been served on such Member or his representatives and default shall have been made by him or them in payment, fulfilment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.





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## **APPLICATION OF PROCEEDS OF SALE**

- 50) 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 persons entitled to the shares at the date of the sale.

## **FORFEITURE OF SHARES**

### **IF CALL OR INSTALMENT NOT PAID NOTICE MUST BE GIVEN**

- 51) If any Member fails to pay any call or instalment 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 instalment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

### **FORM OF NOTICE**

- 52) 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 instalment and such interest thereon at such rate as the Directors shall determine from the day on which such call or instalment ought to have been paid and express as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment on or before the time and at the place appointed, the shares in respect of which the call was made or instalment is payable, will be liable to be forfeited.

### **IN DEFAULT OF PAYMENT SHARES OR DEBENTURES TO BE FORFEITED**

- 53) If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, at any time thereafter, but before payment of all calls or instalments, 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 paid before the forfeiture.

### **ENTRY OF FORFEITURE IN REGISTER OF MEMBERS/DEBENTURES HOLDERS**

- 54) When any share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

### **FORFEITED SHARE/DEBENTURES TO BE PROPERTY OF COMPANY AND MAY BE SOLD**

- 55) 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 think fit.

### **SHAREHOLDERS STILL LIABLE TO PAY MONEY OWING AT TIME OF FORFEITURE AND INTEREST**

- 56) 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, instalments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture until payment, at such as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

### **EFFECT OF FORFEITURE**

- 57) The forfeiture of a share shall involve extinction at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

### **CERTIFICATE OF FORFEITURE**

- 58) A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.



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## **VALIDITY OF SALES**

- 59) Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale be in damages only and against the Company exclusively.

## **CANCELLATION OF SHARE CERTIFICATE IN RESPECT OF FORFEITED SHARES**

- 60) Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate certificate or certificates in respect of the said shares to the persons or persons entitled thereto.
- 61) The Board may at any time before any share so forfeited shall have been so sold, re-allotted or otherwise disposed off, annul the forfeiture thereof upon such conditions, as it thinks fit.

## **TRANSFER AND TRANSMISSION OF SHARES**

### **REGISTER OF TRANSFERS**

- 62) The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.

### **INSTRUMENT OF TRANSFER**

- 63) The instrument of transfer shall be in writing and all the provisions of section 108 of the Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and registration thereof.
- 64) 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 certificates of the shares must be delivered to the Company.

### **DIRECTORS MAY REFUSE TO REGISTER TRANSFER**

- 65) Subject to the applicable statutory provisions of the Act, the Board of Directors may refuse whether in pursuance of any power of the Company under the Articles or otherwise to register the transfer of, or the transmission by operation of law or the right to any shares or interest of a member in, or any security of the Company, the Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal.

Provided that registration of a transfer shall not be refused on the ground that the transferor being either alone or jointly with any person or persons is indebted to the Company on any account whatsoever, except the outstanding allotment/call money/any interest on the same.

- 66) Where, in the case of partly paid shares, 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 the Act.

### **TRANSMISSION OF SHARES**

- 70) Subject to the provisions of these presents, any person becoming entitled to shares in consequence of death, lunacy, bankruptcy, or insolvency of any Member, or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article, or such title, as the Board thinks sufficient, either be registered himself as the holders of the shares or elect to have some person nominated by him





as 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 as instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the shares.

- 71) The Board shall have the same right to refuse to register a person entitled by transmission to any shares or his nominees as if he were the transferee named in the case of a transfer of shares presented for registration.

#### **PERSONS ENTITLED MAY RECEIVE DIVIDEND WITHOUT BEING REGISTERED AS MEMBER**

- 74) A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividend or money as herein provided, be entitled to receive, and may give a discharge for any dividend or money as herein provided, be entitled to receive, and may give a discharge for any dividend or other moneys payable in respect of such share.
- 75) No fee shall be charged for the registration of a transfer or transmission of any share.

#### **THE COMPANY NOT LIABLE FOR DISREGARD OF A NOTICE PROHIBITING REGISTRATION OF TRANSFER**

- 76) The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title of interest to or in the said shares, notwithstanding 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 or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some books of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereof, if the Board shall so think fit.

#### **POWER TO ISSUE SHARE WARRANTS**

- 77) Subject to the provisions of Section 114 and 115 of the Act and subject to any directions which may be given by the Company in General Meeting, the Board may issue share-warrants in such manner and on such terms and conditions as the Board may deem fit. In case of such issue Regulations 40 to 43 of table “A” in Schedule 1 to the Act, shall apply.

#### **BORROWING POWERS**

- 79) Subject to the provisions of Section 58A, 292, 293 and other applicable provisions of the Act, the Board may, from time to time at its discretion, by a resolution passed at a meeting of the Board, accept deposits from Members, either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company.
- 80) Subject to the provisions of these presents, 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 Board may think fit, by resolution passed at the meeting of the Board (but not by circulation) and in particular, by the issue of bonds, debentures, debenture stock or other security of the Company either unsecured or secured by a mortgage or charge over all or any part of the property of the Company (both present or future) including its uncalled capital for the time being, and debentures, debenture-stock, bonds and other securities may be made assignable, free from any equities between the Company and the person to whom the same may be issued.
- 81) Any debentures, debenture-stock, loan stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meeting, appointment of Director and otherwise. Debenture with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting accorded by a Special Resolution.
- 82) The Board shall cause a proper Register to be kept in accordance with the provisions of the Act, of all mortgages, debentures and charges specifically affecting the property of the Company; and shall cause the statutory requirements of the Act in that behalf to be duly complied with, so far as they are required to be complied with by the Board.
- 83) The Company shall, if at any time it issues debentures, keep a Register and Index of Debenture-holder in accordance with Section 152 of the 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.



- 84) Debenture, debenture stock and other securities of the Company shall be transferable, transmitted and consolidated in the same manner and to the same extent and be subject to the same restrictions and limitations as in the case of shares in the Company and the provision contained in these Articles of Association relating to transfer and transmission, split and consolidation of shares, shall apply mutates mutandis, to the transfer and transmission, split and consolidation of debentures and debenture-stock.

### **MEETINGS OF THE MEMBERS**

- 87) The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meeting in that year. All General Meetings other than Annual General Meeting shall be called Extra-Ordinary General Meetings. An Annual General Meeting shall be held within six months after the expiry of each Financial Year. Provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of the Act extend 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 such place as is permissible by the Act and as the Board may determine. The notice calling the meeting shall specify it as the Annual General Meeting. 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 heard at any 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, Auditors' Report (if not already incorporated in the Audited statement of Accounts) and the Register of Directors' Shareholdings which register shall remain open and accessible during the continuance of the Meeting.

### **POWERS OF DIRECTOR'S TO CALL EXTRA ORDINARY GENERAL MEETING AND CALLING OF EXTRA ORDINARY GENERAL MEETING ON REQUISITION**

- 88) The Board may, whenever it thinks fit, call an Extra-Ordinary General Meeting and it shall do so upon a requisition in writing by Member or Members holding in the aggregate not less than the prescribed proportion of the paid-up Capital as at that carries the right of voting in regard to the matter in respect of which the requisition has been made.
- 89) Any valid requisition so made by Member or Members must state the object or objects of the Meeting proposed to deposit at the office PROVIDED that such requisition may consist of several documents in like form, each signed by one or more requisitionists.
- 90) Upon receipt of any such requisition, the Board shall forthwith call an Extra-Ordinary General Meeting, and if they do not proceed within 21 days from the date of the requisition being deposited at the Office, to cause meeting to be so called on a day not later than forty-five days from the date of deposit of the requisition the requisitionist, or such of their number as represent either a majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid-up share capital of the Company as is referred to in Section 169 (4) of the Act, whichever is less, may themselves call the meeting, but in either case any meeting so called shall be held within three months from the date of the deposit of the requisition as aforesaid.
- 91) Any Meeting called under the foregoing Articles by the requisitionist shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board.

### **QUORUM FOR MEETING**

- 96) Five Members present in person shall be quorum for a General Meeting.
- 97) A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.

### **IF QUORUM NOT PRESENT MEETING TO BE DISSOLVED OR ADJOURNED**

- 98) 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, if 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 situate, as the Board may determine, and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the Members present shall be a quorum and may transact the business for which the meeting was called.



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## **CHAIRMAN OF GENERAL MEETING**

- 99) The Chairman (if any) of the Board shall be entitled to take the chair at every General Meeting, whether Annual or Extra-Ordinary. If there be no such Chairman of the Board or if at any meeting he shall not be present within fifteen minutes of the time appointed for holding such meeting or if he shall be unable or unwilling to take the chair, then the Members present shall elect another Director as Chairman, and if no Director be present or if all the Directors present decline to take the chair, then the members present shall select one of them to be Chairman.

## **DEMAND FOR POLL**

- 102) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company to the extent prescribed.
- 103) The demand for a poll may be withdrawn at any time by the person or persons who made the demand. Unless a poll is demanded, a declaration by the chairman that a resolution has on a show of hands, been carried or carried unanimously or by a particular majority, or lost and on entry to that effect in the Minute Book of the Company shall be conclusive evidence recorded in favour of or against that resolution.

## **CASTING VOTE**

- 104) In the case of an equality of votes, the Chairman shall both on a show of hands and at a poll (if any), have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

## **TIME OF TAKING POLL**

- 105) If a poll is demanded as aforesaid, the same shall, subject to any provisions of these presents, be taken at such time (not later than forty-eight hours from the time when the demand was made) and place in the city or town in which the Office of the Company is for the time being situate, and either by open voting or by ballot, as the Chairman shall direct, and either at once or after an interval or adjournment, or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

## **SCRUTINEERS AT POLL**

- 106) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereto, 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 from such removal or from any other cause.
- 107) Any poll duly demanded on the election of a Chairman of a meeting or any question of adjournment shall be taken at the meeting forthwith.
- 108) The demand for a poll except on the question of the election of the Chairman and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

## **VOTES OF MEMBERS**

### **RESTRICTIONS ON EXERCISE OF VOTING RIGHTS OF MEMBERS WHO HAVE NOT PAID CALLS**

- 109) No Member shall be entitled to vote either personally or by proxy at any General Meeting or Meetings of a class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.
- 110) Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the Capital of the Company, every Member, who is not otherwise disqualified, shall be entitled to be present, and to speak and vote at such meeting, and on a show of hands, every Member present in person shall have one vote and upon a poll, voting right of every Member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company.



Provided, however, a preference Shareholder of the Company, save as provided in clause (b) of sub-section (2) of Section 87 or other applicable provisions of the Act, shall have a right to vote only on resolutions placed before the meeting which directly affect the rights attached to his preference shares.

- 111) 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.
- 112) A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian; and any such committee or guardian may, on poll vote by proxy. If any member be a minor, the vote in respect of his share or shares shall be by his guardian, or any one of his guardians, if more than one, to be selected in case of dispute, by the Chairman of the meeting.
- 113) If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a member or not) as his proxy in respect of such shares, as if he were solely entitled thereto, but the proxy so appointed shall not have any right to speak at the meeting and, if more than one of such joint-holders be present at any meeting, that one of the said persons so present whose name stands higher on the Register of Members shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint-holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased Member, in whose name shares stand shall for the purpose of these Articles be, deemed joint-holders thereof.

## **PROXIES**

- 114) Subject to the provisions of these Articles, votes may be given either personally or by proxy. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint any other person (whether a member or not) as his proxy to attend and vote instead of himself. A member (and in the case of joint holders all holders) shall not appoint more than one person as proxy. A proxy so appointed shall not have any right to speak at the meeting.

## **REPRESENTATION OF BODY CORPORATE**

- 115) A body corporate being a member may vote either by a proxy or by a representative duly authorised in accordance with the provisions of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member.
- 116) Any person entitled to any share upon transmission or nomination may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least forty-eight hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.
- 117) Every proxy (whether a Member or not) shall be appointed in writing under the hand of the appointor or his attorney, or if such appointor is a Corporation, under the common seal of such Corporation, or be signed by an officer or any attorney duly authorised by it, and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meeting.
- 118) 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 of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.
- 119) A Member present by proxy shall be entitled to vote only on a poll.
- 120) The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarised certified copy of that power of 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 of proxy shall not be treated as valid.
- 121) Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in the Act.
- 122) 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 of 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.



- 123) No objection shall be made to the validity of any vote, except at any meeting or poll at which such vote shall be tendered, and every vote whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

#### **SITTING FEES AND OTHER EXPENDITURE PAYABLE TO DIRECTORS**

- 144) The fees payable to the Directors for attending a meeting of the Board or a Committee thereof shall be such sum, as shall be prescribed by law or by the Central Government from time to time. The Company may allow and pay to any Director such reasonable expenditure as may have been incurred by him or such sum as may be considered fair and reasonable for attending such meetings.

#### **QUALIFICATION SHARES**

- 147) A Director shall not be required to hold any shares in the Company to qualify for the office of a Director of the Company.

#### **MANAGING DIRECTOR(S) AND WHOLE-TIME DIRECTOR(S)**

- 169) Subject to the applicable provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its numbers as Managing Director or Managing Directors of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and subject to the provisions of these presents, the Board may by a resolution vest in such Managing Director or Managing Directors such of the powers hereby vested in the Board generally as it thinks fit and such powers may be made exercisable for such period or periods upon such conditions and subject to such restrictions as it may determine. The remuneration of a Managing Director or Managing Directors may be by way of monthly payment, participation in profits or by any other mode not expressly prohibited by the Act. Subject to the provisions of the Act, a Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for any purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire, but (subject to the provisions of any contract between him and the Company) he shall be subject to the same provisions as to resignation and removal as the other Directors and he shall, ipso facto and immediately cease to be a Managing Director if he ceases to hold the office of Director from any cause.

- 170) Subject to the applicable provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its number as whole-time Director or whole-time Directors of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit, and subject to the provisions of these presents the Board may by resolution, vest in such Whole-time Director or Whole-time Directors such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of Whole-time Director or Whole-time Directors may be by way of monthly payment, fee for each meeting or participation in profits, or by any or all of these modes, or any other mode not prohibited by the Act.

- 171) The Managing Director or Managing Directors or Whole-time Director or Whole-time Directors shall not exercise the powers to:

- (i) make calls on shareholders in respect of money unpaid on the shares in the Company.
- (ii) issue debentures; and except to the extent mentioned in the resolution passed at the Board Meeting under Section 292 of the Act.
- (iii) borrow moneys, otherwise than on debentures;
- (iv) invest the funds of the Company; and
- (v) make loans.

- 172) Subject to the provisions of the Act, the Company shall not appoint or employ, or continue the appointment or employment of, a person as its Managing Director or Whole-time Director who:

- (i) is an undischarged insolvent or has at any time been adjudged an insolvent;
- (ii) suspends, or has at any time suspended payment to its creditors or makes, or has at any time made a composition with them; or
- (iii) is, or has at any time been, convicted by a Court of any offence involving moral turpitude.

- 173) A Managing Director or Whole-time Director shall ipso facto and immediately cease to be a Managing Director or Whole-time Director if he ceases to hold the office of a Director.





## **POWERS OF DIRECTORS**

### **CERTAIN POWERS TO BE EXERCISED BY THE BOARD ONLY AT MEETING**

- 189) (a) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at meetings of the Board.
- (i) The power to make calls on shareholders in respect of money unpaid on their shares
  - (ii) The power to issue debenture
  - (iii) The power to borrow moneys otherwise than on debentures
  - (iv) The power to invest the funds of the Company and
  - (v) The power to make loans

Provided that the Board may by resolution passed at the meeting, delegate to any committee of Directors, the Managing Director, the Manager or any other principal officer of the Company or in the case of a branch office of the Company, a principal officer of the branch office, the powers specified in sub-clauses (iii), (iv) and (v) to the extent specified in clauses (b), (c) and (d) respectively on such conditions as the Board may prescribe.

- (b) Every resolution delegating the power referred to in sub-clause (iii) of clause (a) shall specify the total amount outstanding at any one time upto which moneys may be borrowed by the delegate.
- (c) Every resolution delegating the power referred to in sub-clause (iv) of clause (a) shall specify the total amount upto which the funds of the Company may be invested and the nature of the investments which may be made by the delegate.
- (d) Every resolution delegating the power referred to in sub-clause (v) of the clause (a) shall specify the total amount upto which loans may be made by the delegates, the purpose for which the loans may be made and the maximum amount upto which loans may be made for each such purpose in individual cases.
- (e) Nothing in this Article shall be deemed to affect the right of the Company in general Meeting to impose restrictions and conditions on the exercise by the Board of any of the powers referred to in sub-clauses (i), (ii), (iii), (iv) and (v) of clause (a) above.

### **RESTRICTIONS ON POWERS OF BOARD**

190) The Board shall not, except with the consent of the Company in General Meeting:-

- (i) 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 substantially the whole of any such undertaking;
- (ii) remit, or give time for the repayment of, any debt due by a Director;
- (iii) 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;
- (iv) borrow moneys, where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose. Provided further that the powers specified in Section 292 of the Act shall, subject to these Articles, be exercised only at meetings of the Board, unless the same be delegated to the extent therein stated; or
- (v) 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 the Act during the three financial years immediately preceding, whichever is greater.

### **GENERAL POWERS OF THE COMPANY VESTED IN DIRECTORS**

191) The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General



Meeting; subject nevertheless to these Articles, the provisions of the Act, or any other Act or to any regulations being not inconsistent therewith, 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.

- 192) Without prejudice to the general powers conferred by the preceding Articles and so as not in any way limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power: -

#### **TO MORTGAGE, CHARGE PROPERTY**

- iv) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, loan, stocks, mortgages, or other securities of the Company, and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon, as may be agreed upon and any such bonds, debentures, loan stocks, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.
- v) To secure the fulfilment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.

#### **DIVIDENDS**

##### **DIVISION OF PROFITS**

- 198) The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles, and subject to the provisions of the Act and of these Articles, shall be divisible among the members in proportion to the amount of capital paid-up or credited as paid-up on the shares held by them respectively.
- 199) The Company in General Meeting may declare dividends to be paid to Members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

##### **DIVIDENDS ONLY TO BE PAID OUT OF PROFITS**

- 200) No dividend shall be declared or paid otherwise than out of profits of the Financial year arrived at after providing for the depreciation in accordance with the provisions 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:

- (i) If the Company has not provided for depreciation for any previous financial year or years it 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 year or years.
- (ii) If the Company has incurred any loss in any previous financial year or years, the amount of the loss or an amount which is equal to the amount provided for depreciation for that year or those years, whichever is less, shall be set off against the profits of the Company for the year 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 provisions of sub-section (2) of Section 205 of the Act or against both.
- (iii) Notwithstanding anything contained herein, no dividend shall be declared or paid by the Company for any financial year out of profits of the Company for that year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act, except after the transfer to the reserves of the Company of such percentage of its profits for that year, not exceeding ten percent, as may be prescribed. Provided that nothing in this sub-clause shall be deemed to prohibit the voluntary transfer by the Company of a higher percentage of its profits to the reserves in accordance with the prescribed rules in this behalf.
- (iv) Where, owing to inadequacy or absence of profits in any year, the Company proposes to declare dividend out of the accumulated profits earned by the Company in previous years and transferred by it to the reserves, such declaration of dividend shall not be made except in accordance with prescribed rules in this behalf, and, where any such declaration is not in accordance with the prescribed rules, such declaration shall not be made except with the previous approval of the appropriate authority.



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## **INTERIM DIVIDENDS**

- 201) Subject to the provisions of the Act, the Board may, from time to time, pay to the Members such interim dividend as in their judgement the position of the Company justifies.

## **CAPITAL PAID UP IN ADVANCE WILL NOT CARRY DIVIDEND**

- 202) Where capital is paid in advance of calls, such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.

## **DIVIDENDS IN PROPORTION TO AMOUNT PAID UP**

- 203) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.
- 204) Subject to the provisions of the Act, the Board may retain the dividends payable upon shares in respect of which any person is under any provisions of these presents is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.

## **DIVIDEND TO JOINT HOLDERS**

- 205) Any one of several persons who are registered as the joint holders of any share may give effectual receipt for all dividends or bonus and payments on account of dividends or bonus or other moneys in respect of such shares.

## **DEBT MAY BE DEDUCTED FROM DIVIDEND**

- 206) No Member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, while any money may be due owing from him to the Company in respect of such share or otherwise, howsoever, either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any Member all sums of moneys so due from him to the Company.
- 207) A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.
- 208) Where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the Company, it shall:
- (i) transfer the dividend in relation to such shares to the Special Account referred to in Section 205A of the Act unless the Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer and
  - (ii) keep in abeyance in relation to such shares any offer of rights shares under clause (a) of sub-section (1) of Section 81 and any issue of fully paid-up bonus shares in pursuance of sub-section (3) of Section 205 of the Act.

## **DIVIDEND HOW REMITTED**

- 209) Unless otherwise directed, any dividend may be paid by cheque or warrant or by a payslip or receipt having the force of the cheque or warrant sent through the post to the registered address of the Member or person entitled or in case of joint-holders to that one of them first named in the Register of members in respect of joint-holding. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or payslip 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 payslip or receipt or the fraudulent recovery of the dividend by any other means.

## **UNPAID DIVIDEND WILL NOT CARRY INTEREST**

- 210) Subject to the provisions of the Act, no unpaid dividend shall bear interest as against the Company.
- 211) Where a dividend has been declared by the Company but has not been paid or claimed within such time as may be prescribed from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall deal with the same in the manner as directed by the Act.
- 212) In the above para, the expression “dividend which remains unpaid” shall mean any dividend the warrant in respect whereof has not been encashed or which has otherwise not been paid or claimed.



- 213) 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, to set off against the calls.

#### **CAPITALISATION OF PROFITS AND RESERVES**

- 214) The Company in general meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserve Fund, or any Capital Redemption Reserve Account, or in the hands of the Company and available for dividend (or representing premium received on the issue of shares and standing to the credit of the Share Premium Account) or other reserves or funds permissible for this purpose be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the Resolution may provide, any unissued shares or debentures or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares 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 capitalised 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 fully paid bonus shares.
- 215) A General Meeting may resolve that any surplus moneys arising from the realising of any capital assets of the Company, or any investments representing the same, or any other undistributed profits of the Company not subject to charge for income-tax be distributed amongst the members on the footing that they receive the same as capital.
- 216) For the purpose of giving effect to any relevant resolution under the above Articles the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient, and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that such cash payments shall be made to any Member upon the footing of the value so fixed or that fraction of less value than Rs. 10/- may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the person entitled to the dividend or capitalised fund as may seem expedient to the Board. Where required, a proper contract shall be delivered to the Registrar for registration in accordance with the provisions of the Act, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

#### **WINDING UP**

- 234) The liquidator on any winding-up (whether voluntary, under supervision 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, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories, as the liquidator, with like sanction shall think fit.

#### **INDEMNITY AND RESPONSIBILITY**

- 235) (a) Subject to the provisions of Section 201 of the Act, every Director, Managing Director, Wholetime Director, Manager, Secretary and other officer or employee of the Company shall be indemnified by the Company against and it shall be the duty of the Directors, out of the Funds of the Company to pay all costs, losses and expenses (including travelling expenses) which such Director, Manager, Secretary and Officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Director, Manager, Secretary, Officer or Servant or in any way in the discharge of his duties including expenses and the amount for which such indemnity is provided, shall immediately attach as a lien on the property of the Company and have priority between the members over all other claims.
- (b) Every 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 judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under section 633 or other applicable provisions of the Act in which relief is granted to him by the Court or other Appropriate Authority.



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## **INSPECTION OF REGISTERS ETC.**

236) Where under any provisions of the Act any person, whether a Member of the Company or not, is entitled to inspect any register, return, certificate, deed, instrument or document required to be kept or maintained by the Company, the person so entitled to inspection shall be permitted to inspect the same during business hours, for such periods not being less in the aggregate than two hours in each day as the Directors may determine.

## **ARTICLE 160 :SECRECY CLAUSE**

237)

- (i) Every Director, Manager, Auditor, Treasurer, Trustee, Member 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 a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customer and the state of the accounts with individuals and in matters relating thereto, and shall be 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 except so far as may be necessary in order to comply with any of the provisions as these presents contained.
- (ii) 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 trading, or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.



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## SECTION IX : OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, 100, Everest, Marine Lines, Mumbai 400 002 for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of our Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

#### Material contracts to the Issue

1. Letter of appointment dated May 26, 2006 and November 11, 2006 issued to Karvy Investor Services Limited and UTI Securities Limited by us appointing them as the BRLMs.
2. Memorandum of Understanding amongst our Company and BRLMs dated December 26, 2006
3. Memorandum of Understanding executed by our Company with the Registrar to the Issue dated May 25, 2006.
4. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated March 27, 2006.
5. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated March 21, 2006.
6. Escrow Agreement dated April 20, 2007, between our Company, the BRLMs, the Escrow Banks, and the Registrar to the Issue.
7. Syndicate Agreement dated April 20, 2007, between our Company, the BRLMs and the other Members of the Syndicate.
8. Underwriting Agreement dated [●], between our Company, the BRLMs and other Underwriters.

#### Material documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation.
3. Certificate of commencement of business
4. Certified true copy of the resolution passed by the Board of Directors of our Company at their meeting held on April 20, 2006 which was superceded by a Board Meeting held on November 24, 2006 and by a special resolution adopted pursuant to Section 81(1 A) of the Companies Act, 1956, at the AGM of our Company held on May 26, 2006 which was superceded by an EGM held on December 19, 2006 respectively.
5. Certified True copy of the resolution passed at the Annual General Meeting held on May 26, 2006 appointing the auditors to our Company
6. Certified true copy of the resolution passed in the Board Meeting held on May 26, 2006 for the formation of Audit, Remuneration, Shareholders' / Investors' Grievance, and IPO Committee.
7. Agreements between our Company and the Whole-time Directors, Nitin M. Shah alias Sanghavi, Rahul N. Shah alias Sanghavi and Gopal Krishna Shahi and the company, defining the terms of the appointment and remuneration. Letters amending the terms of remuneration of these directors.
8. Report of the auditors, Tolia & Associates, Chartered Accountants, dated April 5, 2007 on the Financial statements, as restated, under Indian GAAP and Statement on Tax Benefits dated November 24, 2006 as mentioned in the Red Herring Prospectus.
9. Copies of annual reports of our Company for the years ended March 31, 2003, 2004, 2005, 2006 and 2007.
10. Annual Reports of the subsidiaries of our Company
11. Reports of the auditors, Tolia & Associates, Chartered Accountants, dated April 5, 2007 on the financial statements of the subsidiaries, as restated, under Indian GAAP as mentioned in the Red Herring Prospectus.
12. Last three years annual reports of the Group companies.
13. Feasibility Report on High Pressure Seamless Cylinders by IMM



14. Consent of our auditors, Tolia & Associates, Chartered Accountants, for inclusion of their report on accounts and Statement of Tax benefits in the form and context in which they appear in the Red Herring Prospectus.
15. Certificate from Tolia & associates, Chartered Accountants dated April 7, 2007 for funds deployed in the Nitin Cylinders Limited and dated April 7, 2007 for funds deployed in the project by Nitin Cylinders Limited.
16. Power of Attorneys executed by Nitin M. Shah alias Sanghavi, Rahul N. Shah alias Sanghavi, Mukund R. Sheth, Krishna Kant Jha, Dr. Surendra A. Dave the Directors of our Company in favour of Abhishesk Shrivastava and/or Gopal Krishna Shahi and Power of Attorney executed by Gopal Krishna Shahi the Director of our Company in favour of Abhishesk Shrivastava, for signing and making necessary changes to the Red Herring Prospectus and other related documents.
17. Consents of BRLMs, Bankers to our Company, Syndicate Members, Registrar to the Issue, Escrow Bankers to the Issue, Legal Advisors to the Issue, IMM, Underwriters, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
18. All lease agreements entered into by us in past two years.
19. Agreements as mentioned under the heading "Other Agreements"
20. Term Loan sanction letter from State Bank of India and State Bank of Hyderabad
21. Initial listing applications dated December 28, 2006 filed with BSE and NSE.
22. In-principle listing approval dated January 18, 2007 and January 22, 2007 from BSE and NSE respectively.
23. Due diligence certificate dated, December 27, 2006 to SEBI from the BRLMs.
24. SEBI observation letter no. CFD/DIL/ISSUES/PB/PR/88933/2007 dated March 14, 2007.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.



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## DECLARATION

We the Directors of the Company certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and correct.

### SIGNED BY

Mr. Nitin M. Shah alias Sanghavi  
Chairman & Managing Director

Mr. Rahul N. Shah alias Sanghavi  
Executive Director

Mr. Gopal Krishna Shahi  
Executive Director

Mr. Mukund R Sheth  
Independent Director

Mr. Krishna Kant Jha  
Independent Director

Dr. Surendra A. Dave  
Independent Director

Mr. Bharat Shah  
VP - Finance

Mr. Abhishek Shrivastava  
Company Secretary & Compliance Officer

Date: April 24, 2007

Place: Mumbai , Maharashtra, India