



**RED HERRING PROSPECTUS**  
Please read Section 60B of the Companies Act, 1956  
(The Red Herring Prospectus will be updated upon filing  
with the Registrar of Companies, Madhya Pradesh, Gwalior)  
**100% Book Built Issue**

## SITA SHREE FOOD PRODUCTS LIMITED

[Incorporated on 17/04/1996 under the Companies Act, 1956 as 'Sitashree Foods Products Private Limited' vide Certificate of Incorporation issued by the Registrar of Companies, Madhya Pradesh, Gwalior. Subsequently converted into a public limited company and the name of the Company was changed to 'Sitashree Foods Products Limited' vide a fresh certificate of Incorporation dated 14/02/1997'. The name of the Company was further changed to 'Sita Shree Food Products Limited' vide a fresh certificate of Incorporation dated 28/04/2006]

**Registered Office:** 332/4/2, R.D. Udhog Nagar, Palda Nemawar Road, Mathurawala's Colony, Indore-452001 (M.P.)

**Tel.:** +91-731-2862122; **Fax :** +91-731-2862121; **E-mail:** info@sitashri.com; **Website:** www.sitashri.com

**Contact Person:** Ms. Rekha Jain, Company Secretary & Compliance Officer

[The Registered office of the Company was shifted from 108/3, Chitavard Road, Indore-452001 (M.P.) to present address w.e.f. 13/01/1998]

**PUBLIC ISSUE OF [●] EQUITY SHARES OF RS. 10/- EACH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) FOR CASH AGGREGATING RS. 3150 LACS BY SITA SHREE FOOD PRODUCTS LIMITED (HEREINAFTER REFERRED TO AS THE "ISSUE"). THE ISSUE WILL CONSTITUTE [●]% OF THE POST ISSUE PAID-UP CAPITAL OF THE COMPANY.**

**PRICE BAND: Rs. 27/- TO Rs. 30/- PER EQUITY SHARE**

**THE ISSUE PRICE IS 2.7 TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND  
3 TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three (3) additional working days after revision of the Price Band subject to the Bidding/ Issue Period not exceeding ten (10) days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager and at the terminals of the Syndicate. The Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, at least 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

### RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10/- per equity share and the Issue Price is [●] times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager, 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 the Company or regarding the price at which the Equity Shares will be traded after listing.

### 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 Company and the Issue including the risks involved. The Equity Shares issued in this 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 statements in the section titled "Risk Factors" beginning on page (viii) of this Red Herring Prospectus.

### ISSUER'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Company and this Issue, which is material in the context of this 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 make 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 issued through the Prospectus are proposed to be listed on Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). The Company has received the in-principle approvals from BSE & NSE for the listing of the Equity Shares pursuant to letters dated 03/10/2007 and 19/12/2007 respectively. For the purpose of the Issue, BSE is the Designated Stock Exchange.

### IPO GRADING

This issue has been graded by Credit Analysis & Research Ltd. (CARE) and has been assigned the "IPO Grade 2" indicating below average fundamentals, through their letter dated 16/01/2008, which is valid for a period of two months. For further details in this regard please refer page no. 11.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
<b>KEYNOTE</b> CORPORATE SERVICES LTD. <b>KEYNOTE CORPORATE SERVICES LTD.</b> 4 <sup>th</sup> Floor, Balmer Lawrie Building, J.N.Heredia Marg, Ballard Estate, Mumbai – 400001. <b>Tel:</b> +91-22-30266000-3; <b>Fax:</b> +91-22- 22694323 <b>Website:</b> www.keynoteindia.net <b>E-mail:</b> mbd@keynoteindia.net <b>SEBI Registration No.:</b> INM 000003606 <b>Contact Person:</b> Mr. Satish Mangutkar	 <b>ANKIT CONSULTANCY PRIVATE LIMITED</b> 2 <sup>nd</sup> Floor, Alankar point, Gita Bhawan Chouraha, A.B. Road, Indore - 452 001 (M.P.) <b>Tel.:</b> +91-731-2491298; <b>Fax:</b> +91-731-5065798 <b>E-mail:</b> ankitind@sancharnet.in <b>SEBI Registration No.:</b> INR 000000767 <b>Contact Person:</b> Mr. Bhagwat S. Nagori

### BID / ISSUE PROGRAMME

<b>BID/ISSUE OPENS ON : TUESDAY, MARCH 11, 2008</b>	<b>BID/ISSUE CLOSSES ON : FRIDAY, MARCH 14, 2008</b>
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## I. DEFINITIONS AND ABBREVIATIONS

### COMPANY/INDUSTRY RELATED TERMS

TERM	DESCRIPTION
"SSFPL", "the Company", "We", "us" and "our"	Unless the context otherwise requires, refers to Sita Shree Food Products Limited a public limited company incorporated under the Companies Act, 1956.
Articles of Association	The Articles of Association of the Company i.e., Sita Shree Food Products Limited.
Auditors	The statutory auditors of the Company, being M/s Subhash Chandra Jain Anurag & Associates & Co, Chartered Accountants.
Board of Directors/ Board	The board of directors of the Company or a committee constituted thereof.
Director(s)	Director(s) of the Company unless otherwise specified.
Memorandum of Association	The Memorandum of Association of the Company.
Registered Office of the Company	332/4/2, R.D. Udhog Nagar, Palda Nemawar road, Mathurawala's Colony, Indore-452001 (M.P.)

### ISSUE RELATED TERMS AND ABBREVIATIONS

TERM	DESCRIPTION
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue.
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to the 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 for this Issue.
Bid/ Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bid/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for allotment in terms of this 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.
Book Building Process	Book building mechanism as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLM	Book Running Lead Manager to this Issue, in this case being Keynote Corporate Service Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of Issue Price in the Book Building Process.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Cut-off	The Issue Price finalized by the Company in consultation with the BRLM and it shall be any price within the Price Band. A Bid submitted at the Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.

TERM	DESCRIPTION
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, Gujarat, following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	In this case being the Bombay Stock Exchange Limited.
Draft Red Herring Prospectus/DRHP	This Draft Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into among the Company, the Registrar to this Issue, the Escrow Collection Banks and the BRLM in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are registered with SEBI as Banker (s) to the Issue at which the Escrow Account for the Issue will be opened, in this case being HDFC Bank, ICICI Bank, Axis Bank, BNP Paribas, Union Bank of India, Canara Bank and Standard Chartered Bank.
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted.
Indian National	As used in the context of a citizen of India as defined under the Indian Citizenship Act, 1955, as amended, who is not an NRI.
Issue	The issue of [●] Equity Shares of Rs. 10 each fully paid up at the Issue Price aggregating Rs.3150 Lacs.
Issue/ Bidding 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 Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus, as determined by the Company consultation with the BRLM, on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount in case of QIB and 100% in case of other than QIB applicants.
Mutual Funds	Means mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Net Issue	The issue of Equity Shares other than Equity Shares included in the Employee Reservation Portion.
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 more than Rs. 100,000.
Non Institutional Portion	The portion of this Issue being atleast 15% of the Net Issue consisting of [●] Equity Shares of Rs. 10 each aggregating Rs. 472.50 Lacs, available for allocation to Non Institutional Bidders.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, 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/ Issue Opening Date and extending until the Bid/Issue Closing Date; and (ii) with respect to QIBs, whose Margin Amount is 10% of the Bid Amount,

TERM	DESCRIPTION
	the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	The price band of a minimum price ("Floor Price") of Rs. 27/- and the maximum price ("Cap Price") of Rs. 30/- and includes revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price.
Prospectus	The Prospectus, to be filed with the Registrar of Companies, Madhya Pradesh, Gwalior containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information.
Public Issue Account	Account opened with the Banker to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount.
QIB Portion	Consists of [●] Equity Shares of Rs. 10 each aggregating Rs. [●] lacs being upto 50% of the Net Issue, available for allocation to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only.
Qualified Institutional Buyers or QIBs	Public financial institution as defined in section 4A of the Companies Act, 1956, scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority (IRDA), provident funds with minimum corpus of Rs. 25 crores and pension funds with minimum corpus of Rs. 25 crores)
Red Herring Prospectus/RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the Registrar of Companies, Madhya Pradesh, Gwalior at least three days before the opening of this Issue. It will become a Prospectus after filing with the Registrar of Companies, Madhya Pradesh, Gwalior after pricing and allocation.
Registrar/ Registrar to this Issue	Ankit Consultancy Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for an amount less than or equal to Rs. 100,000 in any of the bidding options in this Issue.
Retail Portion	Consists of [●] Equity Shares of Rs. 10 each aggregating Rs. 1102.50 Lacs, being at least 35% of the Net Issue, 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).
Stock Exchanges	Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.
Syndicate	The BRLM and the Syndicate Member.
Syndicate Agreement	The agreement to be entered into between the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	Keynote Capitals Ltd.
Transaction Registration Slip/ TRS	The slip or document issued by the Syndicate Member to the Bidders as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Member.
Underwriting Agreement	The Agreement among the Underwriters and the Company to be entered into on or after the Pricing Date.

## GENERAL / CONVENTIONAL TERMS:

TERM	DESCRIPTION
Companies Act	The Companies Act, 1956, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Equity Shares	Equity Shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof.
Financial Year/ Fiscal/ FY	The period of twelve months ended March 31 of that particular year.
Indian GAAP	Generally Accepted Accounting Principles in India.
Insurance Act	Insurance Act, 1938, as amended from time to time.
I. T. Act	The Income Tax Act, 1961, as amended from time to time.
I. T. Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise.
Non Resident	A person who is not resident in India except NRIs and FIIs.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended.
RBI	Reserve Bank of India constituted under the RBI Act.
RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time.
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended from time to time, including instructions, guidelines and clarifications issued by SEBI from time to time.
TRS or Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid.

## ABBREVIATIONS

ABBREVIATION	FULL FORM
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
AY	Assessment Year
BSE	Bombay Stock Exchange Limited.
BG/LC	Bank Guarantee/ Letter of Credit
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
DP	Depository Participant
ECS	Electronic Clearing System
EGM	Extra Ordinary General Meeting of the shareholders.
EPS	Earnings per Equity Share.
ESOP	Employee Stock Option Plan
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued thereunder.
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with SEBI under applicable laws in India.
FIs	Financial Institutions.

ABBREVIATION	FULL FORM
FIPB	Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GDP	Gross Domestic Product
GIR Number	General Index Registry Number.
GoI/ Government	Government of India.
HUF	Hindu Undivided Family.
INR / Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India.
NAV	Net Asset Value.
NR	Non Resident
NRE Account	Non Resident External Account.
NRI/Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.
RBI	The Reserve Bank of India.
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
RoC/Registrar of Companies	The Registrar of Companies, Madhya Pradesh, Gwalior
RoNW	Return on Net Worth.
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time.

#### **INDUSTRY RELATED TERMS AND ABBREVIATIONS**

TERM/ ABBREVIATION	DESCRIPTION/FULL FORM
MPCON	Madhya Pradesh Consultancy Organisation Limited
MNC	Multi National Companies
MPSEB	Madhya Pradesh State Electric Board
DG	Diesel Generator
MPPCB	Madhya Pradesh Pollution Control Board
DAF	Dissolved Air Flootation
TPD	Tonnes Per Day
MT	Metric Ton

## **CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA**

Unless indicated otherwise, the financial data in this RHP is derived from the restated financial statements prepared in accordance with Indian GAAP and included in this RHP. SSFPL's fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are, unless otherwise stated, to the twelve-month period ended March 31 of that year.

Unless otherwise specified or the context otherwise requires, all references to a particular fiscal year, "fiscal", "Fiscal", "FY" or "Financial Year" in this RHP are to the twelve months ended March 31 of that year. For additional definitions, see the section titled "Definitions and Abbreviations" beginning on page (i).

Unless stated otherwise, all figures have been expressed in lacs, unless otherwise specified.

In this RHP, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off to two decimal places.

Unless otherwise specified or the context otherwise requires, all references to "India" contained in this RHP are to the Republic of India, together with its territories and possessions.

### **Currency of Presentation**

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India.

### **Industry and Market Data**

Unless stated otherwise, industry data used throughout this RHP has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that the industry data used in this RHP is reliable, it has not been verified by any independent source. Further, the extent to which the market data presented in this RHP is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which the Company conduct the business, and methodologies and assumptions may vary widely among different industry sources.



## FORWARD-LOOKING STATEMENTS

This RHP contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “expect”, “estimate”, “intend”, “may”, “plan”, “project”, “shall”, “will” or other words or phrases of similar importance. Similarly, statements that describe Company’s objectives, strategy, plans or goals are also forward-looking statements.

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

- General economic and business conditions;
- Company’s ability to successfully implement its strategy and its growth and expansion plans;
- Increasing competition in the food processing industry;
- Increases in labour costs, raw materials prices, freight rates, prices of plant & machineries and insurance premia;
- Manufacturers’ defects or mechanical problems with Company’s plant & machineries;
- Changes in the value of the Indian rupee and other currencies, in particular, the U.S. Dollar;
- Cyclical or seasonal fluctuations in the operating results due to prevailing market conditions;
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the food processing industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

For further discussion of factors that could cause Company’s actual results to differ, please see the section entitled “Risk Factors” included in this RHP. In the light of inherent risks and uncertainties, the forward-looking statements, events and circumstances discussed in this Prospectus might not occur and are not guarantees of future performance.

Neither the Company, its Directors and Officers, any member of the Issue Management Team nor any of their respective affiliates has 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, for purposes of the Issue, the Company and the BRLM to the Issue will ensure that investors in India are informed of material developments relating to the business until such time as the grant of listing and trading permission by the Stock Exchanges.

## II. RISK FACTORS

### Risk Factors Internal to the Company

#### 1. Outstanding Litigations.

The Food Inspector has filed a Complaint before Hon'ble Chief Judicial Magistrate, Indore against the Five Accused including the Company which has been arraigned as Accused No.5, under section 7 (I) and (V) 14 A, 16 (1) (a) of Prevention of Food adulteration Act, 1954 (the Act) and Rule 50 of the Prevention of Food adulteration Rules 1955.

For more information on legal and other information please refer to page no. 108 of the RHP.

#### *Specific to the Project*

#### 2. **The Company has acquired land on lease basis for the proposed project from the promoters of the Company. Any termination of these leases and/or non-renewal could adversely affect the operations of the Company. Registration and payment of stamp duty on these lease deeds are still pending and hence the leases may not be fully enforceable.**

The Company has taken 7.22 acres land on lease for a period of 30 years for the proposed project; vide lease agreements dated 15/05/2007. The said land was taken from promoters of the Company. The Company has paid Rs.350 lacs as refundable deposit towards the said land and rent payable for the same is Rs.3 lacs per annum. No valuation from any outside agency was carried out for the same. Any termination or non-renewal of the said lease agreement could adversely affect the operations of the Company. In addition to this registration and payment of stamp duty on these lease deeds are still pending and hence the leases may not be fully enforceable.

#### 3. **The Company has not yet placed orders for the certain capital equipments amounting Rs.46.00 lacs. Any delay in procurement of capital equipments may affect the schedule of implementation.**

The Company has already entered into agreement with Servotech Eng. India Ltd. for installation of proposed plants and given an advance of Rs. 100.00 lacs to them. The company has not placed order for Misc. fixed assets amounting to Rs.46.00 lacs. The Company has not identified any supplier for the these Misc. fixed assets since the orders for these equipments will be placed only after completion of civil work at plant location.

#### 4. **The proposed project is not appraised by any Bank or Financial Institution. The estimate of costs is based on the project report prepared by MPCON, and quotations received from vendors and management estimates. Though these quotes/estimates have been taken recently, they are subject to change and may result in cost escalation.**

The Objects for which the funds are being raised has not been appraised by any bank or financial institution. The cost of project is determined by the management on the basis of quotations received from vendors and project report prepared by MPCON (a limited company promoted by IFCI, IDBI, ICICI, State Corporations & Banks). The management has made provision for contingencies in the cost structure to factor in any price escalations expected in the product quotes received.

#### 5. **The Company has not identified alternate sources of financing for the Equity component of the proposed Project. Any delay on the part of Company part to raise money through this Issue will delay the implementation of the proposed Project.**

The total fund requirement is proposed to be funded through a mix of equity participation by promoters, term loan, internal accruals and net proceeds from the Issue. We have not identified

alternate sources of financing for the Public Issue equity component i.e. Rs.3150 lacs of the Project Cost. Any delay on our part to raise money through this Issue will delay the implementation of the proposed Projects.

6. **The installation of new plant and commencement of production involves high initial capital investment and long gestation period. Any delay in implementation of the same will affect the profitability of the Company.**

The construction of building and installation of machineries for the proposed project expected to be completed by September 2008 and the Company will commence its production subsequently. Any delay in implementation of the same will increase the capital cost as well as will affect realization of returns from the project.

7. **The Promoters of the Company do not have any prior experience of running Solvent Extraction Plant and Lecithin Plant. Therefore the proposed project may involve consequential risks inherent to such project.**

The Company is promoted by Mr. Rajababu Agrawal, Mr. Dinesh Agrawal & their family members. The Company is in the business of operating flour mill and trading of food grains. The Promoters do not have any prior experience of running Solvent Extraction Plant and Lecithin Plant. Therefore the proposed project may involve consequential risks inherent to such project such as failure in implementation, successful operation, procurement of raw material and marketing of proposed products

***Management Proposal:***

The Company proposes to enter into the business of solvent extraction particularly in extraction of soya oil and manufacturing other by-products of soya. Since the margin in the business is low the success of any solvent extraction plant is dependent on ability to procure raw materials at competitive price. The Promoters of the Company are in the business of dealing in food grains & allied commodities including soya for over 30 years. The Promoters are also suppliers to major soya extraction companies in Indore region. Since the business in which the Company proposes to enter is "commodity business", where the promoters of the Company have adequate experience, we do not foresee any risk in success of the project.

The process of installation of solvent extraction plant is time tested and has been streamlined. The Company has appointed M/s Servotech Eng. India Ltd. for installation of solvent extraction plant at the proposed location. Servotech Eng. India Ltd. is a 35 years experienced professional organization situated in Mumbai. Till date Servotech has completed about 375 project which involves installation of solvent extraction plants, vegetable oil refineries, oil mills, cattle field plants etc. Servotech has experience of installation of nearly 141 solvent extraction plants throughout the country. Since the contractor has adequate experience, we do not foresee any risk as far as implementation of project is concerned.

8. **Certain licenses/approvals required for the proposed new plant at Badiakima, Madhya Pradesh are yet to be obtained. If we do not receive the requisite approvals for our new factories or if such approvals are delayed, our operations and proposed expansion plans may be adversely affected.**

The Company requires certain consents/permissions/licenses/approvals from various Governmental Authorities such as factory license, consent for pollution control and sanction for power connection for the proposed new plant at Badiakima, Madhya Pradesh. The applications for such licenses/approvals would be made to the respective authorities at various stages of project implementation.

There can be no assurance that we will receive the approvals on a timely basis. If we do not receive the requisite approvals for our new factories or if such approvals are delayed, our operations and proposed expansion plans may be adversely affected.

For status of all such licences/approvals relating to the above expansion projects, please refer to the section titled 'Regulatory and Other Approvals' on page 110 of the RHP.

### *Specific to the Company*

**9. Some of our group entities are engaged in the business of trading of food grains. There may be conflict of business with these group entities.**

The other ventures of the Promoters namely; M/s Manish Trading Co., a partnership firm and M/s Sitaram Shreenarayan Agrawal & Co., a proprietary firm, are in the business of trading in food grains and M/s Usha Dall Mill, a proprietary firm is in the business of manufacturing of pulses. SSFPL presently sources a portion of its raw material requirement from these group concerns and also sells part of its production to these concerns. There could be a possible conflict of interest between the business carried on by SSFPL and its group concern in the nature of price disadvantage.

Further, the object clause as contained in the Memorandum of Association of Anoop Foods Ltd. (AFL), a Promoter Group company permits them to carry on the business of solvent extraction. In case promoters propose to commence business activities in AFL, there may be a conflict of interest.

#### **Management Proposal**

The promoters & family members are in the business of trading in food grains since past 30 years. Each member has its own standing & position in the business & command good market reputation which enables the group to maintain advantageous position in commodities market. The entire cycle of procurement of raw material and sale is managed in such a way that same is advantageous to the group. SSFPL will stand benefited by this long standing position of promoters & the businesses are complimentary in nature.

As regards the activities of Anoop Foods Ltd, presently there is no conflict of interest since the business of solvent extraction is presently not carried on by AFL.

**10. Volatility in raw material prices due to material shortages, decrease in the quality of raw materials due to natural causes, could have a material adverse effect on the margins and operations of the company.**

Fluctuations in the price, availability and quality of the raw materials used by the Company in the manufacturing of standard product could have a material adverse effect on the cost of sales or ability to meet its customers' demands. The prices for such product depend largely on production during particular seasons which is largely volatile due to natural factors such as monsoon and natural calamities. Any material shortage or interruption in the supply or decrease in the quality of these raw materials due to natural causes or other factors could result in increased production costs that the Company may not be able to pass on to its customers, which in turn would have a material adverse effect on the margins and results of operations of the Company.

**11. The business of the Company is seasonal in nature and hence the Company requires substantial working capital for maintaining the stocks. Any shortage in working capital finance will affect the operations of the company and have an impact on the profitability.**

The Company is processing the products produced by the farmers, which is seasonal in nature. The Company has to build up the stocks of raw material for lean season; hence the requirement of

working capital is substantial. Any shortage in working capital finance will affect the operations of the company and have an impact on the profitability.

- 12. One of the objects of the Company is to set up a new flour mill with a capacity of 275 TPD per day whereas present capacity utilization of existing flour mill is 64.15%. We may not able to run the proposed plant with optimum utilization of its capacity.**

*Management Proposal:* The existing installed capacity of plant is 46700 m.t. which is used for wheat flour mill (43200 m.t.) and *Dall* mill (3500 m.t.). The Company is utilized *Dall* mill capacity to the fullest extent. The process in processing wheat requires storage capacities before 2<sup>nd</sup> cleaning which is about 36000 m.t. At present facilities there is limited scope of improving the storage capacity, which hampers capacity utilization. However the demand for products is increasing which is proposed to be met by new capacities envisaged.

- 13. The Company is raising funds to install Solvent Extraction Plant and Lecithin Plant. It's a relatively new entry in this business segment by the Company. There is no contribution of income towards total income of the Company through this activity during last three financial years.**

- 14. The Company at present does not have existing marketing network. The Company will face difficulties to market its existing as well as proposed manufacturing products particularly in branded segment which has higher margins.**

*Management Proposal:* The presence of Company in branded segment is not very significant. The Company proposes to build up required marketing set-up to enable the Company to market branded products aggressively. The Company has initiated the process of building its marketing network by appointing distributors in various part of country. Till date the Company has appointed distributors in Raipur and Vijaywada.

- 15. If the Company has not able to implement its business strategy effectively, it may have an adverse effect on the business, financial condition and results of operations of the Company.**

The success of business of the Company will depend greatly on the ability to effectively implement the business and growth strategy. If the Company is unable to implement its business and growth strategy on time and within the estimated budget, it may have an adverse effect on the business, financial condition and results of operations of the Company.

- 16. The Company has reported negative cash flow of Rs.64.50 lacs from operating activities for the year ended 31/03/2007. Any negative cash flows in the future could have an adverse effect on our results of operations.**

*Management Proposal:* The negative cash flow is on account of increase in trade receivables as on 31/03/2007. Since these receivable are less than six months old and considered good the management does not foresee any problem in addressing this risk. Further the cash flow of the Company has considerably improved and has reported a positive cash flow of Rs.130.84 lacs for the seven months period ended 31/10/2007.

17. As per the audited accounts as of 31/03/2007, the Company had contingent liabilities of Rs.230.89 Lacs, determination of which against the company may adversely affect the financial position of the Company. The details of contingent liabilities as per the audited accounts of the Company are as follows:

(Rs.in Lacs)	
Particulars	31/03/2007
Unexpired Letter of credit	225.00
Central Sales tax ( <i>Dispute pending in Additional CCIT.</i> )	0.28
Entry Tax ( <i>Dispute pending in Additional CCIT.</i> )	1.18
M.P. Commercial Tax ( <i>Dispute pending in Additional CCIT.</i> )	4.43
<b>Total</b>	<b>230.89</b>

18. The Company has issued following equity shares to the Promoter Group of the Company at price which is lower than the issue price within last 12 months, the details of which are as follows:

Date of allotment/transfer	Name of Promoter	No. of shares	Issue Price
15/03/2007	Mr. Rajababu Agrawal	6800	10
	Mr. Dinesh Agrawal	7000	10
	Mr. Rupesh Agrawal	20300	10
	Mr. Ashish Agrawal	9800	10
	Mrs. Chandrika Devi Agrawal	24300	10
	Mrs. Usha Devi Agrawal	13300	10
	Mr. Anoop Agrawal	19100	10
	Mr. Manish Agrawal	20000	10
	Rajababu Agrawal HUF	10300	10
	Dinesh Agrawal HUF	9300	10
	Ms. Neha Agrawal	6200	10
	Ms. Manisha Agrawal	4300	10
	Sita Shree Marketing Pvt. Ltd.	1065000	10
	<b>Sub Total</b>	<b>1215700</b>	
31/03/2007	Mr. Anoop Agrawal	50000	10
	Anoop Foods Ltd.	200000	10
	Sita Shree Marketing Pvt. Ltd.	250000	10
	<b>Sub Total</b>	<b>500000</b>	
30/05/2007	Mr. Rupesh Agrawal	130935	10
	Mr. Ashish Agrawal	1000000	10
	Mrs. Chandrika Devi Agrawal	769065	10
	Mrs. Usha Devi Agrawal	300000	10
	Mr. Manish Agrawal	300000	10
	Mrs. Ruchi Agrawal	1000000	10
	<b>Sub Total</b>	<b>3500000</b>	
26/06/2007	Anoop Foods Ltd.	1026170	10
	<b>Sub Total</b>	<b>1026170</b>	
	<b>Grand Total</b>	<b>5791870</b>	

19. **There are certain Restrictive Covenants in the loan agreement that we have entered into with our Bankers. If we fail to meet those covenants required under the loan agreements, the relevant lenders could declare us in default under the terms of our borrowings.**

The Company has availed credit facilities with the Banks and there are certain restrictive covenants in the sanction letters for term loans and working capital loans, among other things, which require the company to obtain the approval of the lenders or provide restrictions, namely for, permission for expansion, change in capital structure, change in management, disposal of assets, declaring dividends at a time while the company is in default, undertaking material diversification in the business etc. If we fail to meet those covenants required under the loan agreements, the relevant lenders could declare us in default under the terms of our borrowings.

20. **One of the Company's brand, "Sita Shree Gold" is not registered till date. Any delay in obtaining the registration may affect the business of the Company.**

*Management Proposal:* The Company has applied for registration of Trade Mark "Sita Shree Gold" on 16/06/2006 and approval for the same is being awaited. Till date the Company has not received any opposition for registration of trade mark and management is confident of receiving the approval for the same.

21. **As per the SWOT analysis of the company, the following are the weakness and threats that are/can be faced by the company.**

<b>Weakness</b>	<ul style="list-style-type: none"><li>▪ Small size of operations</li><li>▪ Low profitability margins</li><li>▪ Fairly new and lesser known brand</li><li>▪ Uncertainty in input cost.</li><li>▪ Project in preliminary stage.</li></ul>
<b>Threats</b>	<ul style="list-style-type: none"><li>▪ Change in the price of raw material</li><li>▪ Capacity addition by competitors.</li></ul>

### **Risk Factors External to the Company and beyond the control of the Company**

#### **1. Dependence of Agricultural activities on monsoon and weather conditions**

As a food processing Company, we are depended on Agriculture Industry for raw material. Agricultural industry is largely dependent on monsoon and favorable weather conditions. Meteorologically, our country has diversified and different weather conditions at different places. Sometimes, one region receives very heavy rainfall whereas other region receives scant rainfall. There is also unevenness in the Irrigated Area. Though, the Irrigated area has increased substantially over a period of years the agricultural industry is still dependent upon monsoon. Any vagaries of weather and abnormal monsoon across the Madhya Pradesh region may ruin crops and will also affect the business of the Company.

#### **2. Competitive business environment**

The Company operates in a highly competitive business environment particularly from unorganized sector. Growing competition may force it to reduce the price of its products which may reduce its revenues and margins and / or decrease its market share, either of which could have a materially adverse effect on its business, financial condition and results of operations. Besides small unorganized sectors the Company will also face stiff competition from major players for marketing of products manufactured through proposed project i.e. Soya Oil, lecithin.

**3. Factors beyond the management's control like Natural calamities and acts of violence involving India.**

Political, Economical and Social unrest, terrorist attacks, civil disturbances and regional conflicts in the country could adversely affect the business of the Company. Natural calamities and adverse weather conditions could have a negative impact on the business of Company. Floods, earthquakes, terrorist attacks and other acts of violence or war/destruction involving India, are also other factors which will have negative impact on business condition in India.

**4. Economic Slowdown**

Any economic slowdown may result in reduced spending generally. It can also put pressures on the realizations, resulting in reduced volumes/margins and may impair the financial results.

**5. Stability of Policies & Political Situation**

A significant change in India's economic liberalization and deregulation policies could affect the business and economic conditions in India, which in turn could have an impact on the Indian companies with a concurrent effect on the market for the Company's products.

**6. Changes in domestic Tax Laws**

Any changes in the tax laws prevailing in India particularly the income tax might lead to increased tax liability of the Company thereby putting pressures on our profitability. Change in tax laws, particularly income tax, can have an impact on the post-tax profits of the Company.

**7. Volatility in Share Prices**

After the Public Issue, the price of the Equity Shares may be highly volatile and may fluctuate significantly due to many factors, including variations in the operations of the Company and changes in the regulatory environment.

**B) NOTES TO RISK FACTORS**

1. The net worth of SSFPL as per the restated financial statement as at 31/10/2007 is Rs. 1267.88 lacs.
2. The average cost of acquisition of the equity Shares of Rs. 10 each by the Promoters of SSFPL is Rs.8.16 per equity share.
3. Book value of the Equity Shares of the Company, as per the restated financial statement as at 31/10/2007 is Rs. 12.53 per Equity Share.
4. Investors are advised to refer the paragraph on "Basis for Issue Price" on page no. 28 of this RHP before making an investment in the Issue.
5. Except as mentioned in the sections titled "Capital Structure" beginning on page no.16 of this RHP, SSFPL has not issued any Equity Shares in the last twelve months
6. The Directors, Promoters and Promoter Group of the Company have not entered into any purchase or sale transactions of the Company's shares in the last six months except the shares allotted to them. For details of allotment please refer page no.16.
7. For details on Related Party Transactions refer to the section titled "Related Party Transactions" on page no.84 of this RHP.



8. Investors are free to contact the BRLM for any complaints, clarification or information pertaining to this Issue. For contact details of the BRLM, please refer to the cover page of this RHP.
9. All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
10. In addition to the BRLM, the Company shall be obliged to update the RHP and keep the public informed about any material changes till listing and trading commences in respect of the shares issued through this issue.
11. For interest of the promoters, please refer to the section titled “Promoters and their Background” beginning on page no. 75 of this RHP.

### III. INTRODUCTION

#### A) SUMMARY

##### *Summary of the Industry and Business of the Company*

##### *Industry Overview*

##### **Indian Food Processing Industry**

Food processing involves any type of value addition to agricultural or horticultural produce and also includes processes such as grading, sorting, packaging which enhance shelf life of food products. The Industry provides vital linkages and synergies between industry and agriculture.

India has a strong competitive advantage in food processing being blessed with unsurpassed natural advantages. India ranks first in the world in production of cereals among the top five producers of wheat and oilseeds. This gives it the unique advantage and tremendous potential for processing of agriculture produce.

India with arable land of 184 million hectares, produces 204 million tonnes food grain which is third largest in the world. India's agricultural production base is quite strong but at the same time wastage of agricultural produce is massive. Value addition is 20%. India's share in world trade in respect of processed food is about 1.6%. (Source: MOFPI annual report 2005-06)

While the industry is large in size, it is still at a nascent stage in terms of development. Of the country's total agriculture and food produce, only 2% is processed. Milling of wheat and pulses is the most important activity in food grains processing. Branded wheat flour is becoming popular in both the domestic as well as the export market.

The Food Processing activity is poised for rapid expansion. The Ministry of Food Processing Industries, Government of India estimates the size of the Processed Food Industry at Rs.1440 billion. The unorganized small players process more than 75% of the industry output in volume terms and 50% in value terms. Average Growth rate of Food Processing Industries during the last five years (upto 2003-04) has been 7.15% (Source: MOFPI annual report 2005-06).

##### *Future Outlook*

Indian food processing industry has seen significant growth and changes over the past few years, driven by changing trends in markets, consumer segments and regulations. These trends, such as changing demographics, growing population and rapid urbanization are expected to continue in the future and, therefore, will shape the demand for value added products and thus for food processing industry in India. The Government of India's focus towards food processing industry as a priority sector is expected to ensure policies to support investment in this sector and attract more FDI. India, having access to vast pool of natural resources and growing technical knowledge base, has strong comparative advantages over other nations in this industry. The food processing sector in India is clearly an attractive sector for investment and offers significant growth potential to investors.

The Confederation of Indian Industry (CII) has estimated that the food processing sector has the potential of attracting US\$ 33 billion of investment in 10 years and generate employment of 9 million person-days.

## **Business Overview**

Sita Shree is in the business of Wheat and pulse processing. The manufacturing unit of the Company is located in the city of Indore on approx. 2.5 acres of land which is well connected with major cities like Nagpur and Ahmedabad by roads.

The Company had entered into joint venture agreement with Godrej Pilsburry Ltd. in the year 1997 for manufacturing of Atta through the Company's plant. The Company terminated said agreement in the year 2002 and started manufacturing under its own name & brand. In past, The Company has also catered to the requirement of multi national companies like Unilever as production hub for manufacturing atta for their brand "Annapurna" in Indore. Presently the Company is also supplying its products to major players in retail industry such as, Pantaloon Retail and Reliance Retail.

The product portfolio of the Company consists of Wheat Flour, Maida, Rawa, Daliya, Suji, Chana Dal etc. These products are marketed under its own brand like "Sita Shree" (Registered), "Regular" (Registered) and "Sita Shree Gold" (not registered yet) or sold to other brands. The Company has a very minimal presence in small packing product segment (1kg, 5kg & 10 kg) however its turnover is dominated by bulk packing products segment. Ever since incorporation the Company is on growth track and achieved a turnover of Rs. 8074.17 lacs during the year ended on 31/03/2007.

The Company is now proposes to set up following plants to cater to the increasing demand:

- a Solvent Extraction Plant having 500TPD capacity,
- a oil refinery for Solvent Extraction Plant having 100TPD capacity,
- a Lecithin plant for processing the by products of Solvent Extraction Plant having 5TPD capacity at Badiakima (M.P.).
- a Flour Mill of 275TPD.

The proposed project will be set up at Badiakima, Indore, Madhya Pradesh just 8 km away from existing location. Vegetable oils have been in perpetual short supply in face of high consumption & low production. Increasing cultivation of soyabean in Madhya Pradesh and growing demand for Soya Oil and its by-products due to its nutritional values has enabled the Company to identify opportunity of investment in soyabean extraction business.

## **Competitive Strengths**

The Company faces and will face competition from established organized as well as unorganized sector. The following inherent strengths help the Company to face competition:

*Experience of promoters:* The promoters of the Company are in the business of food grains trading since last 35 years. This helps the Company to procure its raw material at competitive prices throughout the year. The Company is benefited due to past track record of the promoters in sourcing commodities as well as running existing business.

*Established Customer base:* By virtue of the presence in the industry for a considerable period of time, the Company has been able to develop a customer base which can be leveraged for the expanded operations as well as new products manufactured through proposed project.

*Quality Produce:* The Company is compliant with international quality standard as certified by TUV. This provides Company an edge over other competitive players especially in unorganized sector.

## SWOT Analysis

The SWOT analysis of the Company is as follows:

<b>Strengths</b>	<ul style="list-style-type: none"><li>▪ Project is based on multi point processing of different raw materials, thus insulating itself from speculative market trends.</li><li>▪ Flour mill is based on world's best technology ensuring excellent quality of products manufactured.</li><li>▪ Established management with core competence in commodity.</li><li>▪ Location ideally suited for Western India market.</li><li>▪ Strategic location from raw material and market point of view.</li></ul>
<b>Weakness</b>	<ul style="list-style-type: none"><li>▪ Small size of operations</li><li>▪ Low profitability margins</li><li>▪ Fairly new and lesser known brand</li><li>▪ Uncertainty in input cost.</li><li>▪ Project in preliminary stage.</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>▪ Strategic location of project.</li><li>▪ Growing food processing sector.</li></ul>
<b>Threats</b>	<ul style="list-style-type: none"><li>▪ Change in the price of raw material.</li><li>▪ Capacity addition by competitors.</li></ul>

## The Issue

<b>Public Issue aggregating to Rs. 3150 lacs:</b>	
Which comprises of fresh issue of	[●] Equity Shares of Rs.10/- each
<b>Of which:</b>	
QIB Portion <sup>(1)</sup> :	Not more than [●] Equity Shares of Rs.10/- each, constituting upto 50% of the issue (allocation on proportionate basis)
<ul style="list-style-type: none"> <li>Of which 5% is available for Allocation to Mutual Funds [the unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs]</li> </ul>	[●] Equity Shares of Rs.10/- each (allocation on proportionate basis)
<ul style="list-style-type: none"> <li>Balance for all QIB including Mutual Funds</li> </ul>	[●] Equity Shares of Rs.10/- each (allocation on proportionate basis)
Non- Institutional Portion <sup>(1)</sup> :	Not less than [●] Equity Shares of Rs.10/- each, constituting 15% of the net issue (allocation on proportionate basis).
Retail Portion <sup>(1)</sup> :	Not less than [●] Equity Shares of Rs.10/- each, constituting 35% of the net issue (allocation on proportionate basis).
Equity Shares outstanding prior to the Issue:	[●] Equity Shares of Rs.10/- each
Equity Shares outstanding post the Issue:	[●] Equity Shares of Rs.10/- each
Objects of the Issue:	Please refer page no. 24 of this RHP

<sup>(1)</sup>Under-subscription, if any, in any of the above categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company and BRLM.

## Summary of Financial, Operating and Other Data

### i. Statement of Assets and Liabilities (As Restated)

The assets and liabilities of the company as at the end of each five financial years ended on 31<sup>st</sup> March, 2003, 2004, 2005, 2006, 2007 and seven months ended 31<sup>st</sup> October 2007 are as set out below. These assets and liabilities read with significant accounting policies and notes annexed hereto have been arrived at after making such regroupings as are, in the opinion of the Company, appropriate.

(Rs. in Lacs)						
Particulars	As at 31 <sup>st</sup> 31/10/07	As at 31 <sup>st</sup> March , 07	As at 31 <sup>st</sup> March , 06	As at 31 <sup>st</sup> March 05	As at 31 <sup>st</sup> March,04	As at 31 <sup>st</sup> March, 03
<b>A. Fixed Assets</b>						
Gross block	969.21	954.41	926.99	918.93	885.12	821.91
Less : Accumulated Depreciation	312.72	289.56	251.70	210.68	172.42	136.46
Net Block	656.49	664.85	675.29	708.25	712.70	685.45
Less: Revaluation Reserve	---	---	---	---	---	---
<b>Net Block after adjustment for Revaluation Reserve</b>	<b>656.49</b>	<b>664.85</b>	<b>675.29</b>	<b>708.25</b>	<b>712.70</b>	<b>685.45</b>
<b>B. Capital Work in-progress</b>	<b>102.51</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Investments</b>	<b>4.15</b>	<b>16.48</b>	<b>22.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>D. Current Assets, Loans and Advances</b>						
Inventories	724.10	621.60	651.12	507.46	378.87	300.34
Sundry Debtors	791.60	760.66	284.15	230.70	253.04	161.32
Cash and Bank Balances	388.06	429.35	383.54	44.42	7.95	0.27
Loans and Advances	599.85	66.90	45.52	89.20	30.96	87.10
<b>Sub-Total</b>	<b>2401.11</b>	<b>1878.51</b>	<b>1364.33</b>	<b>871.78</b>	<b>670.82</b>	<b>549.03</b>
<b>E. Liabilities and Provisions:</b>						
Secured Loans	869.52	699.86	491.50	588.20	587.88	577.75
Unsecured Loans	229.45	217.83	326.15	123.08	149.64	46.87
Current Liabilities and Provisions	665.36	757.96	558.80	250.22	63.96	71.51
Deferred Tax Liability	132.05	130.12	128.91	130.47	116.72	99.72
<b>Sub-Total</b>	<b>1896.38</b>	<b>1805.77</b>	<b>1505.36</b>	<b>1091.97</b>	<b>918.20</b>	<b>795.85</b>
<b>F. Net Worth (A+B+C-D)</b>	<b>1267.88</b>	<b>754.07</b>	<b>556.46</b>	<b>488.06</b>	<b>465.32</b>	<b>438.63</b>
<b>G. Represented by</b>						
1. Share Capital	1153.68	701.06	549.56	310.49	300.49	290.49
2. Reserves (net of revaluation reserves)	114.20	53.01	6.98	177.76	165.10	148.50
<b>Total</b>	<b>1267.88</b>	<b>754.07</b>	<b>556.54</b>	<b>488.25</b>	<b>465.59</b>	<b>438.99</b>
<b>H. Misc. Expenditure (to the extent not written off or adjusted)</b>	<b>-</b>	<b>-</b>	<b>0.08</b>	<b>0.19</b>	<b>0.27</b>	<b>0.36</b>
<b>Total ( G )</b>	<b>-</b>	<b>-</b>	<b>0.08</b>	<b>0.19</b>	<b>0.27</b>	<b>0.36</b>
<b>I. Net Worth (G-H)</b>	<b>1267.88</b>	<b>754.07</b>	<b>556.46</b>	<b>488.06</b>	<b>465.32</b>	<b>438.63</b>

**Notes:**

1. **Increase in Sundry Debtors:** The sharp increase in figures of Sundry debtors during FY 2006-07 is on account of increase in turnover of the Company during this period and change in method of representation of debtors followed by the Company. The turnover of the Company increased to Rs.8074.17 lacs during F.Y. 2006-07 as compared to previous year which was Rs.7063.19 lacs. The increase in debtors is the reflection of increase in sales of the Company. In addition prior to F.Y. 2006-07 the Company was following method of showing the net balance of the party, in the books of accounts For the purpose of proper monitoring of the balances the Company has changed the presentation by showing debit balances and credit balances separately of the same party from F.Y 2006-07. The difference due to change in the method of representation is Rs.283.86 lacs.
2. **Increase in Current Liabilities :** The Company procures food grains for further processing and trading. These food grains are procured from local market of Indore called "*Mandi*" directly or from other commission agents of *Mandi* including group concerns. Over the period of time the Company has established itself as a significant player in the *Mandi* and is receiving better credit facilities from commodity market players. The increase in Current liabilities and provision since FY 2004 is on account of increase in the credit period from suppliers because of better reputation and increase in the provision of taxes.

**ii. Statement of Profits and Losses (As Restated)**

We report that the profits of the company for the five financial years ended on 31<sup>st</sup> March, 2003, 2004, 2005, 2006, 2007 and seven months ended 31<sup>st</sup> October 2007 are as set out below. The Profit and Loss Account read with significant accounting policies and notes annexed hereto have been arrived at after charging all expenses of manufacture, working and management including depreciation and after making such adjustments and regroupings as are, in the opinion of the Company, appropriate.

(Rs. in lacs)

Particulars	For Seven Months ended on 31/10/2007	For the Year ended				
		31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
<b>INCOME</b>						
<b>Sales:</b>						
Of Products manufactured by the Company	3588.74	4934.72	3812.63	3038.79	2311.13	458.72
Of Products traded in by the Company	1429.07	3139.45	3250.56	503.31	139.77	22.54
Other Income	32.07	16.72	8.92	27.72	24.11	62.01
Increase (Decrease in inventories)	(67.20)	62.63	59.97	84.53	-167.34	292.7
<b>Total (A)</b>	<b>4982.69</b>	<b>8153.52</b>	<b>7132.08</b>	<b>3654.35</b>	<b>2307.67</b>	<b>835.97</b>
<b>Expenditure</b>						
Purchase & Consumption	4595.30	7583.97	6591.40	3208.24	1974.04	662.07
Staff Costs	17.78	25.52	18.15	7.02	7.08	6.65
Other Manufacturing Expenses	126.20	181.65	192.65	236.70	105.22	62.92
Administration Expenses	23.40	37.28	34.55	29.27	26.3	12.05
Selling & Distribution Expenses	25.96	50.81	114.12	25.10	55.84	7.85
Preliminary & preoperative exp. W/o	0.00	0.09	0.09	0.09	0.09	0.09
<b>Total (B)</b>	<b>4788.64</b>	<b>7879.32</b>	<b>6950.96</b>	<b>3506.42</b>	<b>2168.57</b>	<b>751.63</b>
<b>Earning Before Depreciation</b>	<b>194.03</b>	<b>274.2</b>	<b>181.12</b>	<b>147.93</b>	<b>139.1</b>	<b>84.34</b>
<b>Interest &amp; Tax</b>						
Depreciation	23.96	39.83	41.01	38.26	35.97	30.91
Interest	78.56	91.43	86.01	60.52	66.73	37.35
<b>Net Profit before tax and Extraordinary items</b>	<b>91.51</b>	<b>142.94</b>	<b>54.1</b>	<b>49.15</b>	<b>36.4</b>	<b>16.08</b>
<b>Taxation</b>						
Current tax	30.41	48.81	15.51	3.8	2.8	1.27
Deferred tax	1.93	1.21	-1.55	13.75	17	99.72
<b>Net Profit after Tax</b>	<b>59.17</b>	<b>92.92</b>	<b>40.14</b>	<b>31.60</b>	<b>16.60</b>	<b>-84.91</b>
Adjustments on account of Prior period Expenses	2.02	2.32	-	0.67	-	-
<b>Adjusted Profit</b>	<b>61.19</b>	<b>95.24</b>	<b>40.14</b>	<b>30.93</b>	<b>16.60</b>	<b>-84.91</b>



## B) GENERAL INFORMATION

### SITA SHREE FOOD PRODUCTS LIMITED

(Company Registration No.: 10-10741)

(Corporate Identity No.: U15314MP1996PLC010741)

*[Incorporated on 17/04/1996 under the Companies Act, 1956 as 'Sitashree Foods Products Private Limited' vide Certificate of Incorporation issued by the Registrar of Companies, Madhya Pradesh, Gwalior. Subsequently converted into a public limited company and the name of the Company was changed to 'Sitashree Foods Products Limited' vide a fresh certificate of Incorporation dated 14/02/1997. The name of the Company was further changed to 'Sita Shree Food Products Limited' vide a fresh certificate of Incorporation dated 28/04/2006]*

**Registered Office:** 332/4/2, R.D. Udhyog Nagar, Palda Nemawar road, Mathurawala's Colony, Indore-452001 (M.P.)

**Tel.:** +91-731-2862122; **Fax :** +91-731-2862121; **E-mail:** info@sitashri.com

**Website:** <http://www.sitashri.com>

**Contact Person:** Ms. Rekha Jain, Company Secretary & Compliance Officer

*[The Registered office of the Company was shifted from 108/3, Chitaward Road, Indore-452001 (M.P.) to present address w.e.f. 13/01/1998]*

**Registrar of Companies:** Sanjay Complex, Jayendraganj, Gwalior - 474009, (M.P.)

### Board of Directors of Sita Shree Food Products Limited

The Board of Directors as on date is as under:

Name	Designation	Status
Mr. Rajababu Agrawal	Chairman	Executive Director, Non-Independent Director
Mr. Dinesh Agrawal	Managing Director	Executive Director, Non-Independent Director
Mr. Rupesh Agrawal	Executive Director	Executive Director, Non-Independent Director
Mr. Aashish Agrawal	Executive Director	Executive Director, Non-Independent Director
Mr. Giriraj Gupta	Director	Independent Director
Mr. Suresh Wagh	Director	Independent Director
Mr. Kamlesh Jain	Director	Independent Director
Mr. Ganesh Prasad Sharma	Director	Independent Director

### Brief Profile of Executive Directors

**Mr. Rajababu Agrawal**, S/o Jagdishchandra Agrawal, aged 56 years, is the promoter & Chairman of the Company. He has been associated with the business of grain trading for the last 35 years. As a chairman he provides strategic direction to the company. He started his career in the business of food grains trading in the commodity market of Indore in 1972. After gaining such vast experience in commodity trading he started manufacturing of 'Atta' through Sita Shree Food Products Limited. The turnover of the Company has increased from Rs. 8cr to Rs. 81 cr. during last five years under his leadership.

**Mr. Dinesh Agrawal**, S/o Jagdish chandra Agrawal, aged 53 years, is the promoter & Managing Director of the Company. He has been associated with the business of grain trading for the last 30 years. He is responsible for the company's day to day activities and all financial matters. He joined his family business of food grains trading in the commodity market of Indore during 1977. After gaining rich experience in commodity trading he joined hand with his brother Mr. Rajababu Agrawal for venturing into manufacturing activity. He is also Trustee in M/s. Vishwanath Dham Trust, which is running a School Bharti Shiksha Sanskriti Sansthan.

**Mr. Rupesh Agrawal**, S/o Rajababu Agrawal, the Executive Director of the Company, aged 32 years. He is masters in commerce. He has an experience of 10 years in grain trading and processing and he has also visited many countries such as South Africa, Pakistan, Bangladesh, USA and UAE for exploring global opportunities for the business. He looks after finance aspect of the Company.

**Mr. Aashish Agrawal** S/o Dinesh Agrawal, aged 22 years, is the Executive Director of the Company. He has done his Bachelor of administration. He is responsible for the product marketing and accounts related issues in the Company.

*For more details on the directors of the Company, please refer to this section titled "Management" beginning on page 64 of this RHP*

***Company Secretary & Compliance Officer***

**Ms. Rekha Jain**

**Sita Shree Food Products limited**

332/4/2, R.D. Udhyog Nagar, Mathurawala's Colony,

Palda Nemawar Road, Indore-452001 (M.P.), India

Tel.: +91-731-2862122

Fax.: +91-731-2862121

E-mail: info@sitashri.com

**Note: The investors' attention is invited to contact the Compliance Officer in case of any pre-issue/post issue related problems such as non-receipt of letters of allotment/credit of allotted shares in the respective beneficiary accounts/refund orders, etc.**

***Bankers to the Company***

**Union bank of India**

SSI Branch, 21, Diamond Colony,

New Palasia, Indore - 452001 (M.P.)

Tel.: +91-731-2533776

Fax:+91-731-2533776

**Issue Management Team:**

***Book Running Lead Manager to the Issue***

**Keynote Corporate Services Ltd.**

**SEBI Registration No.:** INM 000003606

4<sup>th</sup> Floor, Balmer Lawrie Building, J.N.Heredia Marg,

Ballard Estate, Mumbai - 400001.

Tel: +91-22-30266000-3; Fax: +91-22-22694323

E-mail: mbd@keynoteindia.net

Website: <http://www.keynoteindia.net>

Contact Person: Mr. Satish Mangutkar

***Registrar to the Issue***

**ANKIT Consultancy Private Limited**

SEBI Registration No.: INR 000000767

2<sup>nd</sup> Floor, Alankar point,

Gita Bhawan Chouraha,

A.B. Road, Indore - 452 001 (M.P.)

Tel.: +91-731-2491298; Fax: +91-731-5065798

E-mail: [ankitind@sancharnet.in](mailto:ankitind@sancharnet.in)

Contact Person: Mr. Bhagwat S. Nagori

***Legal Advisor to the Issue***

**S.R. Legal**

Advocates and Legal Consultants

415, Rex Chambers, Walchand Hirachand Marg,

Ballard Estate, Mumbai-400 001

Tel.: +91-22-55741310

Fax.: +91-22-30221310

E-mail: [srlegals@gmail.com](mailto:srlegals@gmail.com)

Contact Person: Mr. Rama Rao Annamaneni

***Syndicate Member***

**Keynote Capitals Limited**

4<sup>th</sup> Floor Balmer Lawrie Bldg,

5, J.N. Heredia Marg,

Ballard Estate, Mumbai – 400 001

Tel: +91-22-30266044; Fax: +91-22-22694323

E-mail: [kcl@keynoteindia.net](mailto:kcl@keynoteindia.net)

Website: [www.keynoteindia.net](http://www.keynoteindia.net)

Contact Person: Mr. Alpesh Mehta

***Bankers to the Issue and Escrow Collection Banks***

<b>HDFC Bank</b> 2 <sup>nd</sup> Floor, Process House, Kamala Mills Compound Senapati Bapat Marg, Lower Parel Mumbai – 400 013 Tel : +91-22-24988484; Fax : +91-22- 24963871 E-mail : <a href="mailto:deepak.rane@hdfbank.com">deepak.rane@hdfbank.com</a> Contact Person : Mr. Deepak Rane	<b>ICICI Bank</b> Capital Markets Division, 30, Mumbai Samachar Marg, Mumbai – 400 001 Tel.: +91-22-22627600; Fax: +91-22-22611138 Email: <a href="mailto:venkataraghavan.t@icicibank.com">venkataraghavan.t@icicibank.com</a> Contact Person: Mr. Venkataraghavan
<b>Axis Bank</b> Kamal Palace 1, Yashwant Colony, Y.N. Road, Indore – 452 003 Tel : 9826744788 Fax : +91-731-2436910 E-mail : <a href="mailto:ashish.vyas@axisbank.com">ashish.vyas@axisbank.com</a> Contact Person : Mr. Ashish Vyaas	<b>BNP Paribas</b> 1 Forbes, 6 <sup>th</sup> Floor, Dr. V.B. Gandhi Marg, Mumbai – 400 023 Tel : +91-22-66182647 Fax : +91-22-66337521 E-mail : <a href="mailto:rupa.balsekar@asia.bnpparibas.com">rupa.balsekar@asia.bnpparibas.com</a> Contact Person : Ms. Rupa Balsekar

<b>Union Bank of India</b> Mumbai Samachar Marg Branch 66/80, Mumbai Samachar Marg Fort, Mumbai - 400 023. Tel: +91-22-22642744 ; Fax : +91-22-22642787 Email: chandramohan-mbd@unionbankofindia.com Contact Person: Mr. B Chandramohan	<b>Canara Bank</b> Capital Market Service Branch 11, Homji Street, Varma Chambers Building , Ground Floor, Fort, Mumbai - 400 001 Tel : +91-22-22692973 Fax: +91-22-22664140 E-mail : mcity2422@canbank.co.in Contact Person : Mr. T. Muralidharan
<b>Standard Chartered Bank</b> 270, D.N. Road, Fort, Mumbai – 400 001. Tel: +91-22-22683955; Fax: +91-22-22092216 Email: himanshu.magoo@in.standardchartered.com Contact Person: Mr. Rajesh Malwade	

#### ***Brokers to the Issue***

All the members of recognised stock exchanges would be eligible to act as the Brokers to the Issue.

#### ***Auditors of the Company:***

##### **M/s. Subhash Chandra Jain Anurag & Associates**

Chartered Accountants  
4, Archana Appartment,  
8-B, Ratlam Kothi,  
Indore - 452 001 (M.P.)  
Tel.: +91-731-2519439  
Fax: +91-731- 2519116

#### ***Statement of Inter se Allocation of Responsibilities for the Issue***

Since Keynote Corporate Services Ltd. is acting as sole BRLM to this Issue, distribution of responsibility and coordination for various activities among the BRLM is not applicable.

#### ***IPO Grading***

This Issue has been graded by Credit Analysis & Research Ltd. (CARE) and has been assigned the “IPO Grade 2” indicating below average fundamentals, through its letter dated 16/01/2008, which is valid for a period of two months. The IPO grading is assigned on a five point scale from 1 to 5 with an “IPO Grade 5” indicating strong fundamentals and an “IPO Grade 1” indicating poor fundamentals. A copy of the report provided by CARE, furnishing the rationale for its grading is available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

A summary of the rationale for the grading assigned by CARE to the Issue is extracted below:

*“The grading factors in the past track record of the promoters in sourcing commodities as well as running existing business and past association of Company with leading FMCG players. However, the grading is constrained by small size of operations, low profitability margins, inability to utilize existing capacities optimally, average corporate governance practices and fairly new and lesser known brand. Ability to operate in competitive industries and execution of proposed plant will be the key sensitivities.”*

### *Credit Rating*

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

### *Trustees*

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

### *Monitoring Agency:*

#### **Union bank of India**

239 Union Bhavan  
Vidhan Bhavan Marg  
Mumbai - 400 021  
Tel.: +91-022- 22896319  
Fax:+91-022- 22824689

### *Appraising Agencies*

The project of the Company has not been appraised by any Bank of Financial Institution.

### *No Offer in the United States*

The rights and the shares of the Company are not registered under the United States Securities Act, 1933, as amended, and the Issue is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States of America or the territories or possessions thereof.

### **Book Building Process**

The Book Building Process refers to the process of collection of Bids, on the basis of the Red Herring Prospectus, within the Price Band. The Issue Price is fixed after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

- (1) The Company;
- (2) The Book Running Lead Manager, in this case being Keynote Corporate Services Limited;
- (3) The Syndicate Member 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 BRLM;
- (4) The Registrar to the Issue in this case being Ankit Consultancy Private Limited; and
- (5) Escrow Collection Banks

The Equity Shares are being offered to the public through the 100% Book Building Process in accordance with the SEBI Guidelines, wherein upto 50% of the Net Issue shall be allocated on a proportionate basis to QIBs, including up to 5% of the QIB Portion that shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for Allocation on a proportionate basis to all QIB Bidders, including Mutual Funds. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to the 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.

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 present 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 124.

The Company shall comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, the Company has appointed Keynote Corporate Services Limited as the Book Running Lead Manager to manage the Issue and to procure the subscriptions to the Issue.

### Illustration of Book Building and Price Discovery Process

*(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue.)*

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

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

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

### Steps to be taken for Bidding:

1. Check eligibility for making a Bid (see "Issue Procedure- Who Can Bid" on page no.126 of this Red Herring Prospectus);
2. Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. Ensure that you have mentioned your PAN and attached copies of your PAN to the Bid cum Application Form; and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

### Bidding Period/Issue Period

<b>BID/ISSUE OPENS ON</b>	Tuesday, March 11, 2008
<b>BID/ISSUE CLOSSES ON</b>	Friday, March 14, 2008

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 5 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers 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 5 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band shall 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 BRLM and at the terminals of the Syndicate.

### Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with ROC, the Company proposes to enter into an Underwriting Agreement with the Underwriter for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill its underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriter are subject to certain conditions, as specified therein.

The Underwriter has indicated its intention to underwrite the following number of Equity Shares:

*(This portion has been intentionally left blank and will be completed prior to filing of the Prospectus with ROC)*

Name and Address of the Underwriter	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. lacs)
<b>Book Running Lead Manager</b>		
<b>Keynote Corporate Services Limited</b> 4 <sup>th</sup> Floor Balmer Lawrie Bldg, 5, J.N. Heredia Marg, Ballard Estate, Mumbai – 400 001 Tel: +91-22-30266000-3; Fax: +91-22-22694323 E-mail: mbd@keynoteindia.net	[•]	[•]
<b>Syndicate Member</b>		
<b>Keynote Capitals Limited</b> 4 <sup>th</sup> Floor Balmer Lawrie Bldg, 5, J.N. Heredia Marg, Ballard Estate, Mumbai – 400 001 Tel: +91-22-30266044; Fax: +91-22-22694323 E-mail: kcl@keynoteindia.net	[•]	[•]

The amounts mentioned above are indicative and this would be finalized after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [•].

In the opinion of the Board of Directors (based on a certificate given to them by BRLM and the Syndicate Member), the resources of the Underwriter are sufficient to enable it to discharge its underwriting obligations in full. The above-mentioned Underwriter is registered with SEBI under Section 12(1) of the SEBI Act or registered as broker with the Stock Exchange[s].

The Underwriter shall be responsible for ensuring payment with respect to the 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.



### C) CAPITAL STRUCTURE OF THE COMPANY

*Rs. in Lacs*

	Number of Shares	Description of Shares	Face Value	Nominal Value	Aggregate Value
<b>A.</b>	<b>Authorised Capital</b> 2,30,00,000	Equity Shares of Rs.10/- each	10	2300.00	2300.00
<b>B.</b>	<b>Issued, Subscribed and Paid up Capital before the Issue</b> 1,15,36,800	Equity Shares of Rs.10/- each, fully paid up.	10	1153.68	1153.68
<b>C.</b>	<b>Present Issue in terms of this RHP</b> [•]	Equity Shares of Rs. 10/- each at a Premium of Rs. [•] per share	10	[•]	[•]
<b>D.</b>	<b>Equity Share Capital after the Issue</b> [•]	Equity Shares, fully paid up	10	[•]	[•]
<b>E.</b>	<b>Share Premium Account</b> - Before the Public Issue - After the Public Issue in terms of this RHP		- -	Nil [•]	Nil [•]

Notes forming part of the Capital Structure:

#### 1. Details of Increase in Authorized Equity Capital divided in Equity Shares of Rs. 10/- each

Date of change	Authorised Capital (Rs.)	Face Value (Rs.)	No. of Shares
17/04/1996	10,00,000	10	1,00,000
14/10/1996	75,00,000	10	7,50,000
14/10/1997	2,50,00,000	10	25,00,000
15/02/2000	2,60,00,000	10	26,00,000
27/03/2006	10,00,00,000	10	1,00,00,000
25/05/2007	23,00,00,000	10	2,30,00,000

#### 2. The existing share capital has been subscribed and allotted as under:

Allotment Date	No. of shares	Cumulative Total shares	Face Value	Issue Price (Rs.)	Consideration	Cumulative Capital (in Lacs)	Nature for Allotment
17/04/1996	200	200	10	10	Cash	0.02	Signatories to the MOA
10/05/1996	1800	2000	10	10	Cash	0.20	Fresh Issue to promoters & other entities
01/03/2000	1595000	1597000	10	10	Cash	159.70	

Allotment Date	No. of shares	Cumulative Total shares	Face Value	Issue Price (Rs.)	Consideration	Cumulative Capital	Nature for Allotment
01/03/2000	986000	2583000	10	10	Cash	208.80	Partly paid shares issued at Rs. 5 per share on application and balance on call.
06/01/2003	(-) 986000	1597000	-	-	-	159.70	Shares were forfeited on account of non receipt of call money.
31/03/2005	100000	1697000	10	10	Cash	169.70	Reissue of forfeited shares
30/04/2005	50000	1747000	10	10	Cash	174.70	Fresh issue to Promoters
27/03/2006	1747000	3494000	10	10	--	349.40	Issued as Bonus Shares in the ratio of 1 : 1.
29/03/2006	914930	4408930	10	10	Cash	440.89	Fresh issue to Promoters
30/03/2006	886000	5294930	10	10	Cash	529.49	Reissue of forfeited shares
15/03/2007	1215700	6510630	10	10	Cash	651.06	Fresh issue to Promoters
31/03/2007	500000	7010630	10	10	Cash	701.06	
30/05/2007	3500000	10510630	10	10	Cash	1051.06	
26/06/2007	1026170	11536800	10	10	Cash	1153.68	

### 3. Promoters Contribution & Lock-in:

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post issue capital of the Company held by the Promoters shall be locked-in for a period of three years from the date of Allotment in the Issue and the balance shares held by the promoters/ promoter group shall be locked in for one year.

The details of the build up of the Promoters' shareholding, Promoters' contribution and lock in are as follows:

**Promoters:**

Name of the Promoter	Date of Allotment/ Transfer	Date when made fully paid-up	Consideration	No. of shares of Rs. 10/- each	Issue/ Purchase Price	% of Post Issue paid-up capital	Lock-in period
Mr. Rajababu Agrawal	17/04/96	17/04/96	Cash	100	10	[●]	Three
	10/05/96	10/05/96	Cash	200	10	[●]	Three
	10/05/96	10/05/96	Cash	100	10	[●]	Three
	01/03/00	01/03/00	Cash	68200	10	[●]	Three
	26/02/06	26/02/06	Cash	5000	10	[●]	Three
	27/03/06	27/03/06	Bonus	73600	-	[●]	Three
	29/03/06	29/03/06	Cash	22500	10	[●]	Three
	30/03/06	30/03/06	Cash	63000	10	[●]	Three
	15/03/07	15/03/07	Cash	6800	10	[●]	One
<b>Sub Total</b>				[●]		[●]	Three
				[●]		[●]	One
Mr. Dinesh Agrawal	10/05/96	10/05/96	Cash	400	10	[●]	Three
	01/03/00	01/03/00	Cash	85350	10	[●]	Three
	26/02/06	26/02/06	Cash	13500	10	[●]	Three
	27/03/06	27/03/06	Bonus	99250	-	[●]	Three
	04/05/06	04/05/06	Cash	9930		[●]	Three
	30/03/06	30/03/06	Cash	67000	10	[●]	Three
	15/03/07	15/03/07	Cash	7000	10	[●]	One
<b>Sub Total</b>				[●]		[●]	Three
				[●]		[●]	One
Mr. Rupesh Agrawal	01/03/00	01/03/00	Cash	127000	10	[●]	Three
	05/09/02	05/09/02	Cash	76800	11.45	[●]	Three
	27/03/06	27/03/06	Bonus	203800	-	[●]	Three
	29/03/06	29/03/06	Cash	97430	10	[●]	Three
	30/03/06	30/03/06	Cash	59000	10	[●]	Three
	15/03/07	15/03/07	Cash	20300	10	[●]	One
	30/05/07	30/05/07	Cash	130935	10	[●]	One
<b>Sub Total</b>				[●]		[●]	Three
				[●]		[●]	One
Mr. Ashish Agrawal	01/03/00	01/03/00	Cash	12500	10	[●]	Three
	05/09/02	05/09/02	Cash	85500	11.45	[●]	Three
	26/02/06	26/02/06	Cash	28000	10	[●]	Three
	27/03/06	27/03/06	Bonus	126000	-	[●]	Three
	29/03/06	29/03/06	Cash	20000	10	[●]	Three
	30/03/06	30/03/06	Cash	134000	10	[●]	Three
	15/03/07	15/03/07	Cash	9800	10	[●]	One
	30/05/07	30/05/07	Cash	1000000	10	[●]	One
<b>Sub Total</b>				[●]		[●]	Three
				[●]		[●]	One

Name of the Promoter	Date of Allotment/ Transfer	Date when made fully paid-up	Consideration	No. of shares of Rs. 10/- each	Issue/ Purchase Price	% of Post Issue paid-up capital	Lock-in period
Mrs. Chandrika Devi Agrawal	01/03/00	01/03/00	Cash	199100	10	[●]	Three
	05/09/02	05/09/02	Cash	43500	11.45	[●]	Three
	26/02/06	26/02/06	Cash	30000	10	[●]	Three
	27/03/06	27/03/06	Bonus	272600	-	[●]	Three
	29/03/06	29/03/06	Cash	70000	10	[●]	Three
	30/03/06	30/03/06	Cash	67000	10	[●]	Three
	15/03/07	15/03/07	Cash	24300	10	[●]	One
	30/05/07	30/05/07	Cash	769065	10	[●]	One
Sub Total				[●]		[●]	Three
				[●]		[●]	One
Mrs. Usha Devi Agrawal	01/03/00	01/03/00	Cash	90000	10	[●]	Three
	05/09/02	05/09/02	Cash	43500	10	[●]	Three
	27/03/06	27/03/06	Bonus	133500	-	[●]	Three
	29/03/06	29/03/06	Cash	40000	10	[●]	Three
	30/03/06	30/03/06	Cash	59000	10	[●]	Three
	15/03/07	15/03/07	Cash	13300	10	[●]	Three
	30/05/07	30/05/07	Cash	300000	10	[●]	Three
Sub Total				[●]		[●]	Three
				[●]		[●]	One
Mr. Anoop Agrawal	01/03/00	01/03/00	Cash	12500	10	[●]	Three
	05/09/02	05/09/02	Cash	63500	11.45	[●]	Three
	26/02/06	26/02/06	Cash	24500	10	[●]	Three
	27/03/06	27/03/06	Bonus	100500	-	[●]	Three
	29/03/06	29/03/06	Cash	20000	10	[●]	Three
	30/03/06	30/03/06	Cash	134000	10	[●]	Three
	04/05/06	04/05/06	Cash	364635	10	[●]	Three
	15/03/07	15/03/07	Cash	19100	10	[●]	One
	31/03/07	31/03/07	Cash	50000	10	[●]	One
Sub Total				[●]		[●]	Three
				[●]		[●]	One
Mr. Manish Agrawal	10/05/96	10/05/96	Cash	400	10	[●]	Three
	05/09/02	05/09/02	Cash	113100	11.45	[●]	Three
	01/03/00	01/03/00	Cash	43500	10	[●]	Three
	27/03/06	27/03/06	Bonus	157000	-	[●]	Three
	29/03/06	29/03/06	Cash	350000	10	[●]	Three
	30/03/06	30/03/06	Cash	59000	10	[●]	Three
	15/03/07	15/03/07	Cash	20000	10	[●]	One
	30/05/07	30/05/07	Cash	300000	10	[●]	One
Sub Total				[●]		[●]	Three
				[●]		[●]	One
Rajababu Agrawal HUF	05/09/02	05/09/02	Cash	102800	11.45	[●]	Three
	27/03/06	27/03/06	Bonus	102800	-	[●]	Three
	29/03/06	29/03/06	Cash	10000	10	[●]	Three
	30/03/06	30/03/06	Cash	59000	10	[●]	Three
	15/03/07	15/03/07	Cash	10300	10	[●]	One
Sub Total				[●]		[●]	Three
				[●]		[●]	One

Name of the Promoter	Date of Allotment/ Transfer	Date when made fully paid-up	Consideration	No. of shares of Rs. 10/- each	Issue/ Purchase Price	% of Post Issue paid-up capital	Lock-in period
Dinesh Agrawal HUF	05/09/02	05/09/02	Cash	93600	11.45	[●]	[●]
	27/03/06	27/03/06	Bonus	93600	-	[●]	[●]
	29/03/06	29/03/06	Cash	185000	10	[●]	Three
	30/03/06	30/03/06	Cash	67000	10	[●]	Three
	15/03/07	15/03/07	Cash	9300	10	[●]	One
<b>Sub Total</b>				[●] [●]		[●] [●]	<b>Three One</b>
<b>Promoters Contribution</b>				[●]		20%	<b>Three</b>

**Promoter Group:**

Ms. Neha Agrawal	05/09/02	05/09/02	Cash	62500	11.45	[●]	One
	27/03/06	27/03/06	Bonus	62500	-	[●]	One
	15/03/07	15/03/07	Cash	6200	10	[●]	One
<b>Sub Total</b>				<b>131200</b>		[●]	<b>One</b>
Ms. Manisha Agrawal	05/09/02	05/09/02	Cash	43700	11.45	[●]	One
	27/03/06	27/03/06	Bonus	43700	-	[●]	One
	30/03/06	30/03/06	Cash	59000	10	[●]	One
	15/03/07	15/03/07	Cash	4300	10	[●]	One
<b>Sub Total</b>				<b>150700</b>		[●]	<b>One</b>
Manish Agrawal HUF	05/09/02	05/09/02	Cash	43350	10	[●]	One
	27/03/06	27/03/06	Bonus	43350	-	[●]	One
	30/03/06	30/03/06	Cash	59000	10	[●]	One
<b>Sub Total</b>				<b>145700</b>		[●]	<b>One</b>
Mrs. Ruchi Agrawal	04/05/06	04/05/06	Cash	195035	10	[●]	One
	30/05/07	30/05/07	Cash	1000000	10	[●]	One
<b>Sub Total</b>				<b>1195035</b>		[●]	<b>One</b>
Sita Shree Marketing Pvt. Ltd.	31/03/07	31/03/07	Cash	250000	10	[●]	One
	15/03/07	15/03/07	Cash	1065000	10	[●]	One
<b>Sub Total</b>				<b>1315000</b>		[●]	<b>One</b>
Anoop Foods Ltd.	31/03/07	31/03/07	Cash	200000	10	[●]	One
	26/06/07	26/06/07	Cash	1026170	10	[●]	One
<b>Sub Total</b>				<b>1226170</b>		[●]	<b>One</b>
<b>Grand Total</b>				<b>11536800</b>		[●]	

All Equity Shares, which are being locked-in are eligible for computation of promoter's contribution and lock-in under Clause 4.6 of the SEBI Guidelines.

As per clause 4.15.1 of the SEBI Guidelines, the locked-in Equity Shares held by the Promoter can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan. Further, the locked in Equity Shares held by the Promoters as minimum Promoters contribution can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that such pledge of the Equity Shares is in respect of a financial facility which has been granted for the purpose of financing one or more of the objects of the Issue.

Under Clause 4.16.1(a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter prior to the Issue 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 Takeovers Regulations.

Further, under Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter group or to a new Promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations.

#### 4. Shareholding Pattern of the Company

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

Name of Shareholder	Pre-Issue (As on the date of filing of this RHP with SEBI)		Post-Issue	
	Number of Equity Shares	Percentage equity share capital (%)	Number of Equity Shares	Percentage equity share capital (%)
<b>Promoters</b>				
Mr. Rajababu Agrawal	239500	2.08	239500	[●]
Mr. Dinesh Agrawal	282430	2.45	282430	[●]
Mr. Rupesh Agrawal	715265	6.20	715265	[●]
Mr. Ashish Agrawal	1415800	12.27	1415800	[●]
Mrs. Chandrika Devi Agrawal	1475565	12.79	1475565	[●]
Mr. Anoop Agrawal	788735	6.84	788735	[●]
Mr. Manish Agrawal	1043000	9.04	1043000	[●]
Rajababu Agrawal (HUF)	284900	2.47	284900	[●]
Mrs. Usha Devi Agrawal	679300	5.89	679300	[●]
Dinesh Agrawal (HUF)	448500	3.89	448500	[●]
<b>Promoter Group</b>				
Ms. Neha Agrawal	131200	1.14	131200	[●]
Ms. Manisha Agrawal	150700	1.31	150700	[●]
Manish Agrawal (HUF)	145700	1.26	145700	[●]
Mrs. Ruchi Agrawal	1195035	10.36	1195035	[●]
Anoop Foods Ltd.	1226170	10.63	1226170	[●]
Sita Shree Marketing Pvt. Ltd.	1315000	11.40	1315000	[●]
<b>Public</b>	-	-	[●]	[●]
<b>Total</b>	<b>11536800</b>	<b>100.00</b>	<b>[●]</b>	<b>[●]</b>

- The Company, nor Directors / Promoter / Promoter Group of the Company, nor their respective Directors and the BRLM have entered into any buy-back and/or standby or similar arrangements for purchase of Equity Shares from any person.
- All shares issued since the date of incorporation of the Company are fully paid up.
- There has been no revaluation of assets of the Company in the last 5 Financial Years.
- The Company has not availed of any bridge loans to be repaid from the proceeds of the issue.
- The Company has not issued any equity shares out of revaluation reserves or for consideration other than cash. The Company has made Bonus Issue of 17,47,000 Equity Shares in 2006 as per the capital structure above.

10. The total number of shareholders / members of the Company as on date are 16.
11. The Directors, Promoters and Promoter Group of the Company have not entered into any purchase or sale transactions of the Company's shares in the last six months except the shares allotted to them as disclosed in point no.2.
12. **The list of top ten shareholders and the number of equity shares held by them is as under:**

Top shareholders of Company as of the date of the filing of this Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name	No. of Shares	% to Paid up Capital
1	Mrs. Chandrika Devi Agrawal	1475565	12.79
2	Mr. Ashish Agrawal	1415800	12.27
3	Sita Shree Marketing Pvt. Ltd.	1315000	11.40
4	Anoop Foods Ltd.	1226170	10.63
5	Mrs. Ruchi Agrawal	1195035	10.36
6	Mr. Manish Agrawal	1043000	9.04
7	Mr. Anoop Agrawal	788735	6.84
8	Mr. Rupesh Agrawal	715265	6.20
9	Mrs. Usha Devi Agrawal	679300	5.89
10	Dinesh Agrawal (HUF)	448500	3.89
	<b>Total Equity Shares</b>	<b>10302370</b>	<b>89.31</b>

Top shareholders of Company as of ten days prior to the filing of this Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name	No. of Shares	% to Paid up Capital
1	Mrs. Chandrika Devi Agrawal	1475565	12.79
2	Mr. Ashish Agrawal	1415800	12.27
3	Sita Shree Marketing Pvt. Ltd.	1315000	11.40
4	Anoop Foods Ltd.	1226170	10.63
5	Mrs. Ruchi Agrawal	1195035	10.36
6	Mr. Manish Agrawal	1043000	9.04
7	Mr. Anoop Agrawal	788735	6.84
8	Mr. Rupesh Agrawal	715265	6.20
9	Mrs. Usha Devi Agrawal	679300	5.89
10	Dinesh Agrawal (HUF)	448500	3.89
	<b>Total Equity Shares</b>	<b>10302370</b>	<b>89.31</b>

Top shareholders of Company as of 2 years prior to the filing of this Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name	No. of Shares	% to Paid up Capital
1	Mrs. Chandrika Devi Agrawal	242600	14.30
2	Mr. Rupesh Agrawal	203800	12.01
3	Mr. Manish Agrawal	157000	9.25
4	Mr., Usha Devi Agrawal	133500	7.87
5	Mr. Rajababu Agrawal	102800	6.06
6	Money Penny Fincom(P) Ltd.	100000	5.89
7	Mr. Ashish Agrawal	98000	5.77
8	Dinesh Agrawal (HUF)	93600	5.52
9	Ms. Mamta Agrawal	84800	5.00
10	Mr. Anoop Agrawal	76000	4.48
	<b>Total Equity Shares</b>	<b>3370230</b>	<b>100.00</b>

13. The Shareholders of the Company do not hold any warrant, options, convertible loan or any debenture, which would entitle them to acquire further Shares of the Company.
14. There shall be only one denomination of the equity shares of the Company unless otherwise permitted by law. The Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time.
15. The Company has not granted Equity Options to its employees.
16. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.
17. We do not presently intend or propose to alter our capital structure for a period of six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, the Company may make acquisitions or enter into joint ventures or make investments, in which case the Company may consider raising additional capital to fund such activity or use equity shares as a currency for acquisition or participation in such joint ventures or investments
18. The entire issue price is to be paid on application hence there will be no partly paid up shares arising out of this issue.



## D) PARTICULARS OF THE ISSUE

### a.) Objects of the Issue

The Company proposes the present Issue to:

1. Finance following capital expenditure program at our various locations:
  - Setting up a Solvent Extraction Plant having 500TPD capacity,
  - Setting up a oil refinery for Solvent Extraction Plant having 100TPD capacity,
  - Setting up a Lecithin plant for processing the by products of Solvent Extraction Plant having 5TPD capacity at Badia Kima (M.P.).
  - Setting up a Flour Mill of 275TPD.
2. To meet working capital margin requirement of the business
3. To meet the expenses of the issue
4. To enable listing of the equity shares of the company on the stock exchanges.

### b.) Cost of Project and Means of Finance

The fund requirement and deployment are based on project report prepared by MPCON relying on estimates provided by the management of the Company and has not been appraised by any bank or financial institution or any independent organization. MPCON, a limited company promoted by IFCI, IDBI, ICICI, State Corporations & Banks is a premier consulting organization in Madhya Pradesh & Chattisgarh offering services to entrepreneurs in the small & medium as well as large industrial units. The capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; availability of working capital finance on acceptable terms; and changes in management's views of the desirability of current plans among others.

The Objects Clause of the Memorandum and Articles of Association of the Company enables it to undertake the activities for which the funds are to be raised in the present Public Issue. Further, it is confirmed that the activities, which the company has been carrying out until now is in accordance with the object clause of Memorandum and Articles of Association of the Company.

The Cost of project and its means of finance are as under:

#### Cost of Project

<i>Rs. In lacs</i>	
<b>Particulars</b>	<b>Amount</b>
Land acquisition	350.00
Site Development	81.25
Factory Building	603.17
Plant & Machinery	2479.23
Misc. Fixed Assets	46.00
Pre-operative Expenses	173.76
Contingency	84.59
Working Capital requirement	758.67
Public Issue Expenses	236.25
<b>Total cost of project</b>	<b>4812.92</b>

#### Means of Finance

<i>Rs. In lacs</i>	
<b>Particulars</b>	<b>Amount</b>
Equity Share Capital	
– Promoter	624.19
– Public Issue	3150.00
Term Loan	1000.00
Internal Accruals	38.73
<b>Total means of finance</b>	<b>4812.92</b>

Promoters have already bought in the funds by way of equity capital towards their contribution to the proposed project. The Company has received sanction from Union Bank of India for term loan of Rs.1000.00 lacs vide their letter dated 06/12/2007.

## Break-up of Cost of Project

### 1. Land acquisition

The proposed project will be set up at Badiya Kima tehsil, Dist. Indore, Madhya Pradesh. The land required for the proposed project is estimated at 7 acres. However the Company has already acquired 7.22 acres land at above place. The said land is on 30 years lease from the promoters of the Company. The deposit of Rs.350 lacs has already been paid by the Company to various entities in the Promoter group. No valuation from any outside agency was carried out for the same.

*Summary of lease deposit/rent paid to various promoter entities is as follows:*

(Rs. in Lacs)				
Sr. No	Name of Lessors	Area (Hectare)	Lease Rent (per Month)	Deposit
1	Mr. Ashish Agarwal	2.20	0.75	100.00
2	Mrs. Ruchi Agarwal	2.20	0.75	100.00
3	Mr. Manish Agarwal	0.56	0.30	30.00
4	Mrs. Chandrika Agarwal	0.56	0.30	30.00
5	Mr. Rupesh Agarwal	0.56	0.30	30.00
6	Mrs. Usha Devi Agarwal	0.56	0.30	30.00
7	Mrs. Anita Agarwal	0.56	0.30	30.00
<b>Total</b>		<b>7.22</b>	<b>3.00</b>	<b>350.00</b>

### 2. Site Development

Site development comprises of construction of compound wall (partial facing), leveling of land, construction of gate, arrangement of water, coal etc. The cost estimated for this is Rs.81.25 Lacs. The break of expenditure to be incurred is as follows:

(Rs. in Lacs)	
Particulars	Amount
Compound Wall	50.00
Leveling & filling	5.00
Gate & Pillar	2.00
External drainage & water drains	
➤ Septic Tanks	1.00
➤ Fencing	10.00
➤ Approach road	3.00
➤ Internal link road	3.00
➤ Coal yard	1.00
➤ Drainage	1.00
➤ Water Source	1.00
➤ Plantation	0.25
➤ Tube Well	2.00
Additional exp. For flour mill	2.00
<b>Total</b>	<b>81.25</b>

No quotation have been obtained and the cost is an estimated by the management of the Company. The work will be carried out with the help of local contractors.

### 3. Factory Building

The civil work cost for the construction for factory building, utilities, and misc. foundation work etc has been estimated as under:

Particulars	Area (Sq. Mtrs.)	Cost per Sq.mtr. (Rs.)	Amount (Rs. In Lacs)
<b>Solvent Extraction Plant</b>			
Plant & Pump House	203	2400	4.86
Electric panel in plant	41	3500	1.42
Vapor wall of plant	303	3500	10.59
DOC godown	1860	3500	65.10
Preparatory section	810	4000	32.40
Seed godown	2790	3500	97.65
Finished goods godown	540	4000	21.60
Cooling tower	150	3500	5.25
<b>Total</b>	<b>6696</b>	<b>-</b>	<b>238.87</b>
<b>Refinery &amp; Lecithin Plant</b>			
Refinery cum lecithin plant	800	4000	32.00
Packing filling section	400	3500	14.00
Acid oil section	128	3500	4.48
Instrument air compressor	60	3500	2.10
Packed oil storage	400	3500	14.00
Tank foundation	-	-	4.62
Cooling tower and pump house	150	3000	4.50
<b>Total</b>	<b>1938</b>	<b>-</b>	<b>75.70</b>
<b>Common</b>			
Electric penal room	600	3500	21.00
Electric power distribution	300	3500	10.50
DG set	300	3500	10.50
Boiler shed (SEP)	144	3500	5.04
Boiler house (Ref)	300	4500	13.50
Laboratory & plant office	450	3500	15.75
Water storage tank	675	3500	23.63
DM water & softening plant	300	3500	10.50
Water pump room & cooling tower	200	3500	7.00
Chemical stores	375	3500	13.13
Stores	200	3500	7.00
Workshop	300	3500	10.50
Effluent treatment plant	200	3500	7.00
DB cabin	20	3500	0.69
WB platform	35	4000	1.40
Canteen & time office	110	3500	3.85
Security checkpost	4	3500	0.14
Administration block	128	3500	4.48
HT yard	189	1000	1.89
Labour quarter	523	4000	20.90
<b>Total</b>	<b>5353</b>	<b>-</b>	<b>188.40</b>
<b>Flour Mill</b>			

Main plant	840	2500	21.00
Godown for raw material	1400	2500	35.00
Godown for packing material	475	2500	11.88
Packing room	475	2500	11.88
Godown finished	475	2500	11.88
Emergency water	360000 Ltr.	-	3.60
Plant water storage tank	500000 Ltr.	-	5.00
<b>Total</b>	<b>3665</b>	<b>-</b>	<b>100.24</b>
<b>Grand Total</b>	<b>17652</b>	<b>-</b>	<b>603.17</b>

The above estimates are based on drawings prepared by RJ Associates (Engineers) Pvt. Ltd. The Company has entered into agreement with M/s Servotech India Limited for construction of above factory units. The Company has placed an order with them and paid an advance of Rs.100.00 lacs till date.

#### 4. Plant and Machinery

(Rs. in Lacs)

Sr. No.	Particulars	Name of the Supplier	Qty	Amount
1	<b>SOLVENT EXTRACTION PLANT</b> Servotech "Deluxe" Continuous & Fully Automatic Solvent Extraction Plant, suitable for processing Soya Bean, Capacity - 500 Tpd (Cost includes Preparatory Section, Extraction Section, MARC Desolvetisation Section, Distillation Section, Absorption Section, Meal Finishing Section, Pump Piping & Instrumentation, Electrical).	Servotech India Limited	1	614.00
2	<b>PLANT AND MACHINERY FOR REFINING</b> Consisting of Wet De-Gumming cum Neutralization Plant Complete with Water Wash & Vacuum Drying of 100 TPD, Continuous Bleaching Plant of 100 TPD, Continuous De- Acidification Cum Deodorization Plant of 100 TPD.	Servotech India Limited	1	516.00
3	<b>SOYABEAN LECITHIN PLANT</b> Consisting of Wet Gum Bleaching and Drying Plant of 5TPD, Lecithin De- Oiling Plant of 2.5 TPD, Lecithin Powder Plant of 1.6 TPD, Heat Insulation and Painting, Structural Material inside the Civil Building, Pipe & Fittings, Thermic Liquid Heating System.	Servotech India Limited	1	120.00
4	<b>STEAM BOILER</b> Capacity of 25 TPH , a F&A 100 degree C, working pressure of 30KG/cm2 (SVLOP), fuel-husk with pumps & motors, underbat firing and multi-fuel capacity with furnace, DD & FD PA fan, steam drum, air pre-heater and instrumentation and dust collecting system.	Servotech India Limited	1	35.00
5	<b>WEIGH BRIDGE</b>	Servotech India Limited	1	15.00
6	<b>LABORATORY MATERIALS</b> Consisting of glass wares plastic & rubber items, chemicals.	Servotech India Limited	1	15.00
7	<b>INSTRUMENT &amp; APPLIANCES</b>	Servotech India Limited	1	5.00

8	<b>EFFLUENT TREATMENT PLANT</b> Capacity of 500 Mt./day consisting of equalization acidification, 1 <sup>st</sup> stage DAF, Fat recovery chemical conditioning, flocculation and sedimentation, aeration, handling and disposal system.	Servotech India Limited	1	25.00
9	<b>DG SET</b> 1250 KVA (Manufacturer- Cummins)	Servotech India Limited	2	68.00
10	<b>COOLING TOWERS</b> (Manufacturer- Paharpur, Kolkatta)	Servotech India Limited	2	23.96
11	<b>STORAGE TANK</b> Bulk Oil, Refined Oil, Hexane and emergency water.	Servotech India Limited	1 each	200.00
12	<b>THERMIC FLUID BOILER</b> 150000 KCAL/HR model TK 1500 (Manufacturer- Isotex, Ahmedabad)	Servotech India Limited	1	16.29
13	<b>INDION DM WATER TREATMENT PLANT</b> Capacity of 600 mt/day. (Manufacturer- Ionexchange, indore)	Servotech India Limited	1	26.54
14	<b>WORKSHOP MACHINES</b> Consisting of lathe machine, shaper, hydraulic Rocksaw, radial drill, dog chuck voice, grinder. (Manufacturer- Bharat Machines, Indore)	Servotech India Limited	1	1.72
15	<b>ELECTRICALS</b> Transformer, 2500 KVA (Manufacturer- Kirloskar)	Servotech India Limited	1	11.62
16	<b>FULLY AUTOMATIC FLOUR MILL, CAPACITY: 275 TPD</b> (Pre Cleaning Section, Section cleaning system, Milling Section, Purge air blower etc.	Servotech India Limited	1	712.00
17	<b>Additional taxes (taxes, freight &amp; Insurance)</b>			74.10
	<b>TOTAL</b>			<b>2479.23</b>

No second hand machinery will be used in the proposed plant.

## 5. Miscellaneous Fixed Assets

The Company needs certain misc. equipments at the new plant such as fire fighting equipment, safety equipments, office equipments, and furniture and fixtures. The cost estimated for the same is Rs.46.00 Lacs. The details are as follows:

<i>(Rs. in lacs)</i>		
Sr. No.	Particulars	Total
1	Computers	25.00
2	Office furniture and equipments	5.00
3	Vehicles	10.00
4	Fire fighting equipments	6.00
	<b>Total</b>	<b>46.00</b>

The Company has not identified any supplier for the above materials since the orders for these equipments will be placed only after completion of civil work at plant location.

## 6. Pre-operative Expenses

The Company required funds for certain pre-operative expenses such as project report preparation, Interest during implementation, start up expenses, insurance, legal expenses, etc. The total requirement is estimated at Rs. 173.76 Lacs.

## 7. Contingencies

A contingency provision of 2.5% of capital assets cost and pre-operative expenses of Rs. 3383.41 lacs i.e. Rs. 84.59 Lacs is provided for.

## 8. Margin money for working capital

The working capital margin money requirement of the project is estimated at Rs. 758.67 Lacs, based on the calculations for the first full year of operations i.e. 2008-09 of the project.

The working capital requirement has been worked out on the following assumptions given below:-

(Rs in lacs)			
Sr. No.	Particulars	Period in months (25 days)	Amount
<b>1</b>	<b>Oil Mill</b>		
a	Raw Material	1.00	1099.46
b	Finished Goods	0.28	334.79
c	Stock in Process	0.12	143.48
d	Receivables (Oil)	0.28	166.60
e	Receivables (DOC)	0.40	283.33
f	Expenses	1.00	27.29
g	Fuel	1.00	44.25
	<b>Total</b>		<b>2099.21</b>
h	Less: Purchase Credit	0.90	950.22
<b>i</b>	<b>Net Working Capital</b>		<b>1148.99</b>
j	Bank funding		593.69
<b>k</b>	<b>Margin for working capital</b>		<b>555.30</b>
<b>2</b>	<b>Flour Mill</b>		
a	Raw Material	1.00	385.55
b	Finished Goods	0.40	160.71
c	Stock in Process	0.04	16.07
d	Receivables	0.40	164.37
e	Expenses	1.00	17.68
	<b>Total</b>		<b>744.37</b>
f	Less: Purchase Credit	0.40	151.47
<b>g</b>	<b>Net Working Capital</b>		<b>592.90</b>
h	Bank funding		389.53
<b>i</b>	<b>Margin for working capital</b>		<b>203.37</b>
<b>Total margin requirement for working capital (k + i)</b>			<b>758.67</b>

The Company has received in-principle approval from Uco Bank Ltd. vide their letter dated 23/07/2007 for proposed as well as existing working capital limit of Rs.1400.00 lacs.

## 9. Public Issue Expenses

The Issue expenses includes the expenses for the current Public Issue *inter-alia* including travelling, management fees, printing and distribution expenses, commission, legal fees, regulatory fees, advertisement expenses and Processing fees & listing fees payable to the stock exchanges, among others. The total issue expenses are estimated to be approximately 7.5% of the total proceeds of this Public Issue.

A broad breakup of the same is as under:

(Rs. in Lacs)		
Sr. No.	Nature of Expenses	Amount
1.	Issue management fees, brokerage, Underwriting commission, legal advisor fee, and registrar charges.	110.25
2.	Printing expenses, postage, dispatch expenses, advertisement & publicity expenses	111.00
3.	Listing fees & others expenses	15.00
	<b>Total</b>	<b>236.25</b>

### Appraisal

The requirements of funds and deployment thereof are based on project report prepared by MPCON, and internal management estimates and have not been appraised by any bank of financial institution.

### Schedule of implementation

The proposed schedule of implementation for the projects is detailed below:

Sr. No.	Activity	Commencement	Completion	Status
<b>Flour Mill, Solvent Extraction Plant, Oil Refinery &amp; Lecithin Plant</b>				
1	Land	Already in possession		
2	Site Development	February 2008	March 2008	Commenced
3	Civil Work			
	Factory Building	March 2008	July 2008	Contract is signed with Servotech India Ltd.
	Machine Foundation	March 2008	April 2008	
	Auxillary, Admin.	March 2008	April 2008	
4	Plant & Machinery	May 2007	Delivery on completion of construction of Building	Order is placed with Servotech India Ltd.
5	Arrangement of Power & Water	June 2007	Sanction for power will be received after completion of building.	Applied to MPSEB for power supply.
6	Erection of Equipment	May 2008	August 2008	Will be commenced after completion of installation of plant.
7	Trial Run	September 2008	-	-
8	Commencement of commercial production	September 2008	-	-

### Year wise break up of Expenditure

The year wise break up of expenditure is as follows:

(Rs. In lacs)			
Particulars	2007-08	2008-09	Total
Land acquisition	350.00	-	350.00
Site Development	81.25	-	81.25
Installation of plant	1102.51	2284.24	3386.75
Working Capital requirement	-	758.67	758.67
Public Issue Expenses	236.25	-	236.25
<b>Total cost of project</b>	<b>1770.01</b>	<b>3042.91</b>	<b>4812.92</b>

## Sources & deployment of Funds

The total expenditure which has been incurred on the project and source of financing the same, as of 31/12/2007 as certified by the Statutory Auditor of the company, M/s. Subhash Chand Jain Anurag & Associates vide certificate dated 25/01/2008 is as detailed in the table:

	Particulars	Amount paid upto 31/012/2007 (Rs. in lacs)
<b>A</b>	<b>Funds Deployed</b>	
	1) Security deposit with lessor against leasehold land	350.00
	2) Advance against Plant & Machinery	102.51
	3) Advance to various agency against Public Issue Service & work (including exp. for increase of Authorised Capital & ROC exp.)	53.63
	4) F.D. with Union Bank of India, Indore	81.25
	5) Other Current Assets	36.80
	<b>Total</b>	<b>624.19</b>
<b>B</b>	<b>Source of Funds</b>	
	Equity Share Capital (from Promoters)	624.19
	<b>Total</b>	<b>624.19</b>

In case of any variation in the actual utilisation of funds earmarked for the above activities increased, fund deployment for a particular activity may be met with by the surplus funds, if any available in respect of the other activities.

## Interim Use of Funds

The Management in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization for the purposes described above, we intend to deposit the funds in fixed deposits with scheduled commercial Banks. These investments shall be in accordance with policies approved by our Board of Directors.

## Monitoring of Utilization of Funds

The Company has appointed Union Bank of India for monitoring the utilization of the proceeds of the Issue. As per regulatory requirements, the Company will disclose the utilization of the proceeds of the Issue under a separate head in the Balance Sheet clearly specifying the purpose for which such proceeds have been utilized. The Company will also, in Balance Sheet, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilised proceeds of the Issue. No part of the proceeds of the Issue will be paid by the Company as consideration to Promoters, directors, key management personnel or companies promoted by promoters except in the usual course of business.



## E) BASIS FOR ISSUE PRICE

The Price for the Issue Price will be decided by us in consultation with the BRLM and specified in the Prospectus that will be filed with the Registrar of Companies. The Price will also be advertised in [●], an English language newspaper [●] and a Hindi language (Regional Newspaper) with wide circulation. The face value of the Equity Shares is Rs. 10 and the Issue Price is [●] times the face value.

### Quantitative Factors

Information presented in this section is derived from restated financial statements of the Company, prepared in accordance with Indian GAAP.

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

Year Ended	EPS (Rs.)	Weight
March 31, 2005	1.94	1
March 31, 2006	1.15	2
March 31, 2007	1.78	3
<b>Weighted Average</b>		<b>1.60</b>

*Note: EPS is calculated on the basis of weighted average number of shares in each year. Weighted average number of shares has been calculated on time basis.*

EPS based on audited financial results for seven months period ended on 31/10/2007 is Rs.1.09 (annualized).

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

a.	Based on EPS for the year ended 31/03/2007 of Rs.1.78	
	▪ P/E ratio in relation to the floor price	15.17 times
	P/E ratio in relation to the cap price	16.85 times
b.	Based on weighted average EPS of Rs.1.60	
	▪ P/E ratio in relation to the floor price	16.88 times
	▪ P/E ratio in relation to the Cap price	18.75 times
c.	Based on EPS for the period ended 31/10/2007 of Rs.1.09	
	▪ P/E ratio in relation to the floor price	24.77 times
	▪ P/E ratio in relation to the Cap price	27.52 times

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

Year Ended	RONW %	Weight
March 31, 2005	6.34	1
March 31, 2006	7.21	2
March 31, 2007	12.63	3
<b>Weighted Average Return on Net Worth (RONW)</b>		<b>9.78</b>

RONW for seven months period ended on 31/10/2007 is 4.82%.

#### 4. Minimum Return on total Net Worth required to maintain pre-issue EPS

The minimum return on total Net Worth after issue required to maintain pre-issue annualized EPS of Rs.1.09 (as on 31/10/2007) is [●] %.

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

- a. As on October 31, 2007 : Rs. 12.53
- b. Issue Price\* : Rs. [●]
- c. NAV after this Issue : Rs. [●]

\*will be determined on conclusion of the Book Building process.

Note: NAV per share is calculated on the basis of weighted average number of shares in each year.

Weighted average number of shares has been calculated on time basis.

## 6. Industry Average P/E

	Name of Company	P/E Multiple
Highest	Rasoya Proteins	37.70
Lowest	Kovilpatti Lakshmi Roller Flour Mills Ltd.	7.3
Industry Average		25.1

(Source: Capital Market – Vol. Jan 14-27, 2008, Segment - Solvant Extraction)

## 7. Comparison with Peer Group

The comparable ratios of the companies which are to some extent similar in business are given as follows:

Name of the Company	Face Value of shares	EPS	RONW (%)	NAV (Rs.)	P/E Multiple
Kovilpatti Lakshmi Roller Flour Mills Ltd.	10	5.0	25.6	67.1	7.3
Guj. Ambuja Exports	2	3.2	16.5	21.8	22.8
K S Oil	1	2.1	53.8	9.5	37.7
Rasoya Proteins	10	4.1	23.0	24.6	13.3
Ruchi Soya Inds.	2	5.3	12.4	46.2	22.4
Vimal Oil & Foods	10	4.6	25.3	24.3	12.0
Sita Shree Food Products Ltd.	10	1.78	12.63	14.09	[●]

(Source: Capital Market – Vol. Jan 14-27, 2008, Segment - Food Processing–Solvent Extraction)

All the other figures are as on 31/03/2007.

The Company is in the business of wheat processing and proposing to enter into the business of solvent extraction (Soya). The industry comparison shown above considers comparable companies who are focused on either food processing or solvent extraction. The business model of these companies may not be directly comparable to the business of Sita Shree Food Products Limited.

## 8. The face value of Equity Shares of Sita Shree Food Products Limited is Rs.10 and the Issue Price is 2.7 times of the Face Value at the lower end of the price band and 3.0 times of the Face Value at the higher end of the price band.

On the basis of the above parameters the Issue Price of Rs. [●] per share is justified.

## **F) STATEMENT OF TAX BENEFITS**

The Auditors of the Company, M/s. Subhash Chandra Jain Anurag & Associates, Chartered Accountants have advised the Company vide their letter dated 25/01/2008 that under the current direct tax law, the following tax benefits *interalia* will be available to the Company and the shareholders of the Company. A shareholder is advised to consider in his own case the tax implication of an investment in the shares. The Statement of tax benefits certificate from the Auditors of the Company is reproduced below:

To,  
The Board of Directors,  
Sita Shree Foods Products Limited,  
332/4/2, R.D. Udhog Nagar,  
Palda Nemawar Road,  
Indore-450 001 (M.P.)  
India

We hereby confirm that the enclosed annexure, prepared by the company, states the possible tax benefits available to Sita Shree Food Products Limited ('the Company') and its shareholders under tax laws presently in force in India. Several of these benefits are dependent of on the Company or its shareholders fulfilling the conditions prescribed under the relevent provisions of the relevant tax laws. Hence the ability of the company of its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participating in the issue.

Our confirmation is based on the information, explanation and representation obtained from the company and on the basis of our understanding of the business activities and operations of the company and the interpretation of the current tax laws force in India.

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

- The company or its shareholders will continue to obtain these benefits in future or
- The considering prescribed for availing the benefits, where applicable have been/ would be met.

For **Subhash Chandra Jain Anurag & Associates**

Sd/-

**S.C. Jain**  
Partner  
M. No.: 72062

Place : Indore  
Date: 25<sup>th</sup> January 2008

## **ANNEXURE TO THE CERTIFICATE DATED 25TH JANUARY, 2008**

### **A) Statement of special Tax Benefit available to M/s Sita Shree Food Products Limited and its shareholder.**

As per the existing provisions of the Income Tax Act and other laws as applicable for the time being in force the company and its share holder will not be entitled/ available any special Tax Benefit under any law.

### **B) Statement of possible general tax benefits available to M/s. Sita Shree Food Products Limited and its shareholders.**

As per the existing provisions of the income tax act, 1961 (the act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to **M/s. Sita Shree Food Products Limited** and its shareholders. These benefits are available to all companies or to the shareholders of any company, after fulfilling certain conditions as required in the respective Act.

#### **I) Benefits available to the Company under the Income Tax Act, 1961**

1. As per the provisions of section 10(34) of the IT Act, any income by way of dividends, referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received from domestic company is exempt from income tax.
2. As per the provisions of section 24 (a) of the IT Act, Company is eligible for deduction of thirty percent of the annual value of the property (i.e. actual rent received or receivable on the property or any part of the property which is let out) while computing income from House Property.
3. As per the provisions of section 24 (b) , where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of interest payable on such capital shall be allowed as a deduction in computing Income from house property. In respect of property acquired or constructed with borrowed capital, the amount of interest payable for the period prior to the year in which the property has been acquired or constructed shall be allowed as deduction in computing the income from house property in five equal installments beginning with the year of acquisition or construction.
4. Under section 115 JAA (2A) of the I.T. Act tax credit shall be allowed in respect of any tax paid under section 115 JB (MAT) of the Act for any Assessment Year commencing on or after 1<sup>st</sup> April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall be available for set-off upto 7 years immediately succeeding the year in which the MAT credit initially arose.
5. As per the provisions of section 32 of the IT Act, company is eligible for claiming depreciation on its tangible and intangible assets as prescribed rates. Further company is entitled to 20% additional depreciation on new plant & machinery acquired and install after 31st March, 2005. Subject to condition specified therein
6. The Company is entitled to claim expenditure incurred, subject to compliance of the certain conditions laid down in section 35 (1)(iv) of the Act, in respect of any capital expenditure incurred other than the incurred on the acquisition of any land, on scientific research related to the business of the company.

7. 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)
8. As per the provisions of the 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 is subject to Securities Transaction Tax.
9. As per the provisions of section 111A, short term capital gains arising from the transfer of equity shares in any company through a recognized stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax at 10% provided such a transaction is subject to Securities Transaction Tax.
10. In accordance with and subject to the conditions and to the extent specified in section 54 EC of the Act, the company would be entitled to exemption from tax on gains arising from transfer of the long term capital assets (not covered by section 10(36) & section 10(38)) if such capital gain is invested in any of the long term specified assets is transferred or converted into money at any time within a period of 3 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 assets is transferred or converted into money.
11. Under section 35D of the Act the company will be entitled to a deduction equal to 1/5th of the expenditure of the nature specified in the said section, including expenditure incurred on present issue, such as Brokerage and other charges by way of amortization over a period of 5 successive year, beginning with the previous year in which the new unit commence production subject to the stipulated limits.
12. The Company can carry forward and set-off the unabsorbed depreciation allowance, if any, against its income of the future years. The Company is also entitled to carry forward and set-off its unabsorbed business losses for a period upto eight subsequent years for set-off against its business income

## **II) Benefits available to Resident Shareholders under the Income Tax Act, 1961**

1. Under sec 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the company on or after April 1, 2004 is completely exempt from tax in the hands of the shareholders of the company.
2. 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 is subject to securities transaction tax.
3. Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/ improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains (if shares are held for a period exceeding 12 months) from transfer of shares of Indian Company, it permits substitution of cost of acquisition/ improvement with the indexed cost of acquisition/ improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index, as prescribed from time to time.
4. 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 surcharges and educational cess). However, as per the provisions to sec 112(1)(B), the long term capital gains resulting on transfer of listed securities or units (not covered by sec. 10(36) & 10(38) would be subject to tax at the rate of 20% with

indexation benefits of 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee).

5. As per the provision of section 111 A Short term gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax at 10% from Income Tax if such transaction is subject to securities transaction tax.
6. As per the provisions of Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (which are not exempt under section 10(38) of the IT Act) would be exempt from tax to the extent such capital gains are invested in long term specified assets within 6 months from the date of such transfer in the bonds issued by:
  - a. National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988;
  - b. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion into money takes place.

The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the Income under Section 80C for any assessment year beginning on or after 1 April, 2006.

7. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54F of the Act, the shareholders would be entitled to exemption from long term capital gains on the sale of shares in the company (not covered by sections 10(36) and 10(38)), upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains shall be charged to tax as long term capital gains in the year in which such residential house is transferred.
8. As per the provision of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the securities transaction tax paid on such transactions, However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.

### **III) Benefits available to Non-Resident Indian Shareholders**

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the company on or after April 1, 2004 is completely exempt from tax in the hands of the shareholders of the company.
2. In the case of share holders being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in section 115D read with section 115E of the act, long term capital gains arising from the transfer of an Indian company shares (not covered by sec 10(36) & 10(38)) will be subject to tax at the rate of

- 10% as increased by a surcharge and education cess at the appropriate rate on the tax so computed without any indexation benefit with protection against foreign exchange fluctuation.
3. In case of a share holder being a non-resident India, and subscribing to the share in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in sec 115 F of the act, the non-resident Indian share holder would be entitled to exemption from long term capital gains (not covered by Section 10(36) & 10(38)) on the transfer of shares in the company upon investment of net consideration in modes as specified in sub section 1 of section 115F.
  4. In accordance with provisions of act section 115G of the act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from investment or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII of the act.
  5. In accordance with the provisions of section 115H of the act, when the non-resident Indian become assessable as a resident in India, he may furnish a declaration in writing to the assessing officer along with his return of income for that year under section 139 of the Act to the effect that the provision of chapter XII A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
  6. As per the provisions of 115I of the act, a non-resident Indian may elect not to be governed by the provisions of the chapter XII A for any assessment year by furnishing return of income for the year under sec 139 of the act declaring therein that the provisions of chapter XII A shall not apply to him for that assessment year and accordingly his total income for the assessment year will be computed in accordance with other provisions of the act.
  7. In accordance with and subject to the conditions and to the extent specified in section 112(1)(B) of the act, tax on long term capital gains arising on sale on listed securities or units not covered by sec 10(36) & 10(38) will be, at the option of the concern share holder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.
  8. As per the provisions of 10(38), long term capital gains 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 is subject to securities transaction tax.
  9. As per the provisions of section 111 A, Short Term Capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity – oriented mutual fund shall be subject to tax @10% provided such transaction is subject to securities transaction tax.
  10. As per the provisions of section 88E, where the business income of a assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the securities transaction tax paid on such transactions. However, the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
  11. 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 gains is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified assets is transferred or converted into money at any

time within a period of three years from the date of its acquisition, the amount of capital gains exempted would become chargeable to tax as long term capital gains in the year in which the specified assets are transferred or converted into money.

- 12 In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54F of the Act, the shareholder would be entitled to exemption from long term capital gain (not covered by sections 10(36) and 10(38) in the sale of shares in the company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed in a residential house. If part of net consideration is invested with the prescribed in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
- 13 As per first proviso to section 48 of the I.T. Act, in case of a non resident shareholder, in computing capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per Exchange Control Regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which original investment was made. Cost Indexation benefit will not be available in such a case. The capital gain/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer, into the same foreign currency which was utilized in the purchase of shares.
- 14 As per the provisions of Section 90(2) of the Act, the provisions of the act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.

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

Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the company on or after treaty to the extent they are more beneficial to the Non-Resident.

1. In accordance with and subject to the conditions and to the extent specified in Section 112(1)(b) of the Act, tax on long term capital gains arising on sale of listed securities or units before 1<sup>st</sup> October 2004 will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.
2. 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 is subject to securities transaction act.
3. As per provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @10% provided such transaction is subject to Securities Transaction Tax.
4. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the securities transaction tax paid on such transactions. However, the amount of rebate shall be limited to the amount arrived at by applying the average rate of Income Tax on such business income.



5. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on 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 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 assets is transferred or converted into money.
6. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the act, the shareholders would be entitled to exemption from long term capital gains (not covered by section 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.
7. In case of shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54F of the Act, the shareholder would be entitled to exemption from long term capital gain (not covered by section 10(36) and 10(38)) on the sale of shares in the company upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
8. As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Residential.

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

1. In case of a share holder being a Foreign Institution Investor (FII), in accordance with and subject to the condition and to the extent 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 1<sup>st</sup> October 2004 and subject to securities transactions tax shall be taxed @10% as per the provisions of section 111A. It is to be noted that the benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act or not available to FII.
2. As per the provision of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.
3. As per the provision 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 is subject to securities transaction tax.
4. As per the provision 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 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.

5. In accordance with and subject to the conditions and to the extent specified in/ section 54EC of the act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by section 10(36) and 10(38)) arising on transfer of their shares in the company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified assets is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified assets is transferred or converted into money.
6. In accordance with and subject to the conditions and to the extent specified in section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax (not covered by section 10(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.

**VI) Benefits available to Mutual Funds**

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

**VII) Benefits available to Venture capital companies/ Funds**

1. In case of a shareholder being a Venture capital company/ fund as per the provisions of section 10(23FB) of the act, any income of venture capital companies/funds registered with the Securities and Exchange Board of India, would exempt from Income Tax, subject to the conditions specified.

**VIII) Under the Wealth Tax Act, 1957**

1. Shares held in a company will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957; hence Wealth Tax will not be applicable.

**IX) Under the Gift Tax Act, 1958**

1. Gift made after 1<sup>st</sup> October 1998 is not liable for any gift tax and hence gift of shares of the company would not be liable for any gift tax.

**Note:**

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2007.
2. All the above benefits will be available only to sole/ first named holder in case the shares are held by joint holders.
3. In respect of non-resident, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.
5. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

## IV. ABOUT SITA SHREE FOOD PRODUCTS LIMITED

### A) INDUSTRY OVERVIEW

*The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the industry websites/publications and company estimates. Industry websites/publications generally state that the information contained in therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes industry, market and government data used in this RHP is reliable, it has not been independently verified. Similarly, internal Company estimates, while believed to be reliable, have not been verified by any independent agencies.*

#### The Indian Agriculture Industry

Agriculture accounts for 18% of India's GDP and more importantly, about 2/3rd of the country's population is dependent on agriculture and allied activities for their livelihood. From a nation dependent on food imports to feed its population, India today is not only self-sufficient in grain production, but also has a substantial reserve. The progress made by agriculture in the last four decades has been one of the biggest success stories of free India.

This increase in agricultural production has been brought about by bringing additional area under cultivation, extension of irrigation facilities, the use of improved high yielding variety of seeds, better techniques evolved through agricultural research, water management, and plant protection through judicious use of fertilizers, pesticides and cropping practices.

Share of Agriculture and Allied Sectors in Gross Domestic Production of India (at current rate):

	(Rs. in crores)		
	G.D.P. (Total)	G.D.P. (Agriculture & Allied Sector)	% Share of Agriculture and Allied Sector
1999-2000	1786525	446515	25.0
2000-01	1925416	449746	23.4
2001-02	2100187	487063	23.2
2002-03	2265304	472679	20.9
2003-04	2549418	533642	20.9
2004-05	2855933	536629	18.8
2005-06(Q)	3250932	595058	18.3

(Q) : Quick Estimates

(Source - Central Statistical Organisation, New Delhi)

Deviations in foodgrains and agricultural output from its long-term trend are determined by, among other factors, variations of monsoon around its long-term trend. With this asymmetric response of food grains production to monsoon variability has led to – (a) poor agricultural growth; (b) reduction in the share of agriculture in GDP; (c) creating inflationary pressure in some primary products; and (d) reduction the potential growth of other sectors by dampening demand.

The structural weaknesses of the agriculture sector reflected in low level of public investment, exhaustion of the yield potential of new high yielding varieties of wheat and rice, unbalanced fertilizer use, low seeds replacement rate, an inadequate incentive system and post harvest value addition were manifest in the lackluster agricultural growth during the new millennium.

Table 8.3 : Annual average growth rate (at constant prices)			(per cent)
Five Year Plan	Overall GDP growth rate	Agriculture & Allied Sectors	
Seventh Plan (1985-90)	6.0	3.2	
Annual Plan (1990-92)	3.4	1.3	
Eighth Plan (1992-97)	6.7	4.7	
Ninth Plan (1997-2002)	5.5	2.1	
Tenth Plan (2002-07)	7.6	2.3	
2002-03	3.8	-7.2	
2003-04	8.5	10.0	
2004-05 (P)	7.5	0.0	
2005-06 (Q)	9.0	6.0	
2006-07 (A)	9.2	2.7	
P: Provisional, Q: Quick estimates, A: Advance estimates			
Note : Growth rates prior to 2001 based on 1993-94 prices and from 2000-01 onwards based on new series at 1999-2000 prices.			
Source : CSO			

Low yield per unit area across almost all crops has become a regular feature of Indian agriculture. For example, while India, accounting for 12 per cent of global production of wheat, had average yield slightly lower than the global average, it was less than a third of the highest level estimated for the UK in 2004-05. For major oilseeds, Indian yields are a third and 46 percent, respectively, of the global average. While agro-climatic conditions prevailing in countries may partly account for the differences in yield levels, nonetheless, for major food as well as commercial crops, there is tremendous scope for increasing yield levels with technological breakthroughs.

#### Agricultural Production and Growth in 2006-07

Agriculture, and especially a variety of crops produced under diverse climatic situations in different cropping systems, supports 115.5 million farm families. The distribution of farm holdings is dominated by small and marginal farmers. Rainfed agriculture constitutes about 60 per cent of the net sown area. These areas are the major domain of oilseeds, pulses and coarse cereals production. The intensity and distribution of rainfall determine the crop prospects in a majority of the areas.

Table 8.6 : Foodgrains production							(Million tonnes)
Crop/ Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07*	
Rice	93.3	71.8	88.5	83.1	91.8	90.0	
Wheat	72.8	65.8	72.2	68.6	69.4	72.5	
Coarse Cereals	33.4	26.1	37.6	33.5	34.1	32.0	
Pulses	13.4	11.1	14.9	13.1	13.4	14.5	
<b>Foodgrains</b>							
(i) Kharif	112.1	87.2	117.0	103.3	109.9	107.2	
(ii) Rabi	100.8	87.6	96.2	95.1	98.7	102.0	
<b>Total (i)+(ii)</b>	<b>212.9</b>	<b>174.8</b>	<b>213.2</b>	<b>198.4</b>	<b>208.6</b>	<b>209.2</b>	
* 2nd advance estimates (2nd AE).							
Source : Ministry of Agriculture.							

<b>Table 8.7 : Commercial crops production</b>						
<i>(Million tonnes)</i>						
<b>Crop</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07*</b>
Groundnut	7.0	4.1	8.1	6.8	8.0	4.4
Rapeseed & Mustard	5.1	3.9	6.3	7.6	8.1	7.6
Soyabean	6.0	4.7	7.8	6.9	8.3	8.7
Other Oilseeds	2.6	2.1	3.0	3.1	3.6	2.9
Total nine Oilseeds	20.7	14.8	25.2	24.4	28.0	23.6
Cotton @	10	8.6	13.7	16.4	18.5	21.0
Jute & Mesta @@	11.7	11.3	11.2	10.3	10.8	11.4
Sugarcane	297.2	287.4	233.9	237.1	270.0	315.5
@ Million bales of 170 kg each @@ Million bales of 180 kgs. each.						
* 2nd advance estimates.						
Source : Ministry of Agriculture.						

## Agricultural Marketing

Efficient marketing with a dynamic supply chain is essential for the development of the agriculture sector. Agricultural production in the country end-March 2006 was serviced through 7,566 regulated agricultural markets. There were 21,780 rural primary/ periodic agricultural markets, out of which about 15 per cent functioned under the ambit of regulation. There are already some examples of novel private sector initiatives to improve the marketing channels in agriculture TE – Choupal operated by ITC.

## Outlook

The short-term outlook for agricultural sector appears bright. However, the production of oilseeds is expected to witness a decline of 15.7 per cent. There has been a sharp increase in the area under wheat with high domestic and international prices providing incentives to the farmers (*Source: Economic survey 2006-07*). Together with better crop prospects, this augurs well for farm income. In the medium-term, the prospects for agriculture will be determined by the pace and quality of reforms in this sector; the ability to increase investment in surface irrigation, ground water recharge of aquifers, and restoration of water bodies; and developing high-yielding varieties of non cereal food and cash crops.

## Indian Food Processing Industry

Food processing involves any type of value addition to agricultural or horticultural produce and also includes processes such as grading, sorting, packaging which enhance shelf life of food products. The Industry provides vital linkages and synergies between industry and agriculture.

India has a strong competitive advantage in food processing being blessed with unsurpassed natural advantages. India ranks first in the world in production of cereals. It is among the top five producers of wheat and oilseeds. This gives it the unique advantage and tremendous potential for processing of agriculture produce.

India with arable land of 184 million hectares, produces 204 million tonnes food grain which is third largest in the world. India's agricultural production base is quite strong but at the same time wastage of agricultural produce is massive. Value addition is 20%. India's share in world trade in respect of processed food is about 1.6%. (*Source: MOFPI annual report 2005-06*)

While the industry is large in size, it is still at a nascent stage in terms of development. Of the country's total agriculture and food produce, only 2% is processed. Milling of wheat and pulses is the most important activity in food grains processing. Branded wheat flour is becoming popular in both the domestic as well as the export market.

The Food Processing activity is poised for rapid expansion. The Ministry of Food Processing Industries, Government of India estimates the size of the Processed Food Industry at Rs.1440 billion. The unorganized small players process more than 75% of the industry output in volume terms and 50% in value terms. Average Growth rate of Food Processing Industries during the last five years (upto 2003-04) has been 7.15% (*Source: MOFPI annual report 2005-06*).

### **Major Challenges for the Indian Food Processing Industry**

Food processing industry is facing constraints like non-availability of adequate infrastructural facilities, lack of adequate quality control & testing infrastructure, inefficient supply chain, lack of processable varieties of farm produce, seasonality of raw material, high inventory carrying cost, high taxation, high packaging cost, affordability and cultural preference of fresh food. Major Challenges for the Indian Food Processing Industry are:

- Consumer education that processed foods can be more nutritious
- Low price-elasticity for processed food products
- Need for distribution network and cold chain
- Backward-forward integration from farm to consumers
- Development of marketing channels
- Development of linkages between industry, government and institutions
- Taxation in line with other nations
- Streamlining of food laws

Unprocessed foods are susceptible to spoilage by biochemical processes, microbial attack and infestation. The right post harvest practices such as good processing techniques, and proper packaging, transportation and storage (of even processed foods) can play a significant role in reducing spoilage and extending shelf life. The challenges in processing lie in retaining the nutritional value, flavour, aroma, and texture of foods, and presenting them in near natural form with added conveniences. However, such qualities cannot be readily quantified and correlated with physico-chemical parameters, sensory evaluations providing the only means of benchmarking. Besides, processed foods need to be offered to the consumer in hygienic and attractive packaging, and at low incremental costs.

The challenges for the food preservation, distribution and processing sectors are diverse and demanding, and need to be addressed on several fronts to derive maximum market benefits. Presently, the organizations addressing the educational and R & D requirements are too few, and there is a pressing need for supplementing their efforts. In the emerging scenario, the Food Engineering professional needs to develop sufficient awareness and appreciation of the relevant principles of life sciences, and physical sciences, as well as of a wide variety of other topics including: nutrition, preservation and storage techniques, processing unit operations, bio-processing, waste management, distribution and supply chain management, food laws and regulations.

### **Grain Processing**

India produces more than 200 million tonnes of different food grains every year. All major grains – rice, wheat, maize, barley and millets like Jowar (great millet), bajra (pearl millet) & ragi (finger millet) are produced in the country. About 15 per cent of the annual production of wheat is converted into wheat

products. There are 10,000 pulse mills in the country with a milling capacity of 14 million tonnes, milling about 75 per cent of annual pulse production of 14 million tonnes.

#### **Economic Survey 2006-07 says:**

The increasing trend in gross domestic savings as a proportion of GDP observed since 2001-02 has continued with the savings ratio rising from 26.4 per cent in 2002-03 to 29.7 per cent in 2003-04, 31.1 per cent in 2004-05 and 32.4 per cent in 2005-06.

As the savings rate has gone up, private final consumption expenditure (PFCE), at current prices as a proportion of GDP, has shown a declining trend particularly from 2001-02. PFCE as a proportion of GDP declined from 63.1 per cent in 2002-03 to 62.1 per cent in 2003-04, 60.0 per cent in 2004-05, and further to 58.7 per cent in 2005-06. This decline has also been accompanied by substantial changes in the consumption basket in terms of the shares of different commodity groups. In PFCE, the share of food, beverages and tobacco came down from 43.3 per cent in 2002-03 to 39.4 per cent in 2005-06.

The food industry is on a high as Indians continue to have a feast. Fuelled by what can be termed as a perfect ingredient for any industry - large disposable incomes - the food sector has been witnessing a marked change in consumption patterns, especially in terms of food.

#### **Growth Drivers**

##### *Changing age profile of the Indian population*

As a consequence of the high birth rates prevalent until the 1990s, a large proportion of the Indian population is relatively young - in the age group of 20- 59 years. This group is also high in consumption and therefore, this trend is expected to provide a further boost to the growth of consumption in India.

##### *Changing lifestyles*

Urban consumers in India have become more exposed to western lifestyles, through overseas travel and presence of foreign media in India. Increase in the population of working women and increasing prevalence of nuclear double income families, especially in urban areas, are other trends shaping lifestyles. The food processing sector has been impacted by these trends as there has been an increase in the demand for processed, ready-to-cook and ready-to-eat food.

##### *Growth of Retail Industry*

One of the segments of the food industry that has been experiencing a growing interest has been food retailing. At present, only 1 per cent of the food items retailed in India flow through the organised retail channel. But this situation is expected to change due to the following reasons: changing lifestyle, increasing number of nuclear and dual income families, changing consumer tastes, increasing disposable incomes among others.

Some of the players that have shown a keen interest in this segment are Reliance, Tatas, ITC Group, Lohias-promoted Indo Rama, Mumbai-based RK Hospitality, Kishore Biyani with his Big Bazaar, RPG group.

#### **Advantage India**

Due to its diverse agro-climatic conditions, it has a wide-ranging and large raw material base suitable for food processing industries. Presently a very small percentage of these are processed into value added products. The semi-processed and ready to eat packaged food segment is relatively new and evolving. India has the largest irrigated land in the world.

India's comparatively cheaper workforce can be effectively utilized to set up large low cost production bases for domestic and export markets. Cost of production in India is lower by about 40 per cent over a comparable location in EU and 10-15 per cent over a location in UK.

Along with these factor conditions, India has access to significant investments to facilitate food processing industry. There have been increasing investments not only by domestic firms and Indian government, but also foreign investors.

### **Industry competitiveness**

The Indian food processing sector is highly competitive. There are a large number of players in the organised as well as unorganized sector. The organized sector is small but growing. The sector offers potential for growth and a large number of MNCs have entered into India to leverage this opportunity such as Unilever. These players face competition from strong Indian brands. Companies have adopted various strategies to maintain and increase their market share in India. These include competitive pricing, aggressive advertising campaign, expansion plans etc.

High level of competition within the industry has lead to innovations in several areas, thereby raising the overall capability levels in the sector. This will facilitate sustained growth in the sector and help it to become globally competitive.

### **Policy Initiatives**

Government is actively encouraging investment in agro processing industries to reduce wastage and encourage value addition. A strong and dynamic food processing sector plays a significant role in diversification of agricultural activities, improving value addition opportunities and creating surplus for export of agro-food products.

The Government has formulated and implemented several schemes to provide financial assistance for setting up and modernizing of food processing units, creation of infrastructure, support for research and development and human resource development in addition to other promotional measures to encourage the growth of the processed food sector.

- Most of the processed food items have been exempted from the purview of licensing under the Industries (Development and regulation) Act, 1951, except items reserved for small-scale sector and alcoholic beverages.
- Food processing industries were included in the list of priority sector for bank lending in 1999.
- Automatic approval for foreign equity up to 100 per cent is available for most of the processed food items except alcohol, beer and those reserved for small-scale sector subject to certain conditions.

### **Future Outlook**

Indian food processing industry has seen significant growth and changes over the past few years, driven by changing trends in markets, consumer segments and regulations. These trends, such as changing demographics, growing population and rapid urbanization are expected to continue in the future and, therefore, will shape the demand for value added products and thus for food processing industry in India. The Government of India's focus towards food processing industry as a priority sector is expected to ensure policies to support investment in this sector and attract more FDI. India, having access to vast pool of natural resources and growing technical knowledge base, has strong comparative advantages over other nations in this industry. The food processing sector in India is clearly an attractive sector for investment and offers significant growth potential to investors.

The Confederation of Indian Industry (CII) has estimated that the food processing sector has the potential of attracting US\$ 33 billion of investment in 10 years and generate employment of 9 million person-days.



## **B) BUSINESS OVERVIEW**

### **Overview**

Sita Shree is in the business of Wheat and pulse processing. The manufacturing unit of the Company is located in the city of Indore on approx. 2.5 acres of land which is well connected with major cities like Nagpur and Ahmedabad by roads.

The Company had entered into joint venture agreement with Godrej Pilsburry Ltd. in the year 1997 for manufacturing of Atta through the Company's plant. The Company terminated said agreement in the year 2002 and started manufacturing under its own name & brand. In past, the Company has also catered to the requirements of multi national companies like Uniliver as production hub for manufacturing atta for their brand "Annapurna" in Indore. Presently the Company is also supplying its products to major players in retail industry such as, Pantaloon Retail and Reliance Retail.

The product portfolio of the Company consists of Wheat Flour, Maida, Rawa, Daliya, Suji, Chana Dal etc. These products are marketed under its own brand like "Sita Shree", "Regular" and "Sita Shree Gold" or sold to other brands. The Company has a very minimal presence in small packing product segment (1kg, 5kg & 10 kg) however its turnover is dominated by bulk packing products segment.

Ever since incorporation the Company is on growth track and achieved a turnover of Rs. 8074.17 lacs during the year ended on 31/03/2007.

The Company now proposes to set up a solvent extraction plant, a Lecithin plant and one additional flour mill to cater to the increasing demand. The proposed project will be set up at Badiakima, Indore, just 8 km away from existing location. Vegetable oils have been in perpetual short supply in face of high consumption & low production. Increasing cultivation of soyabean in Madhya Pradesh and growing demand for Soya Oil and its by-products due to its nutritional values has enabled the Company to identify opportunity of investment in soyabean extraction business.

### **Details of the Business of the Issuer**

#### **a. Location of the existing manufacturing facilities and Proposed Project**

The flour mill of the Company is situated at R.D. Udhyog Nagar, Palda Nemawar Road, Indore (India) is spread in a 2.5 acres of land. The unit is in the heartland of Indore & is well connected with all means of transport.

The proposed plant will be set up at Badiakima on 7.22 acres of land approx. taken on lease for 30 years from the promoters of the Company. This land is located on National Highway no. 59A from Nagpur to Ahmedabad and is 8km from Indore city in Madhya Pradesh, which has rail line connecting to all major metropolitan cities of India.

#### **b. Plant, Machinery, Technology, Process, etc.**

##### ***Plant and Machinery***

At existing plant there are 6 rolling bodies of the machinery were installed in a 4-storey building with 2 sides open. One side with all the 4 storeys is used for cleaning of wheat & thus called as cleaning section while the other side of the entire storey is used for grinding purposes having per day capacity of 120mt, is termed as grinding section. Along with this, the premises also have 2 godowns to store wheat & its produce.

The Company owns modern production equipments comparable to equipment used internationally in the flour mills. Most of the machineries are imported from abroad in order to take advantage of the latest technology in the manufacturing process. The equipments are managed, maintained & operated internally, which reduces the costs of outsourcing maintenance.

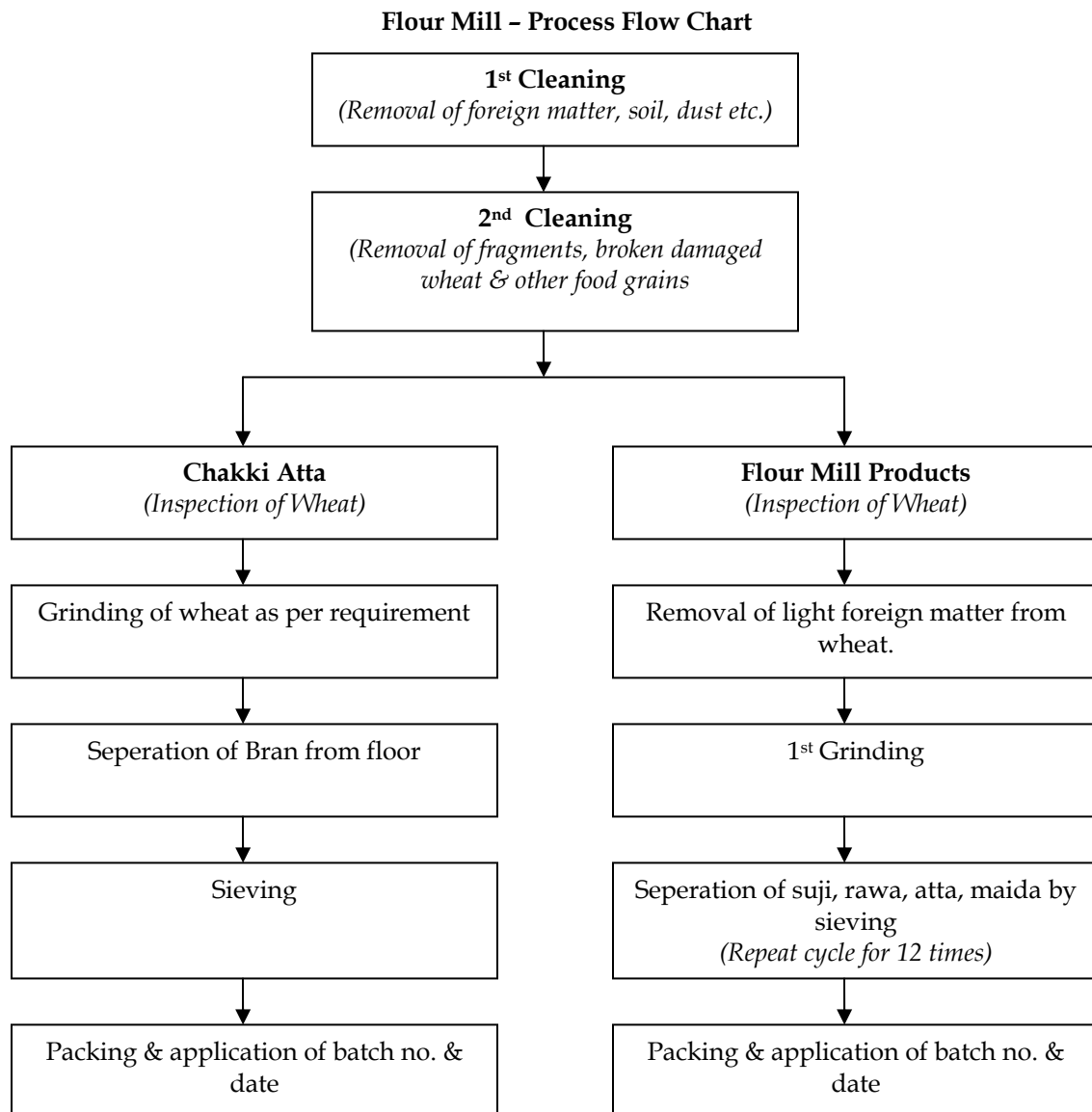
The Company now proposes to Set up a Solvent Extraction Plant having 500TPD capacity, a oil refinery for Solvent Extraction Plant having 100TPD capacity, a Lecithin plant for processing the by products of Solvent Extraction Plant having 5TPD capacity and a flour mill having capacity of 250mt per day, at Badiakima (M.P.), through proceeds of this issue. The details of machineries required for proposed expansion project is as follows:

Sr. No.	Particulars	Name of the Supplier	Qty	Amount
1	<b>SOLVENT EXTRACTION PLANT</b> Servotech "Deluxe" Continuous & Fully Automatic Solvent Extraction Plant, suitable for processing Soya Bean, Capacity - 500 Tpd (Cost includes Preparatory Section, Extraction Section, MARC Desolvetisation Section, Distillation Section, Absorption Section, Meal Finishing Section, Pump Piping & Instrumentation, Electrical).	Servotech India Limited	1	614.00
2	<b>PLANT AND MACHINERY FOR REFINING</b> Consisting of Wet De-Gumming cum Neutralization Plant Complete with Water Wash & Vacuum Drying of 100 TPD, Continuous Bleaching Plant of 100 TPD, Continuous De- Acidification Cum Deodorization Plant of 100 TPD.	Servotech India Limited	1	516.00
3	<b>SOYABEAN LECITHIN PLANT</b> Consisting of Wet Gum Bleaching and Drying Plant of 5TPD, Lecithin De- Oiling Plant of 2.5 TPD, Lecithin Powder Plant of 1.6 TPD, Heat Insulation and Painting, Structural Material inside the Civil Building, Pipe & Fittings, Thermic Liquid Heating System.	Servotech India Limited	1	120.00
4	<b>STEAM BOILER</b> Capacity of 25 TPH , a F&A 100 degree C, working pressure of 30KG/cm2 (SVLOP), fuel-husk with pumps & motors, underbat firing and multi-fuel capacity with furnace, DD & FD PA fan, steam drum, air pre-heater and instrumentation and dust collecting system.	Servotech India Limited	1	35.00
5	<b>WEIGH BRIDGE</b>	Servotech India Limited	1	15.00
6	<b>LABORATORY MATERIALS</b> Consisting of glass wares plastic & rubber items, chemicals.	Servotech India Limited	1	15.00
7	<b>INSTRUMENT &amp; APPLIANCES</b>	Servotech India Limited	1	5.00

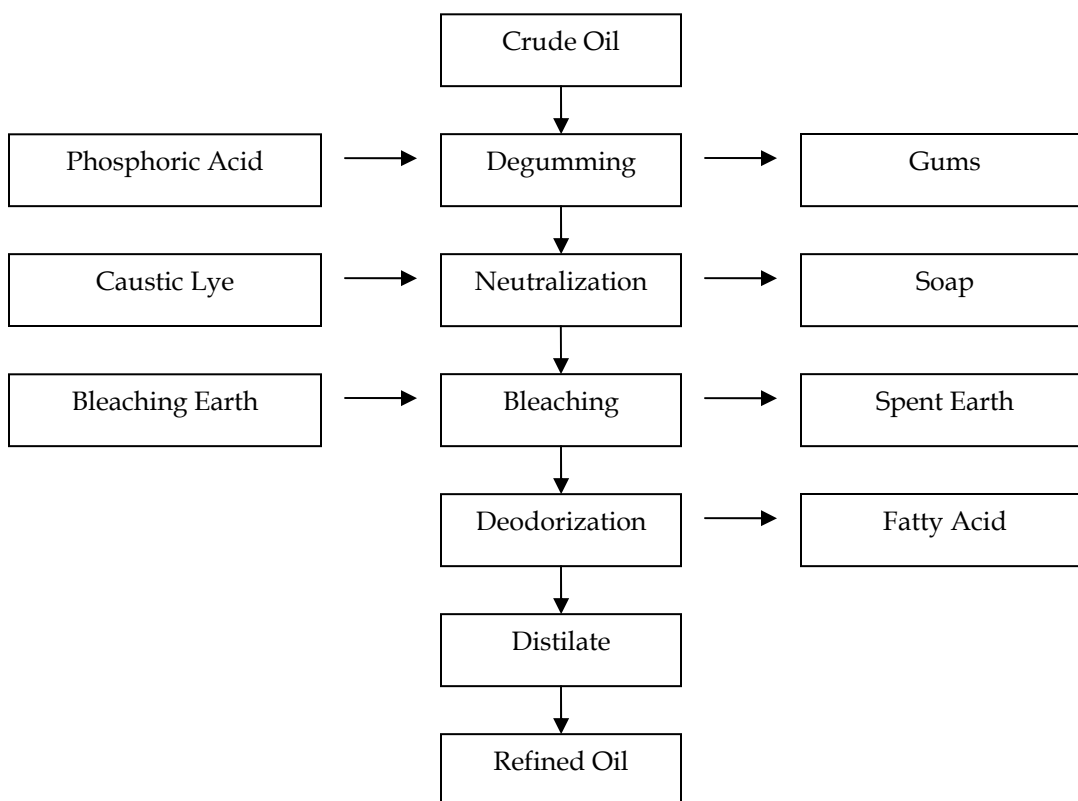
8	<b>EFFLUENT TREATMENT PLANT</b> Capacity of 500 Mt./day consisting of equalization acidification, 1 <sup>st</sup> stage DAF, Fat recovery chemical conditioning, flocculation and sedimentation, aeration, handling and disposal system.	Servotech India Limited	1	25.00
9	<b>DG SET</b> 1250 KVA (Manufacturer- Cummins)	Servotech India Limited	2	68.00
10	<b>COOLING TOWERS</b> (Manufacturer- Paharpur, Kolkatta)	Servotech India Limited	2	23.96
11	<b>STORAGE TANK</b> Bulk Oil, Refined Oil, Hexane and emergency water.	Servotech India Limited	1 each	200.00
12	<b>THERMIC FLUID BOILER</b> 150000 KCAL/HR model TK 1500 (Manufacturer- Isotex, Ahmedabad)	Servotech India Limited	1	16.29
13	<b>INDION DM WATER TREATMENT PLANT</b> Capacity of 600 mt/day. (Manufacturer- Ionexchange, indore)	Servotech India Limited	1	26.54
14	<b>WORKSHOP MACHINES</b> Consisting of lathe machine, shaper, hydraulic Rocksaw, radial drill, dog chuck voice, grinder. (Manufacturer- Bharat Machines, Indore)	Servotech India Limited	1	1.72
15	<b>ELECTRICALS</b> Transformer, 2500 KVA (Manufacturer- Kirloskar)	Servotech India Limited	1	11.62
16	<b>FULLY AUTOMATIC FLOUR MILL, CAPACITY: 275 TPD</b> (Pre Cleaning Section, Section cleaning system, Milling Section, Purge air blower etc.	Servotech India Limited	1	712.00
17	<b>Additional taxes (taxes, freight &amp; Insurance)</b>			74.10
	<b>TOTAL</b>			<b>2479.23</b>

The Company has placed the order for the above machineries with Servotech Eng. India Ltd. and entered into agreement with them on 18/05/2007 for installation of Solvant extraction plant and setting up a flour mill. The Company has paid Rs.100 lacs towards advance payment to the said contractor.

## Manufacturing Process



### Solvent Extraction (Soya Oil) – Process Flow Chart



**c. Collaborations, any performance guarantee or assistance in marketing by the collaborators**

The Company does not have any collaboration.

**d. Infrastructure facilities for raw materials and utilities like water, electricity etc.**

#### Raw Materials

The Company would require raw material such as pulses, wheat, soyabean seeds & degummed oil for its existing as well as proposed project. Wheat is sourced through various agents in “*mandi*” (a local auction market of food grain) in Indore, Madhya Pradesh. The Company is also planning to start “*Choupals*” i.e. private mandi to procure required wheat, pulses and soyabean.

Since the production of soyabean in Madhya Pradesh is abundant because it is profitable crop availability of soya seeds will not have any problem. The Company will also procure it from neighboring states in case shortage in the local market. Crude degummed oil may be sourced through imports from countries like Brazil & Argentina. The other chemicals which will be required for manufacturing of Hydrogenated oil such as, caustic soda, phosphoric acid, citric acid, vitamins, activated bleaching earth etc. will be sourced from local market.

#### Utilities

**Power:** The Company at present is having 750 KVA power connection sanctioned by Madhya Pradesh State Electric Board (MPSEB). In the proposed project power will be required for operations of various machines, creating vacuum and for thermic fluid heating. The Company will require 1500

KVA power for proposed project which will be sourced from the new connection from MPSEB. The Company is also providing for 2 DG sets of 500 KVA each as standby power arrangement. The Company has applied to MPSEB for sanction of required power at the proposed site.

**Water:** At existing plant water is required for washing and cleaning of wheat as well as for human consumption. Currently per day requirement of water is 25000 ltrs./day which is sourced from two tubewells located at present plant. The Company is also required to source it from local water suppliers in case of scarcity of water.

The Company will require approx. 100000 ltrs. /day for proposed oil mill and flour mill. The same will be procured from 2 tubewells and 1 well which are already present at location where proposed plant has to be installed.

**Effluent Treatment:** The Company is following all norms set by the government & Madhya Pradesh Pollution Control Board (MPPCB) for existing plant. The Company has applied to MPPCB on 23/03/2007 for consent for the proposed project.

The procedure for the effluent treatment at the proposed project will be as follows:

The total discharge expected from the proposed plant will be less than 75 m<sup>3</sup>/day. Effluent coming from the factory shall be first collected in Collection Tank. Here effluent is collected and mixed homogeneously and transferred to Dissolved Air Flotation (DAF) Unit. At DAF unit effluent is mixed with chemicals and air. Dissolved air separates suspended solids and floatable Oil and Fat, which is scraped and collected in Fat collection tank. Overflow from here is collected in Neutralization tank, where effluent is neutralized with help of chemicals and by gravity is collected in Primary Clarifier. At Primary Clarifier, effluent solids settle at bottom by gravity. Sludge flows to Sludge Collection Pit. Suspended solids free effluent from clarifier flows to next unit i.e. Feed tank for further biological treatment 20 to 25% COD, BOD are reduced in primary treatment.

Effluent will be fed continuously to first stage biological treatment unit i.e. Anaerobic Fixed Film Reactor. Major part of organic load will be removed here. Anaerobic organisms will degrade the high concentrated organic matter present in the effluent. In this reactor Bio-fills (plastic media) is used as a medium to adhere microorganisms which will in turn convert the complex organic matter into simple compounds like methane gas, CO<sub>2</sub> and H<sub>2</sub>O. Here 70 to 80% of COD, BOD reduction is achieved. For better efficiency of system, Effluent Recirculation pump is also provided. Overflow from this unit by gravity reaches second stage of Biological system i.e. Activated Sludge Process (ASP).

Activated Sludge Process comprises of Aeration tank followed by Secondary Clarifier. In aeration tank organic load as indicated by BOD will be degraded by the help of cultivated microbial culture. Constant Mixed Liquor Suspended Solids (MLSS) will be maintained in aeration tank in definite proportions at aeration tank by recycling the bio-sludge trapped by the secondary clarifier. Recycling of bio-sludge will be done by non-clog, centrifugal, semi open type continuous duty suitable Sludge Recirculation pumps. The overflow from secondary clarifier will be treated effluent and meet the norms prescribed by the State Pollution Control Board for safe disposal.

The excess sludge from primary and secondary clarifiers shall be withdrawn to Sludge collection pit from where sludge is pumped to filter press for dewatering.

**Manpower:** The total manpower directly employed by the Company as on date is 56 personnel. Distribution of the manpower is as follows:

Sr. No.	Category	Existing
1	Adm. & Management	7
2	Supervising	3
3	Workers	6
4	Contract Labour	40

The total requirement of manpower for the proposed plant will be 125 persons comprising of skilled, semi-skilled, unskilled workers, supervisory and administrative staff. The Company will have a combination of permanent employees and contract workers, majority being contract workers (approx.100 workers). Presently the Company has not taken any steps for recruitment of additional manpower. The Company shall employ manpower which is locally available and the same shall be done at an appropriate stage.

The key elements of Company's human resource management strategy include:

- i Majority of work particularly unskilled work to be carried out through contractual labours.
- ii Creating second line support for all key positions.
- iii Upgrading the skills of permanent skilled labours.
- iv Performance based reward and recognition mechanism.

**e. Products / Services of the Company**

**i. Nature of Products and end users**

The Company presently manufacturing various made from Wheat such as 'Chakki Atta', 'Maida', 'Rava', 'Suzi' which are generally used for human consumption in all parts of India. The Company is also sells Daliya" after processing.

Through proposed Solvent Extraction plant and Lecithin plant the Company will manufacture following products:

Soya Oil: Used for human consumption in India as well as overseas.

Lecithin: It is a co-product of degumming Soya Oil. After processing, it is available in powder, granules or liquid form and have different properties depending on their composition and method of production. Lecithin has many properties as an emulsifier, antioxidant, lubricant, anti dusting agent, mixing and blending agent and wetting & separating agent. Lecithin has multiple uses in food and beverages, animal feed, health and nutrition products, cosmetics and industrial coatings. For the majority of these uses relatively small amount (0.1% to 2%) of Lecithin is required.

Soyameal: It is most preferred component of cattle feed due to its high protein. Besides, its proteins are ideally suited to animals. With change in process of manufacturing the composition of proteins can be enhanced, which can be useful for human consumption. Such Soyameal is preferred all over world due to its high proteins.

**ii. Market including details of the Competition, past production figures for the industry, existing installed capacity.**

The food processing industry is one of the largest industries in India - it is ranked fifth in terms of production, consumption, export. India produces 204 million tones food grains per annum, out of which only 20% is being processed. Much of the Indian food processing industry is unorganized

and fragmented with many small and medium-sized companies. The unorganized small players process more than 75% of the industry output in volume terms and 50% in value terms. There are 516 flour mills and 725 solvent extraction plants in India as per MOFPI annual report 2004.

The major players in manufacturing activity of Soya Oil are Ruchi Soya Industries Ltd., Gujarat Ambuja Exports Ltd etc.

### iii. Approach to marketing and proposed marketing set-up

At present the Company accepts bookings directly from the existing customers as well as through various agents spread out in various parts of country such as; Maharashtra (particularly Mumbai, Vashi, Pune, Nashik etc.), Gujarat, Southern part of India.

The Company is proposing to set up marketing network for marketing its products to be manufactured from proposed projects such as; Soya Oil, Lecithin, Soymeal and Wheat Flour and other products of Wheat in its own brands. The Company is already having two registered brands i.e. "SITA SHREE" & "REGULAR". The Company has also applied for registration of its brand "SITA SHREE GOLD". These products will be marketed through various distributors located at various parts of country; specifically in western and southern region. The Company will appoint distributors after commencement of production from proposed project.

#### Order Book Position:

Since the prices of Wheat changes on daily basis, Company maintains its order book on daily basis. These orders are generally executed within a week's time.

#### Top ten customers as on 31/10/2007:

Sr. No.	Name of the Customer	%age of Sales
1	Sumarmal Surana Traders, Aurangabad	2.55%
2	Axiom Trading Company, Indore	2.35%
3	Kishanlal & Sons, Mumbai	2.06%
4	Hansuman Prasad Ransahay, Indore	1.34%
5	Kavita Trading Company, Mumbai	1.18%
6	Sondurga Sales, Vashi	1.02%
7	Manilal Shyamji, Malad	0.94%
8	Bhavanaji Thakarshi & Co., Mumbai	0.81%
9	Vandhan Enterprises, Vashi	0.71%
10	Pantaloon Food Products India Ltd.	0.62%

### iv. Export possibilities and export obligations

The Company recently started exporting its products to Middle East countries such as Saudi Arabia. The Company is also proposing to export products from proposed Oil Mill i.e. Soya Oil & its co-products and byproducts such as Lecithin and Soymeal.

### Quality Assurance

The Company maintains strict quality control for all their products. The quality assurance team has adopted strict standards at each stage of production to achieve the higher quality for Company's end products. The quality assurance department monitors the quality of raw materials, process control and quality of end products. The production facility of the Company has been certified for ISO 9001:2000 by TUV.



The Company is proposing to setting up a central laboratory for proposed project for conducting necessary physical, chemical and microbiological tests. The central laboratory is necessitated for efficient operations of the plants and stringent quality control of input materials and outgoing finished products.

### **Wastage**

The Industrial effluents from proposed project will be treated as described above in para 'Effluent treatment' and Domestic effluents are passed into septic tanks and need no further treatment. The proposed unit will dispose industrial and domestic effluents separately and storm water drain lines will be separated from effluent disposal lines.

### **Business Strategy**

The Company operates in a competitive market and aims to be a significant player in manufacture of branded wheat Flour, Soya oil and its by-products. The strategy of the Company is to seize emerging opportunities and continue to grow in scale. The Company believes that there is a tremendous growth opportunity in the field of solvent extraction. Our fundamental corporate objective is to deliver value to our customers, be profitable and establish brand value in our core markets.

The Company aims to achieve this by implementing the following strategies:

#### Brand Promotion

The Company is operating a Flour Mill and produces of various wheat products such as *Atta, Suji, Rava, Maida* and *Dall*. The Company intends to manufacture soya oil and its other by-products through proposed project. The Company has two registered trademarks i.e "Sita Shree" & 'Regular' and applied for registration of "Sita Shree Gold" trademark. The Company intends to build these brands continuously as manufacturer of wheat products and soya products. The Company believes that their branding exercise will enhance the recall value in the minds of our customers and will help in increasing demand for their products.

#### Building distribution network

At present the Company is selling its products through selling agents or directly to the customers under mutual understanding. The Company intends to develop its own distribution & marketing network in order to reach the retail consumer with their own brand.

#### Develop a dynamic supply chain

The Company is procuring its raw material through government regulated markets (*Mandi*) and commission agents. The Company wishes to develop a dynamic supply system such as *Choupals* for procuring the raw material directly from the farmers itself. This will reduce the cost of production and thus improve the margins of profit for the Company.

### **Capacity and Capacity Utilisation:**

The following are the products manufactured by Sita Shree and its capacities for the past 3 years:

Financial Year	Particulars	Installed Capacity		Utilized Capacity	
		In M.T.	In %age	In M.T.	In %age
2004-05	Wheat Flour Mill	43200	100	34188.11	79.14
	Dall Mill	3500	100	2030.47*	58.01

2005-06	Wheat Flour Mill	43200	100	32069.50	74.24
	Dall Mill	3500	100	3056.47*	87.33
2006-07	Wheat Flour Mill	43200	100	27714.05	64.15
	Dall Mill	3500	100	3336.87*	95.34

\* Besides this the Company also reprocessed 540.50 m.t. in FY 2004-05, 695.02 m.t. in FY 2005-06 and 3320 m.t. dall. in FY 2006-07.

The Company now proposes to Set up a Solvent Extraction Plant having 500TPD capacity, a oil refinery for Solvent Extraction Plant having 100TPD capacity, a Lecithin plant for processing the by products of Solvent Extraction Plant having 5TPD capacity and a flour mill having capacity of 275 TPD, at Badiakima (M.P.), through proceeds of this issue. The projections for capacity utilization for existing as well as proposed project for next three years are as under:

Particulars	2007-08	2008-09	2009-10
Flour Mill –Existing	75%	75%	75%
Flour Mill –Proposed	-	60%	65%
Solvant Extraction	-	60%	65%

*Assumptions for capacity utilization:*

- The unit will operate for 300 days/year on 3 shifts/day basis.

### Competition

Much of the Indian food processing industry is unorganized and fragmented with many small and medium-sized companies. The Company is facing competition from around 5-6 mid-sized flour mills in Indore region for its existing products. However the Company has edge over its competitors due to its fully automated manufacturing system. Since there is huge demand in processed foods all over India and abroad, rather than selling of products, quality manufacturing with competitive cost is the key factor in the success, which the Company able to do so far.

Besides small unorganized sectors the Company will also face stiff competition from major players like Ruchi Soya Industries Ltd., Gujarat Ambuja Exports Ltd etc. for marketing of products manufactured through proposed project i.e. Soya Oil, lecithin.

### Competitive Strengths

The Company faces and will face competition from established organized as well as unorganized sector. The following inherent strengths help the Company to face competition:

*Experience of promoters:* The promoters of the Company are in the business of food grains trading since last 35 years. This helps the Company to procure its raw material at competitive prices throughout the year. The Company is benefited due to past track record of the promoters in sourcing commodities as well as running existing business

*Established Customer base:* By virtue of the presence in the industry for a considerable period of time, the Company has been able to develop a customer base which can be leveraged for the expanded operations as well as new products manufactured through proposed project.

*Quality Produce:* The Company is compliant with international quality standard as certified by TUV. This provides Company a edge over other competitive players especially in unorganized sector.

**Insurance**

All Company's fixed and current assets are adequately insured covering all major risks.

**Property - Land and Buildings**

A summary of our properties is given below:

Sr. No.	Location	Area (in acres)	Built up area (in sq. feet)	Ownership and other details	Purpose
1.	R.D. Udhyog Nagar , Palda , Indore	2.87	1.11 lacs	Owned	Existing manufacturing set-up of flour mill, daliya mill and registered office.
2.	Badiakima gram, Dist. Indore	7.22	1.25 lacs	On Lease for 30 years	For installation of proposed solvent extraction plant and flour mill.

**Intellectual property**

The Company has its own registered Trade Mark in the name of "Sita Shree", "Regular". However the Company is marketing very limited quantity of its products in their own brand. The same will gradually increased on setting up of a complete marketing network for its own products. The Company also made an application for registration of Trade Mark "Sita Shree Gold", and the same is being awaited. Besides this the Company has not applied for any intellectual property registration.

**Purchase of Property**

The Company has already bought approx. 7.22 acres of land for proposed project on 30 years of lease from the promoters of the Company. Besides this except as stated in this RHP and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the issue (if any), there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present issue.

## Key Industry Regulation

The applicable laws in food processing are as follows:

### Food Laws

- **Agricultural Produce Market Committees (APMC Act)**

Agricultural Produce Market Committees constituted as per APMC Acts manage the markets. Over the years, to achieve an efficient system of buying and selling of agricultural commodities, most of the State Governments and Union Territories enacted legislations (Agricultural Produce Marketing (Regulation) Act (APMC Act) to provide for regulation of agricultural produce markets. Most of the wholesale markets and some of the rural primary markets have been brought under regulation. Many of the regulated wholesale markets have a principal market with large area and relatively better infrastructure and number of sub-yards attached to the principal market. The establishment of regulated markets has helped in creating orderly and transparent marketing conditions in primary assembling markets. Further, increase in the number of regulated market yards, from a meager 286 at the time of independence to 7557 in year 2005, has helped in increasing the access of farmers to such orderly market places. These regulated markets (7557) consist of 2428 principal markets and 5129 sub yards. Some wholesale markets are outside the purview of the regulation under APMC Acts.

- **Contract farming**

Contract farming is defined as a system for the production and supply of agricultural/horticultural produce under forward contracts between producers/suppliers and buyers. The essence of such an arrangement is the commitment of the producer/ seller to provide an agricultural commodity of a certain type, at a time and a price, and in the quantity required by a known and committed buyer.

Farming is an age-old means of livelihood for millions of Indians. However, there have been few systems/models in which farmers are assured of a market for their produce, leave alone a remunerative price. Farmers have on occasion had to throw their produce away for want of buyers. This is one side of the coin. On the other is the agri-based and food industry, which requires timely and adequate inputs of good quality agricultural produce. This underlying paradox of the Indian agricultural scenario has given birth to the concept of Contract Farming, which promises to provide a proper linkage between the 'farm and market.

- **Essential Commodities Act, 1955**

The Essential Commodities Act, 1955 was enacted to ensure easy availability of essential commodities to the consumers and to protect them from exploitation by unscrupulous traders. The Act provides for regulation and control of production, distribution and pricing of commodities, which are declared as essential for maintaining or increasing supplies or for securing their equitable distribution and availability at fair prices. Most of the powers under the Act have been delegated to the State Governments.

Using the powers under the Act, various Ministries/Departments of the Central Government have issued Control Orders for regulating production/distribution/quality aspects/movement etc. pertaining to the commodities which are essential and administered by them.

The Essential Commodities Act is being implemented by the State Governments/UT Administrations by availing of the delegated powers under the Act. The State Governments/UT Administrations have issued various Control Orders to regulate various aspects of trading in Essential Commodities such as food grains, edible oils, pulses kerosene, sugar etc. The Central Government regularly monitors the

action taken by State Governments/UT Administrations to implement the provisions of the Essential Commodities Act, 1955.

The items declared as essential commodities under the Essential Commodities Act, 1955 are reviewed from time to time in the light of liberalized economic policies in consultation with the Ministries/Departments administering the essential commodities and particularly with regard to their production, demand, and supply.

- **Prevention of Food Adulteration Act and Rules, 1955**

Adulteration of food and drugs can cause serious damage to human life. This antisocial menace is sought to be countered by making the legal provisions more stringent and deterrent even entailing life imprisonment for adulterations causing grievous hurt and danger to human life. This malpractice is also being tackled through effective health education measures.

Food is one of the essentials for proper maintenance of human health. Access to pure, nutritious food, free from any type of adulteration is the right of every citizen. The Directorate of Prevention of Food Adulteration is responsible for checking adulteration/misbranding of food articles. Although sec.272 & 273 of IPC were in existence the same were considered not sufficient for control of adulteration of food articles. The Prevention of Food Adulteration Act was enacted in 1954 to strengthen the system for preventing adulteration in articles of food. The Central Government framed rules known as the "Prevention of Food Adulteration Rules, 1955". Under sec.23 of the Act the responsibility of implementation of Prevention of Food Adulteration Act and Rules framed there under vests in the State Governments and Union Territories. Each State Government and Union Territory has created its own structure/organization for implementation of the Act.

**Aims and Objectives:** Food Safety through Food Quality Control Programme is of paramount importance. It can be achieved through the combined efforts and cooperation of food industry (self disciplined programmes and codes of practices) and the Government Authorities (Legislative Measures). In all the cases, the co-operation of the Consumer Organizations/Non-Governmental Organizations (NGOs) is a must.

The Legislative measures adopted for food safety are provided under the Prevention of Food Adulteration (PFA) Act - a piece of Central Legislation promulgated in 1954 which repealed all earlier Acts of the State Governments.

The Act which came into effect from 1st June, 1955 has been amended thrice, in 1964, 1976 and 1986 for plugging the loopholes and making the punishments more stringent and empowering the Consumers and Voluntary Organizations to play more effective role in its implementation.

- **Standards of Weights and Measures Act, 1976**

The Standards of Weights and Measures Act, 1956 was the first enactment by which the uniform standards of weights and measures, based on the metric system were established. The standards established by the 1956 act were based on the international system of units, recognized by the General Conference of Weights and Measures (CGPM) and the International Organization of Legal Metrology (OIML). Standards of weights and measures were subsequently revised by CGPM to SI units.

In view of the revision by the CGPM of the standards of weights and measures and the changes in the law suggested by the OIML, the 1956 Act was replaced by a comprehensive legislation, The Standard of Weights and Measures Act, 1976.

Salient features of **the Standards of Weights and Measures Act, 1976** are as follows:

- Establishment of the weights and measure based on the SI units, as adopted by the CGPM and recognized by the OIM.
- Provides to prescribe specification of measuring instruments used in commercial transaction, industrial production a measurement involved in public Health and Human safety. The specifications are given in the Standard of weights and Measures (General) Rules 1987.
- Regulation of inter-state trade and commerce in weights and measures and commodities sold, distributed or supplied by weights or measures;
- Regulation of pre-packed commodities sold or intended to be sold in the course of inter-state and commerce;
- Control and regulation of export and import of weights and measures and commodities in packaged form;
- Inspection of weighing and measuring instruments during their use to prevent fraudulent practices.
- Powers of inspectors to search, seize and forfeiture of non-standard weight or measure
- Power to file case in the court for prosecution

### **Indian Environment Regulations:**

The three major statutes in India that seek to regulate and protect the environment against pollution related activities in India are the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986. The basic purpose of these statutes is to control, abate and prevent pollution. In order to achieve these objectives, Pollution Control Boards (PCBs) are vested with diverse powers to deal with Water and Air Pollution have been set up in each state. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution control devises in industries and undertaking investigations to ensure that industries are functioning in compliance with standards prescribed. These authorities also have the power of search, seizure and investigation if the authorities are aware of or suspect pollution. All industries and factories are required to obtain consent orders from PCBs, which are indicative of the fact that the factory or industry in question is functioning in compliance with the pollution control norms laid down. These are required to be renewed annually.

The management, storage and disposal of hazardous waste is regulated by the Hazardous waste Management Rules, 1989 made under the Environment Protection Act, 1986. Under these rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

### **Others:**

Besides the above the other Laws affecting the business of the Company are Sales Tax, Excise, Customs duty, Income Tax etc.

## **C) HISTORY AND CORPORATE STRUCTURE OF THE COMPANY**

### **a. History and Corporate Structure of the Company**

The Company was originally incorporated as “Sitashree Food Products Private Limited” on 17/04/1996 under the Companies Act, 1956 with Registrar of Companies, Madhya Pradesh, Gwalior. The Company was converted into Public Limited Company and changed its name to “Sitashree Foods Products Limited” vide fresh certificate of incorporation dated 14/02/1997 a fresh certificate of incorporation has been obtained. The name of the Company was further changed to “Sita Shree Food Products Limited” vide a fresh certificate of incorporation dated 28/04/2006. The Company was promoted by Mr. Rajababu Agrawal and his family.

The Company started its commercial operations in the year 1998. The Company was entered into joint venture agreement with Godrej Pilsbury Ltd. in the year 1997 for manufacturing of Atta through the Company’s plant. The Company terminated said agreement in the year 2002 and started manufacturing under its own name & brand.

Presently the Company has its manufacturing facility located at Village Palda an Industrial Area in the Southern part of Indore. Company’s manufacturing facility consists of two units, first of Wheat Flour/ Maida in Unit No. I and the second of Finished Dal of all types in Unit No. II.

The installed and licensed capacity of Unit I is 43200 MT per annum on Double shift basis. The UNIT II of the Company which is in the same premises was set up in year 1999-2000. The installed and licensed capacity of this unit is to process 3500 MT per annum on double shift basis to produce Dal/ Pulses viz. Tur, Moong, Chana and Masoor, etc. by the process of fully automatic machines. The commercial production of the unit started from July 2000. In the very first year the total turnover achieved was Rs. 700.00 Lacs.

The Company has done expansion in flour mill during 2003-2004 from capacity of 36000 m.t. to 43200 m.t..

### **b. Main Objects**

To carry on in India and elsewhere the business of all type of food grains as growers, producers, manufactures, processors, sellers, dealers, consultants, financiers, jobbers, formulators, packers, importers, exporters, merchants, distributors, stockists, agents, traders and/ or in any other manner in which such business is ordinarily carried on.

The Main objects clause of the memorandum of association enables our company to undertake activities for which the funds are being raised in the IPO and also the activities, which Company has been carrying on till date.

### **Changes in Memorandum of Association of the Company**

Since incorporation, the following changes have been made to Memorandum of Association of Sita Shree Food Products Limited:

### *Change of Name*

The name of the Company was changed from “Sitashree Foods Products Private Limited” to “Sitashree Foods Products Limited” w.e.f. 14/02/1997 subsequent to conversion into Public Limited Company. The name of the Company was further changed to ‘Sita Shree Food Products Limited’ vide a fresh certificate of Incorporation dated 28/04/2006.

### *Change in Registered office of the Company*

The Company shifted its registered office from ½ Malharganj, Indore to 108/3 Chitawad Road, Palda Naka, Indore with effect from 13/01/1998.

### *Change in Authorised Share Capital*

<b>Date</b>	<b>From</b>	<b>To</b>
14/10/1996	Rs.10 lacs comprising 1,00,000 equity shares of Rs.10/- each.	Rs.75 lacs comprising 7,50,000 equity shares of Rs. 10/- each.
14/10/1997	Rs.75 lacs comprising 7,50,000 equity shares of Rs. 10/- each.	Rs.250 lacs comprising 25,00,000 equity shares of Rs. 10/- each.
15/02/2000	Rs.250 lacs comprising 25,00,000 equity shares of Rs. 10/- each.	Rs.260 lacs comprising 26,00,000 equity shares of Rs. 10/- each.
27/03/2006	Rs.260 lacs comprising 26,00,000 equity shares of Rs. 10/- each.	Rs.1000 lacs comprising 1,00,00,000 equity shares of Rs. 10/- each.
25/05/2007	Rs.1000 lacs comprising 1,00,00,000 equity shares of Rs. 10/- each.	Rs.2300 lacs comprising 2,30,00,000 equity shares of Rs. 10/- each.

### **c. Subsidiaries of the Issuer Company and their business**

The Company has no subsidiaries

## **D) AGREEMENTS**

### **Shareholders’ Agreement**

There are no Shareholders’ Agreements existing as on date.

### **Other Agreements**

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

### **Financial / Strategic Partners**

There are no financial or strategic partners.



## E) MANAGEMENT

### a. Board of Directors

The Board of Directors conducts the day to day operations of the company. As per the Articles of Association, Company can not have less than three or more than twelve directors. The day-to-day matters are looked after by qualified Key Personnel under the supervision of Managing Director. The following table sets forth details regarding the members of Board as of date of filing this RHP with SEBI:

<b>Name, Age, Address, Designation, Occupation and Nationality</b>	<b>Date of Appointment</b>	<b>Qualification</b>	<b>Other Directorships</b>	<b>Compensation (April 2006 – March 2007)</b>
<b>Mr. Rajababu Agrawal</b> Age: 56 years, Address: 85, Janki Nagar, Navlakha, Indore - 452 001 Designation: Chairman (Non independent) Occupation: Industrialist Nationality: Indian	Since incorporation Dt. 09/04/1996.  Appointed as a Chairman Dt. 01/04/2004	Higher Secondary	• Anoop Foods Limited	Rs. 3 Lacs.
<b>Mr. Dinesh Chandra Agrawal</b> Age: 53 years, Address: 85, Janki Nagar, Navlakha, Indore – 452 001 Designation: Managing Director (Non independent) Occupation: Industrialist Nationality: Indian	01/01/2003	Graduation (B.Sc.)	• Anoop Foods Limited	Rs. 3 Lacs.
<b>Mr. Rupesh Agrawal</b> Age: 32 years, Address: 85, Janki Nagar, Navlakha, Indore – 452 001 Designation: Executive Director (Non independent) Occupation: Industrialist Nationality: Indian	04/09/2002	M.Com	• Sita Shree Marketing Pvt. Ltd.	Rs.1.80 Lacs.
<b>Mr. Aashish Agrawal</b> Age: 22 years, Address: 85, Janki Nagar, Navlakha, Indore – 452 001 Designation: Executive Director, (Non independent) Occupation: Industrialist Nationality: Indian	01/01/2003	BBA	Nil	Rs. 1.80 Lacs.

<b>Name, Age, Address, Designation, Occupation and Nationality</b>	<b>Date of Appointment</b>	<b>Qualification</b>	<b>Other Directorships</b>	<b>Compensation (April 2006 - March 2007)</b>
<b>Mr. Giriraj Gupta</b> Age: 54 years, Address: 4, Shantiniketan Colony, Near Bombay Hospital, Indore - 452 001 Designation: Independent Director Occupation: Industrialist Nationality: Indian	01/05/2007	B.E. (Chemical)	<ul style="list-style-type: none"> <li>Shiv Edibles Ltd.</li> <li>Natraj Proteins Ltd.</li> </ul>	Nil
<b>Mr. Kamlesh Jain</b> Age: 69 years, Address: 456, M.G. Road Indore - 452 001 Designation: Independent Director, Occupation: Tax Consultant Nationality: Indian	30/09/2006	M.Com, LLB	Nil	Nil
<b>Mr. Suresh Narayan Wagh</b> Age: 70 years, Address: 299, Indrapuri Colony, Bhanwarkua, Indore Designation: Independent Director, Occupation: Officer Senior Management Nationality: Indian	30/09/2006	B.com	Nil	Nil
<b>Mr. Ganesh Prasad Sharma</b> Age: 63 years, Address: 122/ 2, Vallabh Nagar, Indore - 452 003 Designation: Independent Director, Occupation: Retired Banker Nationality: Indian	30/09/2006	B.Com	Nil	Nil

**Brief Profile of the executive and non-executive directors of the company is given below:**

- a) **Mr. Rajababu Agrawal**, Chairman, age 56 years is the promoter of the Company. he has been associated with the business for the last 35 years. As a chairman he provides strategic direction to the company. He started his career in the business of food grains trading in the commodity market of Indore in 1972. After gaining such vast experience he started manufacturing of 'Atta' through Sita Shree Food Products Ltd. His brother Dinesh Chandra and his son Rupesh ably assist him. The turnover of the Company has increased from Rs. 8cr to Rs. 81 cr. during last five years under his leadership.

- b) **Mr. Dinesh Chandra Agrawal**, Managing Director, aged 53 years, is the promoter & Managing Director of the Company. He has been associated with the business of grain trading for the last 30 years. He is responsible for the company's day to day activities and all financial matters. He joined his family business of food grains trading in the commodity market of Indore during 1977. After gaining rich experience in commodity trading he joined hand with his brother Mr. Rajababu Agrawal for venturing into manufacturing activity. He is also Trustee in M/s. Vishwanath Dham Trust, which is running a School Bharti Shiksha Sanskriti Sansthan.
- c) **Mr. Rupesh Agrawal**, Executive Director of the Company, aged 32 years. He is masters in commerce. He has an experience of 10 years in grain trading and processing and he has also visited many countries such as South Africa, Pakistan, Bangladesh, USA and UAE for exploring global opportunities for the business. He looks after finance aspect of the Company.
- d) **Mr. Aashish Agrawal**, Director, age 22 years is the Executive Director of the Company. He has done his Bachelor of administration. He is responsible for the product marketing and accounts related issues in the Company.
- e) **Mr. Giriraj Gupta**, Independent director, age 54 year is the experienced B.E. (Chemical Engg.) having 31 years experience in the field of of Solvent Extraction, oil Refining, Oil Milling, Hydrogenation and by-product such as Lecithin, Soap, Acid oil etc. He had started his career with J.K. Synthetics Ltd. as trainee and then worked with Jayant Vitamin Ltd., Hindustan Gums & Chemicals Ltd., General Foods Ltd. Itarsi oils and Flours Ltd. and ROM Industries Ltd. and after august 1994 he is working as a Technical Consultant of various companies and still continuing the same. He had opportunities to work in each and every section of edible oil industries i.e, Project, Production, Research & Development, Value Added products, Material Management, personnel Management etc.
- f) **Mr. Kamlesh Jain**, Independent director, age 69 years is a post graduate in commerce and holds law degree. He has 35 years of experience in tax related matters. He is providing guidance to the Company relating to tax matters and other legal matters. He has a greater role to play on advising management after the proposed expansion.
- g) **Mr. Suresh Wagh**, Independent director , age 70 years, is a commerce graduate and a ex-banker. He has served with Public Sector Bank for more than 30 years at senior management scale.
- h) **Mr. Ganesh Prasad Sharma**, Independent Director, age 62 years, is a commerce graduate and a retired banker with more than 40 years of experience as banker. During his entire career he had served various Public Sector Banks such as Union Bank of India, Punjab National Bank and State Bank of India.

#### **Details of Borrowing Powers of the Directors**

Objects clause (III B) (37) of the Objects Incidental and Ancillary to the Main Objects Clause and Article 154 (d) of the Articles of Association of the Company provides for the Board of Directors to borrow and secure the repayment. In this connection the Company at its General Meeting / Extra Ordinary General Meeting held on 27/04/2006 passed necessary resolution under Section 293 (I) (d) of the Companies Act,1956 delegating the power to borrower upto a limit of Rs.30 Crores to the Board of Directors.

#### **b. Compensation of Whole Time Directors**

**Mr. Rajababu Agrawal** was appointed as Chairman and Executive Director of the Company for the period of five years w.e.f. 01/06/2007. The brief terms of the appointment are as follows:

<b>Salary and allowance</b>	: Rs. 50000/- per month
<b>Perquisites</b>	: All applicable perquisites subject to compliance of Section 198, 309,349,350 and 351 of the Companies Act, 1956.
<b>Other terms</b>	: In the event of absence or inadequate profits in any financial year, Mr. Rajababu Agrawal will be paid the above salary as minimum remuneration.

**Mr. Dinesh Agrawal** was appointed Managing Director of the Company for the period of five years w.e.f. 01/06/2007. The brief terms of the appointment are as follows:

<b>Salary and allowance</b>	: Rs. 50000/- per month
<b>Perquisites</b>	: All applicable perquisites subject to compliance of Section 198, 309,349,350 and 351 of the Companies Act, 1956.
<b>Other terms</b>	: In the event of absence or inadequate profits in any financial year, Mr. Dinesh Agrawal will be paid the above salary as minimum remuneration.

**Mr. Rupesh Agrawal** was appointed Executive Director of the Company w.e.f. 01/06/2007 and will be liable to retire by rotation. The brief terms of the appointment are as follows:

<b>Salary and allowance</b>	: Rs. 30000/- per month
<b>Perquisites</b>	: All applicable perquisites subject to compliance of Section 198, 309,349,350 and 351 of the Companies Act, 1956.
<b>Other terms</b>	: In the event of absence or inadequate profits in any financial year, Mr. Rupesh Agrawal will be paid the above salary as minimum remuneration.

**Mr. Aashish Agrawal** was appointed Executive Director of the Company w.e.f. 01/06/2007 and will be liable to retire by rotation. The brief terms of the appointment are as follows:

<b>Salary and allowance</b>	: Rs. 30000/- per month
<b>Perquisites</b>	: All applicable perquisites subject to compliance of Section 198, 309,349,350 and 351 of the Companies Act, 1956.
<b>Other terms</b>	: In the event of absence or inadequate profits in any financial year, Mr. Aashish Agrawal will be paid the above salary as minimum remuneration.

**c. Compliance with Corporate Governance Requirements:**

The Company stand committed to good Corporate Governance practices. The Guidelines issued by SEBI in respect of Corporate Governance will be applicable to the Company immediately upon applying for in-principle approval for listing of our Equity Shares on the Stock Exchanges. Accordingly, the Company has undertaken steps to comply with the SEBI Guidelines on Corporate Governance.

**I. Composition of the Board of Directors**

The Board has Eight Directors, out of which four are independent directors in accordance with the requirements of Clause 49 of the listing agreement of the Stock Exchanges. The Chairman of the Board is an executive Director.

Sr. No.	Name of the Director	Status
1.	Mr. Rajababu Agrawal	Chairman
2.	Mr. Dinesh Agrawal	Managing Director

3.	Mr. Rupesh Agrawal	Executive Director
4.	Mr. Aashish Agrawal	Executive Director
5.	Mr. Giriraj Gupta	Independent Director
6.	Mr. Kamlesh Jain	Independent Director
7.	Mr. Suresh Wagh	Independent Director
8.	Mr. Ganesh Prasad Sharma	Independent Director

## II. Corporate Governance Committees

Committees of the Board have been constituted in order to look into the matters in respect of audit, compensation of executive directors, shareholding/Investors Grievance Redressal, details of which are as follows:

### 1. Audit Committee

The Audit Committee was constituted at the Baord meeting of the Company held on 05/01/2007. The Committee currently consists of three directors Mr Kamlesh Jain, Mr. Ganesh Prasad Sharma and Mr. Suresh Wagh. All these directors are independent directors having finance and accounting background. Mr Kamlesh Jain shall be the Chairman of the Committee. The terms of the Audit Committee as per the terms of its constitution, comply with the requirements of section 292 A of the Companies Act and Clause 49 of the listing agreement to be entered into with the Stock Exchange (S).

Composition of Audit Committee is as follows:

Sr. No	Name of the Director	Designation in committee	Nature of Directorship
1.	Kamlesh Jain	Chairman	Independent Director
2.	Mr. Ganesh Prasad Sharma	Member	Independent Director
3.	Mr. Suresh Wagh	Member	Independent Director

The essential functions of the Audit Committee include overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible, to recommend Board, the appointment, re-appointment and if required, the replacement or removal of statutory auditor and fixation of audit fees, to review with management the financial statements before submission to the Board for approval, with particular reference to :

- a) any changes in accounting policies and practices,
- b) major accounting entries based on exercise of Judgement by management
- c) qualifications in the draft audit report
- d) compliance of accounting standards,
- e) significant adjustments arising out of audit
- f) compliance with stock exchange and legal requirements concerning financial statement
- g) any related party transactions that may have the potential conflict with the interest of the company.

To review with the management external and internal auditors and the adequacy of internal control system.

This Committee comprises of three Independent Directors. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required.

## **2. Remuneration Committee**

The Remuneration Committee was constituted by the Board of directors at their meeting held on 05/01/2007 and the members of the Committee are Mr. Ganesh Prasad Sharma, Mr. Kamlesh Jain and Mr. Suresh Wagh. The Chairman of the Remuneration Committee is Mr. Ganesh Prasad Sharma. The terms of reference of the Remuneration Committee are as given below :

1. Meetings of the Committee shall be held whenever matters pertaining to the remuneration payable including any revision in the remuneration payable to executive / non executive Directors is to be made.
2. To recommended the Board, the remuneration package of the Company's Directors.
3. All information about the Directors / Managing Directors / Whole Time Directors i.e. background details, past remuneration, recognition or awards, job profile shall be considered and disclosed to shareholders.

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

The Shareholders/Investors Grievance Committee was constituted at the Board Meeting of the Company held on 05/01/2007 consisting of Mr. Rupesh Agrawal, Mr. Ganesh Prasad Sharma and Mr. Suresh Wagh. The Chairman of the Investor Grievances Committee is Mr. Rupesh Agrawal.

The terms of reference of the Shareholders / Investor Grievances Committee are to look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

### **d. Shareholding of the Directors**

<b>Sr. No.</b>	<b>Name</b>	<b>Relationship</b>	<b>No. of Shares</b>	<b>% of Share Capital</b>
1.	Mr. Rajababu Agrawal	Chairman	239500	2.08
2.	Mr. Dinesh Chandra Agrawal	Managing Director	282430	2.45
3.	Mr. Rupesh Agrawal	Executive Director	715265	6.20
4.	Mr. Aashish Agrawal	Executive Director	1415800	12.27

The other directors do not hold any Equity Shares in the Company.

### **Qualification Shares required to be held by Directors**

Directors are not required to hold any qualification shares.

### **e. Interest of Directors**

All the non executive directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee thereof as well as to the extent of sitting fees and/or reimbursement of expenses payable to them as per the applicable laws.

The Directors may also be regarded as interested in the shares & dividend payable thereon, if any, held by or that may be subscribed by and allotted/transferred to them or the companies, firms and trust, in which they are interested as Directors, Members, partners and or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any Company in which they hold Directorships or any partnership/proprietorship firm in which they are proprietor/partners as declared in their respective declarations.

The Managing Director of the Company is interested to the extent of remuneration paid to him for services rendered to the Company.

The details of property purchased by the company from the Director(s) of the company within a period of 3 years are as under:

Property taken on lease from Directors:

- Ashish Agrawal:
  1. Description of the property: Land at Badiyakima at Tehsil, Dist. Indore ad measuring 1.785 Hectares.
  2. Lease Period: 30 years
  3. Lease Deposit: Rs. 1,00,00,000
  4. Lease Rent: Rs. 75,000 Per Annum
- Rupesh Agrawal
  1. Description of the property: Land at Badiyakima at Tehsil, Dist. Indore ad measuring 0.228 Hectares.
  2. Lease Period: 30 years
  3. Lease Deposit: Rs. 30,00,000
  4. Lease Rent: Rs. 30,000 Per Annum

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

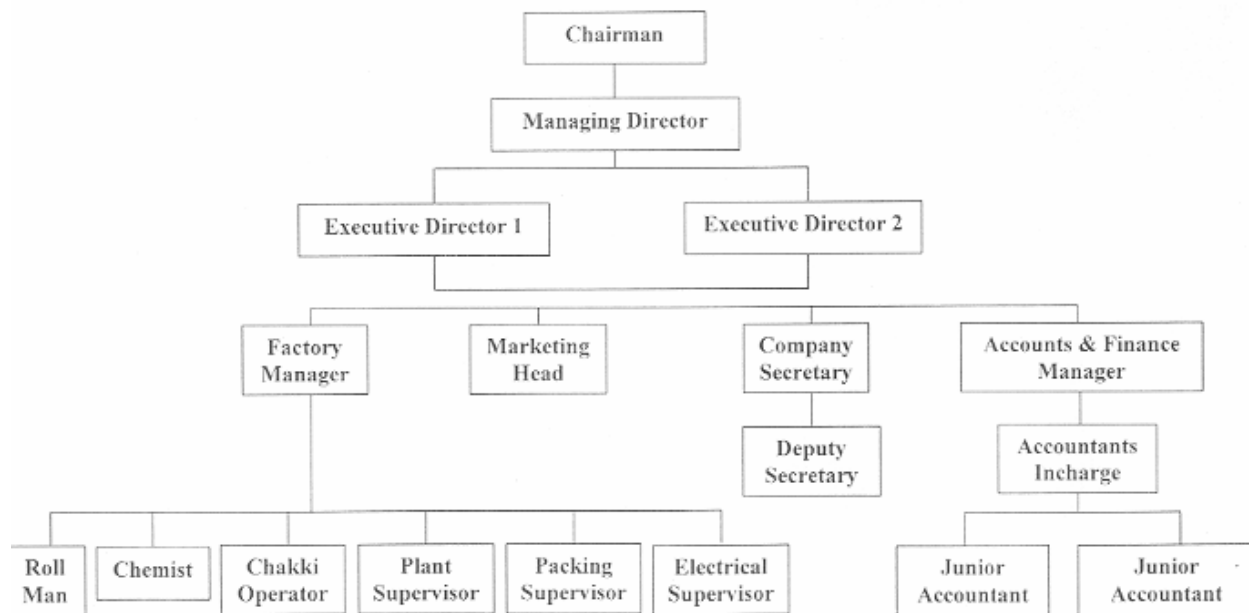
The changes in the Board of Directors of the Company in last three years are as follows:

<b>Name of the Director</b>	<b>Date of Change</b>	<b>Reasons for Change</b>
Mr. Giriraj Gupta	01/05/2007	Appointed as Additional Director (Independent)
Mr. Kamlesh jain	30/09/2006	Appointed as Additional Director (Independent)
Mr. Ganesh Prasad Sharma	30/09/2006	Appointed as Additional Director (Independent)
Mr. Suresh Wagh	30/09/2006	Appointed as Additional Director (Independent)

#### **Payment or Benefit to Promoters or principal shareholder of the Company.**

No benefit or payments have been made to any promoters or principal shareholders of the company except as stated in the terms and remuneration payable as per the compensation agreement entered into by them and lease rent paid to them in respect land acquired for the proposed project.

#### f. Management Organization Structure



#### g. Key Management Personnel

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/finance/distribution/marketing. The following key personnel assist the Management.

Details of the Key Managerial Personnel are as follows:

Sr. No.	Name	Designation	Qualification	Date of Appointment	Exp.	Previously Employed
1	Mr. Vijay Swami	Manager Accounts & Finance	M.Com. MBA(continue)	07/06/2005	9 Yrs.	Jabalpur Motors Ltd.
2	Mr. Manish Garg	Accounts Manager	B.Com., LLB.(1 <sup>st</sup> Year)	01/01/2007	15 Yrs.	Brijeshkumar Balkishan
3	Mr. Antim Singh Sengar	Accountant	B.Com., M.A.	27/06/2006	19 Yrs.	J. K. Industries
4	Ms. Rekha Jain	Company Secretary	B.Com., ACS	25/02/2008	Nil	N.A.

**Note:** None of the key managerial personnel are relatives of the promoters. As on date all the employees named above were on the roll of the company as permanent employees.

#### Shareholding of the Key Managerial Personnel:

The Key Managerial Personnel of the Company does not hold any shares in the company as on the date of this RHP.



**Bonus or Profit Sharing Plan for the Key Managerial Personnel:**

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

**Loans to key managerial personnel**

There are no loans outstanding against key managerial personnel as on 31/10/2007.

**Changes in the Key Managerial Personnel in the last one year:**

Except for the following, there have been no changes in the Key Managerial Personnel of the Company in the last three years:

Sr. No	Name	Designation	Date of Change	Reason
1.	Mr. Vikas Jain	Chief Operating Officer	30/07/2006	Resigned
2.	Mr. Rajesh Sen	Company Secretary	28/07/2007	Resigned
3.	Ms. Nikita Jain	Company Secretary	25/02/2008	Resigned
4.	Ms. Rekha Jain	Company Secretary	25/02/2008	Appointed

**h. Employees**

The total manpower directly employed by the Company as on date is 56 personnel. Distribution of the manpower is as follows:

**The existing manpower of the Company is as follows:**

Sr. No.	Category	Existing
1	Adm. & Management	7
2	Supervising	3
3	Workers	6
4	Contract Labour	40

**i. Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme**





Till the date Company has not introduced any Employees Stock Option Schemes/ Employees Stock Purchase Schemes.


**j. Other Benefits to the Officers of the Issuer Company**


No benefit or payments have been made to any officer of the company. The company does not intend to give any benefit or any payment to any of the employees in future except incentive as explained above. As far as payment of directors is concerned no benefits have been allowed except as per the terms of the contract for the services.


## F) PROMOTERS


### a. Details of Promoters being Individuals

<p><b>1 Mr. Rajababu Agrawal</b>, the Chairman of the Board of Directors, aged 56 years, is the promoter of the Company. He has been associated with the business for the last 35 years. As a chairman he provides strategic direction to the company. He has vast experience in the Domestic marketing and sourcing is his forte. He has been deriving force behind the company's growth. The Company has consistently made profits, which clearly establish the values nourished under his leadership.</p> <p>Educational Qualification Higher Secondary PAN ABHPA2459H Passport No. A8536569</p>	
<p><b>2 Mr. Dinesh Chandra Agrawal</b>, the Managing Director of the Company, aged 53 years, is the promoter of the Company. He has been associated with the business for the last 30 years. He is responsible for the company's day to day activities and all financial matters. He has vast experience in the Domestic marketing. His strategic and innovative plans and approaches always benefit the company. He is also Trustee in M/s. Vishwanath Dham Trust, which is running a School Bharti Shiksha Sanskriti Sansthan.</p> <p>Educational Qualification Graduation (B.Sc.) PAN AGLPA2931P Passport No. A7652035</p>	
<p><b>3 Mr. Rupesh Agrawal</b>, the Executive Director of the Company, aged 32 years. He is masters in commerce and is the new breed of young entrepreneurs with bright, innovative &amp; fresh ideas to do business. He has an experience of 10 years in grain trading and processing and he has also visited many countries for exploring global opportunities for the business. He looks after finance aspect of the Company.</p> <p>Educational Qualification M.Com PAN ABHPA2480J Passport No. A8640871</p>	
<p><b>4 Mr. Ashish Agrawal</b>, Director, aged 22 years, is the Executive Director of the Company. He is a young entrepreneur from Agrawal family. He is a Bachelor of administration and is in the process of gaining experience in grain trading and processing. He is responsible for the company's product marketing and accounts work.</p> <p>Educational Qualification B.B.A. PAN AHJPG3882G Passport No. B3050929</p>	

<b>5</b>	<b>Mrs. Chandrika Devi Agrawal</b> , age 50 years, is a wife of Mr. Dinesh Chandra Agrawal.	
	Educational Qualification	Higher Secondary
	PAN	ABHPA2463R
	Passport No.	B0042810

<b>6</b>	<b>Mrs. Usha Devi Agrawal</b> , age 52 years, is a wife of Mr. Rajababu Agrawal.	
	Educational Qualification	Higher Secondary
	PAN	ABHPA2465K
	Passport No.	Not Applicable

<b>7</b>	<b>Mr. Anoop Agrawal</b> , age 18 years, is a son of Mr. Dinesh Chandra Agrawal and younger brother of Ashish Agrawal.	
	Educational Qualification	Pursuing BBA
	PAN	AKRBG9182C
	Passport No.	B2889117

<b>8</b>	<b>Mr. Manish Agrawal</b> , age 31 years, is son of Mr. Rajababu Agrawal and elder brother of Mr. Rupesh Agrawal. He is actively involved in the business of grain trading through a proprietary concern M/s Sitaram Shreenarayan Agrawal & Co. and a partnership concern Manish Trading Co.	
	Educational Qualification	B.Com
	PAN	ABHPA2464J

**b. Details of Promoters other than individual**

<b>9</b>	<b>Name of HUF</b>	Rajababu Agrawal HUF
	<b>Name of Karta</b>	Mr. Rajababu Agrawal
	<b>PAN of Karta</b>	ABHPA2459H
	<b>Passport No. of Karta</b>	A8536569

<b>10</b>	<b>Name of HUF</b>	Dinesh Agrawal HUF
	<b>Name of Karta</b>	Mr. Dinesh Chandra Agrawal
	<b>PAN of Karta</b>	AGLPA2931P
	<b>Passport No. of Karta</b>	A7652035

The Permanent Account Number, Bank Account Number and Passport Number if any, of all the Promoters have been submitted to BSE and NSE.

**c. Common Pursuits**

The ventures of the Promoters namely; M/s Manish Trading Co., a partnership firm and M/s Sitaram Shreenarayan Agrawal & Co., a proprietary firm, are in the business of Food grains trading and M/s Udha Dall Mill, a proprietary firm is in the business of manufacturing of pulses. These businesses are common with the business of the Company, which may have conflict of interest in future. The object clause of M/s Anoop Foods Limited, a company promoted by the promoters of Sita Shree, provides for doing business of solvent extraction which Sita Shree is pursuing through the proposed project. However presently M/s Anoop Foods Limited is not doing any business hence there is no conflict of interest between Sita Shree and the said entity.

Besides this there are no common pursuits amongst Sita Shree Food Products Limited and other group companies since no other entity is engaged in the line of activity in which company is engaged.

**d. Interest of Promoters**

All the Promoters who are on the Board of Company may be deemed to be interested to the extent of remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The Promoters may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a director/member respectively.

The Promoters may also be deemed to be interested in the transaction of acquisition of land on lease basis by the company for proposed project.

Except as mentioned above the promoters do not have any interest in the business of the company.

**e. Payment or benefit to Promoters of the Issuer Company**

Other than the salary and remuneration of the Promoter Directors, dividend, if any declared by the Company on shares held by them and rent payable to them on land acquired on lease by the Company for proposed project, there are no payment or benefit to promoters of the Company.

**f. Related Party Transactions as per Financial Statements**

The details of related party transactions please refer to page no.84 of this RHP.

## **G) CURRENCY OF PRESENTATION**

In this RHP, all references to “Rupees” “Rs.” are to the legal currency of India.

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

For the convenience of the Shareholders, as far as possible the reporting unit has been maintained as Rupees in Lacs (Rupees in Hundred Thousands).

## **H) DIVIDEND POLICY**

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

The Summary of dividends declared by Sita Shree Food Products Limited is as follows:

<b>Particulars</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>
Rate of Final Dividend	6%	6%	10%
Total amount of Dividend (Rs.) (Including Tax on Dividend)	47.07	31.77	16.03

The Company has declared 6% dividend for the financial year 2006-07. The amounts paid as dividend in past is not indicative of the company’s dividend policy in the future.

## V: FINANCIAL STATEMENTS

Lead Manager confirms that all notes to the accounts, significant accounting policies as well as well as auditors' qualifications (if any) have been incorporated.

### A) STANDALONE FINANCIAL INFORMATION OF THE ISSUER COMPANY

#### AUDITORS' REPORT

THE BOARD OF DIRECTORS  
**Sita Shree Food Products Ltd.,**  
332/4/2, R. D. Udyog Nagar, Palda  
Nemawar Road,  
**Indore**

**Re: Initial Public Offering of Sita Shree Food Products Ltd.**

#### AUDITORS' REPORT AS REQUIRED BY PART II OF SCHEDULE II TO THE COMPANIES ACT, 1956

Dear Sirs,

We have examined the financial information of **SITA SHREE FOOD PRODUCTS LTD.** ("The Company") annexed to this report which have been prepared in accordance with the requirement of:

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

Financial information as per audited financial statements:

1. We have examined the attached restated summary of assets and liabilities of the Company as at 31<sup>st</sup> March 2003, 31<sup>st</sup> March 2004, 31<sup>st</sup> March 2005, 31<sup>st</sup> March 2006 and 31<sup>st</sup> March 2007 and we have also examined and found correct the account of the company for the period 01.04.07 to 31.10.07 prepared and approved by you. The attached restated summary statement of profit and loss for each of the years/period ended on those dates ("Summary Statements") (**See Annexure I and II**) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion is appropriate. These summary statements have been extracted from the financial statements for these years duly audited by the statutory auditors and adopted by the Board of Directors/ members for the respective years.

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

- a) Impact arising on account of change in accounting policies and estimates has been adjusted with retrospective effect.

- b) Qualification in respect on Non-Provision of leave encashment is not adjusted in the restated summary statement as the amount is not ascertained and management is of the opinion that no such liability on this will occur in future there are no qualification in the Auditors report requiring adjustment.
- 2. Explanatory Notes on adjustment made to report is enclosed as Annexure 'III' and Summary of Significant accounting policies adopted by the company together with the notes pertaining to the audited financial statements as at and for the year ended March 31, 2007 is also enclosed in same **Annexure III** to this report.

**Other Financial Information**

- 3. At your request we have also examined the following unconsolidated financial information of the company proposed to be included in the offer document as approved by you and annexed to this report.
  - a. Restated statement of Cash Flows is enclosed as **Annexure IV**.
  - b. Accounting ratio based on the restated profits relating to earning per share, net asset value and return on net worth is enclosed in **Annexure V**.
  - c. Statement of tax shelters is enclosed in **Annexure VI**.
  - d. Statement of Capitalization is enclosed in **Annexure VII**.
- 4. In our view, the "financial information as per audited financial statements" and "other financial information" mentioned above have been prepared in accordance with Part II of schedule II of the Act and the SEBI Guidelines.

This report is intended solely by your information and for the inclusion in the offer document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For SUBHASH CHAND JAIN ANURAG & ASSOCIATES**  
Chartered Accountants

Sd/-

(S. C. JAIN)  
PARTNER  
M. No. 72062

**Place:** Indore  
**Date:** 25<sup>th</sup> Jan, 2008

## ANNEXURE-I

**STATEMENT OF ASSETS AND LIABILITIES**

(Rs. in Lacs)						
Particulars	As at 31 <sup>st</sup> 31/10/07	As at 31 <sup>st</sup> March , 07	As at 31 <sup>st</sup> March , 06	As at 31 <sup>st</sup> March 05	As at 31 <sup>st</sup> March,04	As at 31 <sup>st</sup> March, 03
<b>A. Fixed Assets</b>						
Gross block	969.21	954.41	926.99	918.93	885.12	821.91
Less : Accumulated Depreciation	312.72	289.56	251.70	210.68	172.42	136.46
Net Block	656.49	664.85	675.29	708.25	712.70	685.45
Less: Revaluation Reserve	---	---	---	---	---	---
<b>Net Block after adjustment for Revaluation Reserve</b>	<b>656.49</b>	<b>664.85</b>	<b>675.29</b>	<b>708.25</b>	<b>712.70</b>	<b>685.45</b>
<b>B. Capital Work in-progress</b>	<b>102.51</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Investments</b>	<b>4.15</b>	<b>16.48</b>	<b>22.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>D. Current Assets, Loans and Advances</b>						
Inventories	724.10	621.60	651.12	507.46	378.87	300.34
Sundry Debtors	791.60	760.66	284.15	230.70	253.04	161.32
Cash and Bank Balances	388.06	429.35	383.54	44.42	7.95	0.27
Loans and Advances	599.85	66.90	45.52	89.20	30.96	87.10
<b>Sub-Total</b>	<b>2401.11</b>	<b>1878.51</b>	<b>1364.33</b>	<b>871.78</b>	<b>670.82</b>	<b>549.03</b>
<b>E. Liabilities and Provisions:</b>						
Secured Loans	869.52	699.86	491.50	588.20	587.88	577.75
Unsecured Loans	229.45	217.83	326.15	123.08	149.64	46.87
Current Liabilities and Provisions	665.36	757.96	558.80	250.22	63.96	71.51
Deferred Tax Liability	132.05	130.12	128.91	130.47	116.72	99.72
<b>Sub-Total</b>	<b>1896.38</b>	<b>1805.77</b>	<b>1505.36</b>	<b>1091.97</b>	<b>918.20</b>	<b>795.85</b>
<b>F. Net Worth (A+B+C-D)</b>	<b>1267.88</b>	<b>754.07</b>	<b>556.46</b>	<b>488.06</b>	<b>465.32</b>	<b>438.63</b>
<b>G. Represented by</b>						
1. Share Capital	1153.68	701.06	549.56	310.49	300.49	290.49
2. Reserves (net of revaluation reserves)	114.20	53.01	6.98	177.76	165.10	148.50
<b>Total</b>	<b>1267.88</b>	<b>754.07</b>	<b>556.54</b>	<b>488.25</b>	<b>465.59</b>	<b>438.99</b>
<b>H. Misc. Expenditure (to the extent not written off or adjusted)</b>	<b>-</b>	<b>-</b>	<b>0.08</b>	<b>0.19</b>	<b>0.27</b>	<b>0.36</b>
<b>Total ( G )</b>	<b>-</b>	<b>-</b>	<b>0.08</b>	<b>0.19</b>	<b>0.27</b>	<b>0.36</b>
<b>I. Net Worth (G-H)</b>	<b>1267.88</b>	<b>754.07</b>	<b>556.46</b>	<b>488.06</b>	<b>465.32</b>	<b>438.63</b>



**ANNEXURE-II**

**STATEMENT OF PROFIT AND LOSS ACCOUNT**

**(Rs. in Lacs)**

Particulars	For Seven Months ended on 31/10/2007	For the Year ended				
		31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
<b>Income</b>						
<b><u>INCOME</u></b>						
<b>Sales:</b>						
Of Products manufactured by the Company	3588.74	4934.72	3812.63	3038.79	2311.13	458.72
Of Products traded in by the Company	1429.07	3139.45	3250.56	503.31	139.77	22.54
Other Income	32.07	16.72	8.92	27.72	24.11	62.01
Increase (Decrease in inventories)	(67.20)	62.63	59.97	84.53	-167.34	292.7
<b>Total (A)</b>	<b>4982.69</b>	<b>8153.52</b>	<b>7132.08</b>	<b>3654.35</b>	<b>2307.67</b>	<b>835.97</b>
<b>Expenditure</b>						
Purchase & Consumption	4595.30	7583.97	6591.40	3208.24	1974.04	662.07
Staff Costs	17.78	25.52	18.15	7.02	7.08	6.65
Other Manufacturing Expenses	126.20	181.65	192.65	236.70	105.22	62.92
Administration Expenses	23.40	37.28	34.55	29.27	26.3	12.05
Selling & Distribution Expenses	25.96	50.81	114.12	25.10	55.84	7.85
Preliminary & preoperative exp. W/o	0.00	0.09	0.09	0.09	0.09	0.09
<b>Total (B)</b>	<b>4788.64</b>	<b>7879.32</b>	<b>6950.96</b>	<b>3506.42</b>	<b>2168.57</b>	<b>751.63</b>
<b>Earning Before Depreciation</b>	<b>194.03</b>	<b>274.2</b>	<b>181.12</b>	<b>147.93</b>	<b>139.1</b>	<b>84.34</b>
<b>Interest &amp; Tax</b>						
Depreciation	23.96	39.83	41.01	38.26	35.97	30.91
Interest	78.56	91.43	86.01	60.52	66.73	37.35
<b>Net Profit before tax and Extraordinary items</b>	<b>91.51</b>	<b>142.94</b>	<b>54.1</b>	<b>49.15</b>	<b>36.4</b>	<b>16.08</b>
<b>Taxation</b>						
Current tax	30.41	48.81	15.51	3.8	2.8	1.27
Deferred tax	1.93	1.21	-1.55	13.75	17	99.72
<b>Net Profit after Tax</b>	<b>59.17</b>	<b>92.92</b>	<b>40.14</b>	<b>31.60</b>	<b>16.60</b>	<b>-84.91</b>
Adjustments on account of Prior period Expenses	2.02	2.32	-	0.67	-	-
<b>Adjusted Profit</b>	<b>61.19</b>	<b>95.24</b>	<b>40.14</b>	<b>30.93</b>	<b>16.60</b>	<b>-84.91</b>

**(A) NOTES ON ADJUSTMENT MADE ON RESTATED FINANCIAL STATEMENT.****1. Change in Accounting Policies.**

Accounting standard 22 (As-22) Accounting for Taxes on Income "Issued by the ICAI has applied by the company in preparing the accounts for the year ended March 31<sup>st</sup> 2002 and subsequent years.

**2. Current Tax Impact of Adjustment**

There is no Major Impact on current Tax on Account of restatement of profitability and as such no such adjustment is made in the restated summary statement.

**3. Regrouping.**

Financial Statement, which were elaborative, has summarized and re-grouped in the re-stated summary statement for better investors prospective Salary waged other benefit related to workers and administrative staff are included under Manufacturing expenses.

**(B) SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS A/C FOR THE PERIOD ENDED 31<sup>ST</sup> OCT., 2007****(A) SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

1. The account of the Company are prepared under the historical cost convention and in accordance with applicable accounting principle in India, the accounting standard issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956. Accounting policies not specifically referred to are consistent with generally accepted accounting principles.
2. The Company follows mercantile system of accounting and recognize income and expenditure on accrual basis.
3. **Sales**

Sales are recognized on despatch of goods to customers, insurance & other expenses claimed in the sales invoices, but net of sales return. Sales also included the sale of goods purchase for resale.

**b. Valuation of Inventory**

1. Closing stock of semi finished are valued at average cost of material plus cost of conversion and finished goods are valued at cost of material together with relevant factory overhead or net realisable value which ever is lower.
2. Closing stock of packing material stores and raw material are valued at average cost.

### **c. Cash Flow Statement**

Cash flow statement has been prepared by using Indirect Method at per AS-3 issued by the ICAI.

### **d. Contingencies and Events occurring after the Balance Sheet date.**

Accounting for contingencies (gains and losses) arising out of contractual obligations, are made only on the basis of mutual acceptances. Events occurring after the date of the Balance Sheet are considered up to the date of approval of the accounts by the Board, where material.

### **e. Prior Period Adjustment & Extra Ordinary Item**

These item include the reversal of depreciation Rs.191307.8180106 due to apply of excess rate of charging depreciation on assets Rs. 664028.00 which was wrongly taken in earlier year and remission of creditors Rs.8961/-2004-05. Further also includes Rs.31747/- of unclaimed account also credited 131446.00 relates to Profit & Loss A/c of the year after credited to above heads insurance claim received of previous year However Rs. 7000/- debited on account of earlier year expenses paid and also Rs.2376/- on account of professional Tax demand of earlier year debited in during the period.

### **f. Depreciation**

During the year company has reversed depreciation Rs.191307=8180106.00 of some assets due to higher rate of depreciation provided in earlier year.

### **g. Revenue Recognition**

Revenue from sales/ weightment service are accounted for as net of taxes and the principle of revenue recognition are given below :

1. Revenue from service rendered is recognized as the services is performed.
2. Revenue from sales is recognized upon passing of title of the goods and on transit of significant risk and rewards of ownership.
3. Dividend income is recognized on receipt basis.
4. Interest is also recognized on receipt basis.

### **h. Fixed Assets**

Fixed assets are stated at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation.

### **i. Foreign Currency Transactions**

There is no such transaction made by the company in during the period.

### **j. Investment**

Investment are long term investment and same are stated at their acquisition cost. A provision for diminution is not made due to temporary in the nature .

#### **k. Retirement Benefit**

Retirement Benefits to employees for payment of Gratuity, Bonus Superannuation Pension and Encashment of Leave salary have not been provided. But explained, that the same will be accounted on payment basis. Further contribution in respect of Provident Fund & ESI is made monthly and are charged to the Profit & Loss Account.

#### **l. Borrowing Cost**

Borrowing cost which are directly attributable to the acquisition/construction of fixed assets till the time such assets are ready for use are capitalization as part of the assets. Other borrowing cost are treated as revenue expenditure and charged to profit and loss account for the year.

#### **m. Segment Reporting.**

The accounting policies adopted for segment report in are in line with the accounting policies of the company with the following additional policies for segment reporting :

- a) Inter segment revenue have been accounted for based on the transaction price agreed to between segment which is primary market led.
- b) Revenue and expenses have been identified to segment on the basis of their relationships to the operating activities of the segment revenue and expenses which relate to the enterprise as whole and are not allocable to segment on a reasonable basis. Have been included under “Unallocated Corporate Expenses”.

#### **INFORMATION ABOUT BUSINESS SEGMENT**

	(Rs.in lacs)					
	MANUFACTURING		TRADING		CONSOLIDATED TOTAL	
	2006-07	31/10/2007	2006-07	31/10/2007	2006-07	31/10/2007
Total Revenue (Sales)	4934.72	3585.83	3139.45	1431.99	8074.17	5017.82
Segment Result	360.93	223.99	12.58	7.14	373.51	231.13
Unallocated Corporate Exp.	Nil	Nil	Nil	Nil	153.54	91.11
Operating Profit	Nil	Nil	Nil	Nil	219.97	140.03
Interest and Other Income	Nil	Nil	Nil	Nil	16.72	32.08
Interest Exp.	Nil	Nil	Nil	Nil	91.43	78.56
Profit Before Tax	Nil	Nil	Nil	Nil	145.26	93.54
Income Tax	Nil	Nil	Nil	Nil	50.02	32.34
Profit After Tax	Nil	Nil	Nil	Nil	95.24	61.19
<b>OTHER INFORMATION</b>						
Segment Assets	605.24	541.77	419.57	30.76	1024.81	572.53
Unallocated Corporate Assets	Nil	Nil	Nil	Nil	1535.03	2591.75
Total Assets	Nil	Nil	Nil	Nil	2559.84	3164.28
Segment Liabilities	Nil	Nil	Nil	Nil	Nil	Nil
Unallocated Corporate Liabi.	Nil	Nil	Nil	Nil	1675.91	3050.08
Total Liabilities	Nil	Nil	Nil	Nil	1675.91	3050.08
Capital Expenditure	27.55	123.95	Nil	Nil	27.55	123.95
Depreciation	37.92	23.97	Nil	Nil	37.92	23.97
Non-Cash Exp. (Other than Depreciation)	0.10	0.10	Nil	Nil	0.10	Nil

Note: As there was no separate segment in earlier years hence details of these years are not given.

**n. Related party disclosure.**

Details of related party disclosure as per AS-18 issued by the ICAI are as follows:-

*Related Party Transactions*

**A. LIST OF RELATED PARTIES AND RELATIONSHIP**

<b>1. Key Managerial Personnel</b>
a) Mr. Rajababu Agrawal, Chairman
b) Mr. Dinesh Agrawal, Managing Director
c) Mr. Rupesh Agrawal, Whole Time Director
d) Mr. Ashish Agrawal, Whole Time Director

2. Relatives of Key Management Personnel	
Name of the Relative	Relation
a) Smt. Chandrika devi Agrawal	Wife of Mr. Dinesh Agrawal
b) Mr. Anoop Agrawal	Son of Mr. Dinesh Agrawal
c) Mr. Manish Agrawal	Son of Mr. Rajababu Agrawal
d) Mr. Manisha Agrawal	Daughter in law of Mr. Rajababu Agrawal
e) Mrs. Ruchi Agrawal	Wife of Mr. Rupesh Agrawal
f) S/s Rajababu Agrawal HUF	HUF of Mr. Rajababu Agrawal
g) S/s Dinesh Agrawal HUF	HUF of Mr. Dinesh Agrawal
h) Usha Devi Agrawal	Wife of Rajababu Agrawal
i) Neha Agrawal	Daughter of Dinesh Agrawal
j) Manish Agrawal HUF	HUF of Mr. Manish Agrawal

3. Parties where control exists	
Name of the Party	Nature of Control
a) M/s Manish Trading Co.	(Partnership firm of family members)
b) M/s Sitaram Shreenarayan Agrawal & Co	(Proprietorship firm of Mr. Manish Agrawal)
c) M/s Sita Shree Marketing P. Ltd.	(Group company)
d) M/s Anoop Foods Ltd.	(Group company)
e) M/s Usha Dall Mill	(Group cocern)

**Details of transactions with Key Management Personnel**

(Rs. in lacs)

S. No.	Nature of Transactions	Seven Month ended 31.10.07	As at 31 <sup>st</sup> March				
			2006-07	2005-06	2004-05	2003-04	2002-03
1	Remuneration & Allowances	9.60	9.60	10.54	7.34	7.34	4.555
2	Interest on Loan	-	-	-	-	-	8.72

**B SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING PERIOD ENDED 31<sup>ST</sup> OCT., 2007.**

(Rs. in lacs)

Particulars	Seven Month Ended 31.10.2007			
	Key Management Personnel	Entities owned or significantly influenced by Key Management Personnel/Director	Relative of Key Management Personnel/Director or	Associate and subsidiary Companies
Opening Balance		-	-	-
a. Sundry Debtor	-	95.06	-	-
b. Sundry Creditor	-	-	-	8.84
c. Unsecured Loan	-	-	-	-
d. Current Account (Credit Balance)	-	-	392.35	-
e. Equity Share Capital Advance to Director	157.20	-	-	151.5
Sales of Goods	-	1932.14	-	1092.16
Purchase of Goods	-	1777.70	-	1515.15
Loan Received / (-) Repaid	-	-	-	-
Salary and allowances	11.20	-	2.59	-
Equity Share Capital finance	-	-	-	-
Interest paid	-	-	-	-
Closing Balance	-	7.23	-	291.14
a Sundry Debtor	-	243.41	-	186.42
b Sundry Creditor	6.12	-	8.75	-
c Unsecured Loan	-	-	-	-
d Current Account	270.29	102.61	629.28	151.50
e Equity Share Capital				

**B SUMMARY OF TRANSACTIONS WITH RELATED PARTIES DURING THE LAST FIVE YEARS**

(Rs. in lacs)

Particulars	2006-07			
	Key Management Personnel	Entities owned or significantly influenced by Key Management Personnel/Director	Relative of Key Management Personnel/Director	Associate and subsidiary Companies
Opening Balance				
a. Sundry Debtor	-	-	-	64.04
b. Sundry Creditor	-	-	-	72.27
c. Unsecured Loan	-	-	-	108.08
d. Current Account (Credit Balance)	-	-	-	9.12
e. Equity Share Capital	489.49	-	-	-
f. Advance to Director	1.27	-	-	-
Sales of Goods	-	-	-	3978.58
Purchase of Goods	-	-	-	4707.40
Loan Received / (-) Repaid	-	-	-	(-) 107.25
Salary and allowances	9.60	-	2.00	-
Equity Share Capital finance	211.57	-	-	-
Interest paid	-	-	-	-
Closing Balance				
a Sundry Debtor				410.39
b Sundry Creditor	-	-	-	295.21
c Unsecured Loan	-	-	-	0.83
d Current Account (Credit Balance)	-	-	-	4.62
e Equity Share Capital	701.06	-	-	-

(Rs. in lacs)

Particulars	2005-06			
	Key Management Personnel	Entities owned or significantly influenced by Key Management Personnel/Director	Relative of Key Management Personnel/Director	Associate and subsidiary Companies
Opening Balance				
a Sundry Debtor	-	-	-	59.45
b Sundry Creditor	-	-	-	9.67
c Unsecured Loan	-	-	-	123.08
d Current Account (Credit Balance)	-	-	-	7.70
e Equity Share Capital	147.95	-	-	-
Sales of Goods	-	-	-	2906.92
Purchase of Goods	-	-	-	4017.43
Loan Received / (-) Repaid	-	-	-	(-) 15.00
Salary and allowances	9.60	-	-	-
Equity Share Capital finance	181.84	-	-	-
Bonus Share	159.70	-	-	-
Interest paid	-	-	-	-
Closing Balance				
a Sundry Debtor	-	-	-	64.04
b Sundry Creditor	-	-	-	72.27
c Unsecured Loan	-	-	-	108.08
d Current Account (Credit Balance)	-	-	-	9.12
e Equity Share Capital	489.49	-	-	-
f Advance to Director	1.27	-	-	-



(Rs. in lacs)

2004-05				
Particulars	Key Management Personnel	Entities owned or significantly influenced by Key Management Personnel/Director	Relative of Key Management Personnel/Director	Associate and subsidiary Companies
Opening Balance				
a Sundry Debtor	-	-	-	40.84
b Sundry Creditor	-	-	-	-
c Unsecured Loan	-	-	-	149.64
d Current Account (Credit Balance)	-	-	-	1.02
e Equity Share Capital	147.95	-	-	-
Sales of Goods	-	-	-	130.41
Purchase of Goods	-	-	-	1658.92
Loan Received / (-) Repaid	-	-	-	(-) 26.55
Salary and allowances	7.34	-	-	-
Equity Share Capital finance	-	-	-	-
Interest paid	-	-	-	-
Closing Balance				
a Sundry Debtor	-	-	-	59.45
b Sundry Creditor	-	-	-	9.67
c Unsecured Loan	-	-	-	123.08
d Current Account (Credit Balance)	-	-	-	7.70
e Equity Share Capital	147.95	-	-	-

(Rs. in lacs)

2003-04				
Particulars	Key Management Personnel	Entities owned or significantly influenced by Key Management Personnel/Director	Relative of Key Management Personnel/Director	Associate and subsidiary Companies
Opening Balance				
a) Sundry Debtor	-	-	-	82.31
c) Sundry Creditor	-	-	-	0.05
d) Unsecured Loan	-	-	-	46.87
e) Current Account	-	-	-	-
f) Equity Share Capital	147.95	-	-	-
Sales of Goods	-	-	-	174.32
Purchase of Goods	-	-	-	788.31
Loan Received / (-) Repaid	-	-	-	102.77
Salary and allowances	7.34	-	-	-
Equity Share Capital finance	-	-	-	-
Interest paid	-	-	-	-

(Rs. in lacs)

Particulars	2003-04			
	Key Management Personnel	Entities owned or significantly influenced by Key Management Personnel/ Director	Relative of Key Management Personnel/ Director	Associate and subsidiary Companies
Closing Balance				
a) Sundry Debtor	-	-	-	40.84
b) Sundry Creditor	-	-	-	-
c) Unsecured Loan	-	-	-	149.64
d) Current Account (Credit Balance)	-	-	-	1.02
e) Equity Share Capital	147.95	-	-	-

(Rs. in lacs)

Particulars	2002-03			
	Key Management Personnel	Entities owned or significantly influenced by Key Management Personnel/Director	Relative of Key Management Personnel/ Director	Associate and subsidiary Companies
Opening Balance				
a) Sundry Debtor	-	-	-	0.22
b) Sundry Creditor	-	-	-	-
c) Unsecured Loan	-	-	-	115.41
d) Current Account	-	-	-	0.07
e) Equity Share Capital	63.89	-	-	-
Sales of Goods	-	-	-	29.90
Purchase of Goods	-	-	-	192.43
Loan Received / (-) Repaid	-	-	-	(-) 68.54
Salary and allowances	4.55	-	-	-
Equity Share Capital finance	84.06	-	-	-
Interest paid	8.72	-	-	-
Closing Balance				
a) Sundry Debtor	-	-	-	82.31
b) Sundry Creditor	-	-	-	0.05
c) Unsecured Loan	-	-	-	46.87
d) Current Account	-	-	-	-
e) Equity Share Capital	147.95	-	-	-

**Details of Sundry debtors and sundry creditors in which includes firm or Private Limited Company in which Director are a partner or a Director or a member respectively :**

(Rs. in lacs)

<b>A</b>	<b>As Debtors</b>	<b>Seven months ended 31/10/07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>
	1) Manish Trading Company	-	238.48	3.75	-	15.08	78.87
	2) Sita Shree Marketing Pvt. Ltd.	291.14	164.73	11.13	-	-	-
	3) Usha Dall Mill	7.23	7.18	3.93	3.17	5.17	-
	4) Sitaram Shrinarayan Agrawal & Co.	-	-	45.23	56.28	20.59	3.44
	<b>Total</b>	<b>298.37</b>	<b>410.39</b>	<b>64.04</b>	<b>59.45</b>	<b>40.84</b>	<b>82.31</b>
<b>B</b>	<b>As Creditors</b>						
	1) Manish Trading Company	186.42	47.32	45.03	9.67	-	-
	2) Sita Shree Marketing Pvt. Ltd.	-	72.03	Nil	-	-	-
	3) Usha Dall Mill	3.88	3.88	27.24	-	-	0.05
	4) Sitaram Shrinarayan Agrawal & Co.	53.10	171.98	Nil	-	-	-
	<b>Total</b>	<b>243.41</b>	<b>295.21</b>	<b>72.27</b>	<b>9.67</b>	<b>-</b>	<b>0.05</b>

**o. Earning per Share.**

E.P.S. has been calculated by using weighed average number of share as per AS-20 issued by the ICAI. There are no securities which will be converted in Equity share so diluted and basic EPS are the same.

**p. Income Tax**

Tax expenses for the year comprises of current tax and deferred tax. Provision for current tax is made on the basis of provision of Income Tax Act. Deferred tax is recognised for future tax consequences of timing differences. It is measured using enacted tax rates and tax laws applicable to taxable income of the current year.

**q. Miscellaneous Expenditure**

Miscellaneous Expenditure to the extent, it comprises of preliminary expenses are amortized at the rate of 1/10th per year.

**r. Impairment of Assets**

The company has a policy of assessing the impairment of intangible assets every year in accordance with AS-28 impairment of assets provided by the ICAI. This is done through comparing its carrying amount as per books of accounts with its recoverable value.

**s. Provision, Contingent Liabilities and Contingent Assets**

Provision 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 outflow of resources.

Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statement.

## **B. SIGNIFICANT NOTES TO ACCOUNT**

- 1 Previous year corresponding figures have been regrouped re-casted and re-arranged to make them comparable with current year's figures wherever necessary.
- 2 The Company is engaged in the manufacturing of Atta, Maida, Dali and in their trading activity
- 3 In view of insufficient information from suppliers regarding their status on SSI Units, amount overdue to such undertaking could not be ascertained..
- 4 Term Loan obtained from Union Bank of India is secured by a first charge ranking pari passu with charge created in favour of Bank on all present and future immovable and movable properties of the Company and personal Guarantee of some of the Director.
- 5 Working capital facilities are secured by hypothecation of stock of raw material, packing material and finished goods, stock in process, consumable, receivables and book debts and all other movable both present and future and personal guarantee of some of the Director.
- 6 Sitting fees has represent to fee paid to executive directors of the company in during the year.
- 7 All balances of debtors, creditors and advances are subject to analysis and confirmation by the parties. Because letter of confirmation of balance to parties have not been issued. The Management does not expect any material difference affecting the current year financial statement.
- 8 In the opinion of the Board of Directors the current assets, loans and advances including deposits have value on realization in the ordinary courses of business at least equal to the amount at which they are stated in the Balance Sheet and provision for all known liabilities is adequate and not in excess of the amount which is reasonably necessary.
- 9 Provision for Wealth Tax has not been made because no liability comes on the Company as per expert opinion obtained by the Management.
- 10 The Company has filed its return of income upto Assessment Year 2007-2008 and the Income Tax Assessment of the Company have been completed upto Assessment Year 2005-2006
- 11 Considering the deduction and exemption available as per the provision of the Income Tax Act, 1961 a provision of Rs. 2995126/- made in the account towards income tax for the year.
- 12 The provision of deferred tax liability as on 31/10/2007 has been calculated as under after considering the timing difference in depreciation as per AS-22 of ICAI.

(Rs. in lacs)

	Opening Year 01/04/2007	Current Year	Closing Balance 31/10/2007
Deferred Tax Liability due to Depreciation and late deposited of TDS as per books & tax	130.12	1.93	132.05

**Note:**

### **Calculation of Deferred Tax of current year**

(Rs. in lacs)

A) Total depreciation for the year 2006-07	
1) as per Income Tax	22.09
2) as per companies Act	23.97
3) Timing Difference due to Depreciation	(1.88)
B) Timing difference due to TDS not deducted or late deposited during the year	-

C) Timing difference due to previous year's expenses allowed during the year	7.57
<b>Total timing difference</b>	<b>5.69</b>
Deferred Tax Liabilities (Assets) created @ 33.66 %	1.40

- 13 The company has partly deposited Income Tax and FBT against provision during the year.
- 14 As per information given by the management VAT and excise duty is not applicable to the company.
- 15 Dividend bank accounts are subject to confirmation with relevant bank.
- 16 Contingent Liability not provided

(Rs. In Lacs)		
Particulars	31/10/2007	31/03/2007
Unexpired Letter of credit	200.00	225.00
Central Sales tax Dispute pending in Additional CCIT.	0.28	0.28
Entry Tax Dispute pending in Additional CCIT.	1.18	1.18
M.P. Commercial Tax Dispute pending in Additional CCIT.	4.43	4.43
<b>TOTAL</b>	<b>205.89</b>	<b>230.89</b>

- 17 Managerial Remuneration under section 198 of the Companies Act, 1956 :-

(Rs. in Lacs)						
Particulars	31.10.2007	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Salary	9.60	9.60	9.60	7.34	4.32	3.19
Other perquisites	--	0.08	--	---	---	0.17
Conveyance	--	---	0.94	---	---	--
<b>TOTAL</b>	<b>9.60</b>	<b>9.68</b>	<b>10.54</b>	<b>7.34</b>	<b>4.32</b>	<b>3.36</b>

- 18 Auditors Remuneration

(Rs. in Lacs)						
Particulars	31.10.2007	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Audit Fees (including tax audited and service tax)	0.45	0.34	0.34	0.20	0.19	0.17

- 19 Disclosures in respect of provisions pursuant to Accounting Standard-29

(Rs. In Lacs)						
Particulars	Opening Balance As On 01.04.06	Provided During the Year	Utilised During the Year	Revers During the Year	Closing Balance As On 31.03.07	Provided during seven months ended 31.10.07
Proposed dividend on equity share	31.77	42.06	31.77	-	42.06	-
Corporate Dividend Tax	4.46	7.15	4.46	-	7.15	-
Provision for Income Tax	15.03	48.11	15.03	-	48.11	29.95
Provision for Fringe Benefit Tax	0.49	0.70	0.39	0.09	0.70	0.46

- 20 Additional information required by paragraph 3 and 4 of part II of schedule VI to the Companies Act, 1956.

i) Quantitative details of installed capacity, production & sales of finished goods (Atta, Chana dall, Batri Mung and their by product).

(Rs. in Lacs)

Particulars	For the seven months ended 31.10.07	YEAR ENDED ON 31 MARCH,				
		2007	2006	2005	2004	2003
Production (Qty in Quintal)	207612	343709	358210	346019	230126	51529
Sales (Qty in Quintal)	251297.58	347888	363513	329558	248476	43969

ii) Raw material consumed (quantity in quintal)

(Rs. in Lacs)

Particulars	For the seven months ended 31.10.07	YEAR ENDED ON 31 MARCH,				
		2007	2006	2005	2004	2003
Wheat	209538	270736	317194	291913	217071	34132
Chana	5074	65577	31018	20851	21264	9690
Batri	--	--	1515	---	---	---
Masur	--	--	4632	2608	---	---
Mung	--	--	303	---	---	---
Toor	--	--	---	---	---	195
Urad	--	--	---	---	---	237
Soyabeen	--	--	---	---	---	7276

iii) Proportion of Imported & Indigenous material

(Rs. In Lacs)

Particulars	For the seven months ended 31.10.07	YEAR ENDED ON 31 MARCH,				
		2007	2006	2005	2004	2003
Imported	---	---	---	---	---	---
Indigenous	100%	100 %	100%	100%	100%	100%
Indigenous (value is Rs. in Lacs)	3278.16	4414.97	3275.47	3083.88	1939.14	658.72

iv) Details of Trading Goods : (Atta, wheat, chana, chana dall, kabuli chana, toor dall, masoor, maida, rawa, suji, soyabeen, urad etc.)

(Rs. In Lacs)

Particulars	For the seven months ended 31.10.07	YEAR ENDED ON 31 MARCH,				
		2007	2006	2005	2004	2003
Purchase (Qty in Quintal)	59502.12	127628	172352	47215	14072	3218
Sales (Qty in Quintal)	58959.42	127626	172047	46687	16581	2469

## 21 SCHEDULE OF OTHER INCOME

(Rs. in Lacs)

Particulars	For the seven months ended 31.10.07	Year Ended March 31,				
		2007	2006	2005	2004	2003
Other Income						
- Weight Bridge Charges	1.02	1.63	1.39	-	-	-
- Interest Income	14.68	6.61	1.91	-	-	-
- Insurance recovered	0.20	5.07	4.64	3.46	16.43	4.13
- Sale of packing material	-	-	-	16.50	-	-
- Discount on Purchase	0.21	-	-	-	5.41	1.58
- Cash rebate on purchase	-	-	-	7.76	2.27	1.65
- Other Income	15.94	3.41	0.98			
<b>TOTAL</b>	<b>32.05</b>	<b>16.72</b>	<b>8.92</b>	<b>27.72</b>	<b>24.11</b>	<b>8.27</b>

## 21 DETAILS OF DIVIDEND PAID

(Rs. in Lacs)

Particulars	For the seven months ended 31.10.07	Year Ended March 31,				
		2007	2006	2005	2004	2003
Dividend Amount	Nil	47.07	31.77	16.03	Nil	Nil
Percentage of Dividend	Nil	6 %	6 %	10 %	Nil	Nil

## 22 STATEMENT OF LOANS AND ADVANCES

(Rs.in Lacs)

Particulars	For the seven months ended 31.10.07	31-03-07	31-03-06	31-03-05	31-03-04	31-03-2003
Advances Recoverable in Cash or in Kind or for the value to be received						
- From Directors	Nil	Nil	5.76	Nil	Nil	Nil
- From Others	583.33	57.00	29.90	79.39	30.20	86.59
Security Deposits	16.52	9.90	9.86	9.82	0.76	0.51
<b>Total</b>	<b>599.85</b>	<b>66.90</b>	<b>45.52</b>	<b>89.21</b>	<b>30.96</b>	<b>87.10</b>

## 23 STATEMENT OF SUNDRY DEBTORS

(Rs.in Lacs)

Particulars	For the seven months ended 31.10.07	31-03-07	31-03-06	31-03-05	31-03-04	31-03-03
<b>(Unsecured, considered doubtful)</b>						
- Outstanding for a period less than six months	-	-	-	-	-	-
- Outstanding for a period Exceeding six months	-	-	-	-	-	-
<b>(Unsecured, considered good)</b>						
- Outstanding for a period less than six months	667.63	741.59	284.15	230.70	253.04	95.86
- Outstanding for a period Exceeding six months	123.98	19.07	-	-	-	65.46
<b>Total</b>	<b>791.61</b>	<b>760.66</b>	<b>284.15</b>	<b>230.70</b>	<b>253.04</b>	<b>161.32</b>

## 24 SCHEDULE OF INVESTMENT

(Rs.in Lacs)

Particulars	For the seven months ended 31.10.07	31-03-07	31-03-06	31-03-05	31-03-04	31-03-03
<b>(LONG TERM INVESTMENT)</b>						
- Equity Share of Union Bank of India	4.15	16.48	22.20	-	-	-
<b>(SHORT TERM INVESTMENT)</b>						
-	-	-	-	-	-	-
	<b>4.15</b>	<b>16.48</b>	<b>22.20</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 25 STATEMENT OF SECURED LOANS AND UNSECURED LOANS

### (A) SECURED LOAN :

#### 1) FUND BASED LIMITS

(Rs. in lacs)

1) FUND BASED LIMITS					(RS. IN LACS)	
Sr. No.	Name of the Lender	Principal Outstanding as on Oct. 31, 2007	Principal Outstanding as on March 31, 2007	Term & Rate of Interest	Condition 31/03/07	Reported based on
					Repayment Schedule	Details of Security (if applicable)
1	Term Loans from Banks:					
	i. Union Bank of India ( Plant & Machinery & other )	-	42.67	11.75	4.29 P.M. (3 year) 1.65 P.M. (4.5 year)	First charge of all immovable property of the company and personal guarantee of some of the directors.
	ii. Union Bank of India (Vehicle Loan)	6.36	07.00	12.50	0.15 P.M. (5 years)	Hypothecation of Car
	Total	6.36	49.67			
2	Cash Credit Facilities:					
	Union Bank of India	863.28	650.19	10.75		Hypothecation of finished, semi finished goods, raw material, book



						debts, all current and fixed assets of the company and personal guarantee of some of the directors.
	<b>Total</b>	<b>863.28</b>	<b>650.19</b>			
	<b>Grand Total</b>	<b>869.64</b>	<b>699.86</b>			

**(B) NON FUND BASED LIMITS :**

Name of Bank	Nature of Loan	Loan Sanction	Limit Utilized As on 31-10-07	Limit Utilized As on 31-03-07	Security offered
Union Bank of India, SSI Bra., Indore	Letter of Credit	300.00	200.00	225.00	Primary security being hypothecation of stocks & receivables on pari pasu basis & 20 % cash margin by way of FDR/ORC duly pledged with bank.  Collateral securities on entire fixed assets of the Co. and land by the Directors Mr. Rupesh Agrawal, Mr. Manish Agrawal & Mr. Dinesh Agrawal and other immovable property of Mr. Rupesh Agrawal, Mr. Manish Agrawal & Mr. Dinesh Agrawal of the Company.

**(C) UNSECURED LOAN : (CLOSING BALANCE)**

(Rs. in lacs)

Sr. No	Particulars	Principal Outstanding as on October 31, 2007	Principal Outstanding as on March 31, 2007
A	From Promoters, Directors & Share Holders	5.73	0.83
	<b>Total ( A )</b>	<b>5.73</b>	<b>0.83</b>
B	From other than Promoters, Directors & Share Holders	8.75	-
	i. Hire Purchase Loan from Standard Chartered Bank	Nil	0.81
	ii. Over Draft facility from Union Bank of India on FDR	214.97	216.19
	<b>Total ( B )</b>	<b>223.72</b>	<b>217.00</b>
	<b>Total ( A + B )</b>	<b>217.83</b>	<b>217.83</b>
C	Rate of interest on loans from other than Promoters, Directors & Share Holders	-	-
	i. For Hire Purchase Loan	-	7.20
	ii. For Over Draft	6.00	6.00
D	Rate of interest on loans from Promoters, Directors & Share Holders #	-	-
E	Repayment	On demand	On demand

# No interest is paid on unsecured loan from Promoters, Directors & Share holders except interest paid in the year 2002-03.

**ANNEXURE - IV**

**CASH FLOW STATEMENT**

(Rs. In Lacs)

Particulars	For the seven months ended 31.10.07	Year Ended March 31				
		2007	2006	2005	2004	2003
<b>Cash Flows from Operating Activities</b>						
Net Profit before Taxation	91.52	142.94	54.10	49.15	36.40	16.07
<i>Adjustments for:</i>						
Depreciation	23.96	37.92	41.02	38.26	35.97	30.91
Interest/ Dividend Income	-14.95	-7.36	-1.91	-1.73	---	-0.91
Preliminary expenses Written off	0.00	0.09	0.09	0.09	0.09	0.09
Interest Paid	78.56	91.43	86.01	60.52	66.73	37.35
Profit on sale of Investment	-3.40	-0.84	---	---	---	---
Loss on sale of fixed asset	---	0.03	---	---	--	--
<b>Operating Profit before Working Capital Changes</b>	<b>175.69</b>	<b>264.21</b>	<b>179.31</b>	<b>146.29</b>	<b>139.19</b>	<b>83.51</b>
Change in Trade and Other Receivables	-30.94	-476.51	-53.45	22.34	-91.72	-51.98
Change in Inventories	-102.49	29.51	-143.65	-128.58	-78.54	-297.54
Change in Other Current Assets	-101.32	-21.38	43.70	-58.26	56.14	-72.68
Change in Current Liabilities	-68.09	152.87	278.90	166.99	-9.05	15.50
Income-tax	-5.71	-15.52	-3.79	-2.80	-1.27	-3.42
Prior Period Expenditure	2.02	2.32	---	-0.67	---	---
<b>Net Cash Flow from Operating Activities (A)</b>	<b>130.84</b>	<b>-64.5</b>	<b>301.02</b>	<b>145.31</b>	<b>14.75</b>	<b>-326.61</b>
<b>Cash Flow from Investing</b>						
Interest received	14.68	6.61	1.91	1.73	---	0.91
Dividend Received	0.27	0.75	---	---	---	---
Purchase of Fixed Assets	-15.61	-27.52	-8.06	-34.21	-63.24	-109.65
Sale of Fixed Assets	---	0.02	---	0.40	---	---
Investments Purchased	---	-63.05	-264.75	-41.11	---	---
Sale of Investment	15.72	6.57	---	---	---	---
Advance for Capital work in Progress	-102.00	---	---	---	---	---
Advance for Lease hold Land	-350.00	---	---	---	---	---
<b>Net Cash Flow used in Investing Activities B)</b>	<b>436.94</b>	<b>-76.62</b>	<b>-270.9</b>	<b>-73.19</b>	<b>-63.24</b>	<b>-108.74</b>
<b>Cash Flows from Financing Activities</b>						
Changes in Borrowings	181.28	100.04	106.37	-26.24	112.90	370.12
Proceeds from Issuance of Capital	452.61	151.5	64.37	10.00	10.00	81.49
Miscellaneous Exp incurred	---	---	---	---	---	---
Interest Paid	-78.56	-91.43	-86.01	-60.52	-66.73	-37.35
Exchange Gain	---	---	---	---	---	---
Dividend Paid	-49.21	-36.23	-18.28	---	---	---
<b>Net Cash Flow from Financing Activities (C)</b>	<b>506.12</b>	<b>123.88</b>	<b>66.45</b>	<b>-76.76</b>	<b>56.17</b>	<b>414.26</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>-61.66</b>	<b>-17.24</b>	<b>96.57</b>	<b>-4.64</b>	<b>7.68</b>	<b>-21.09</b>
<b>Cash and Cash Equivalents (Opening Bal.)</b> (including bank balance of CD A/c but excluding FDR balance.)	82.64	99.88	3.31	7.95	0.27	21.36
<b>Cash and Cash Equivalents (Closing Balance)</b> (including bank balance of CD A/c but excluding FDR balance.)	20.98	82.64	99.88	3.31	7.95	0.27

**STATEMENTS OF ACCOUNTING RATIOS**

Particulars	seven months ended 31.10.07	Year Ended March 31,				
		2007	2006	2005	2004	2003
Earnings per share (Rs.)	1.09 #	1.78	1.15	1.94	1.04	(-) 5.32
Net Asset value per share (Rs.)	12.53	14.09	15.89	30.56	29.14	27.47
Return on Net Worth (%)	4.82%	12.63 %	7.21 %	6.34 %	3.57 %	(-) 19.36 %
Net profit attributable to equity Share Holders	6119541.43	9524193	4014223	3093167	1660089	(-) 8490900
Weighted average number of equity shares in the period (in Nos.)	10116070	5351791	3502392	1597000	1597000	1597000

# Annualized

**NOTE :**

- 1- Loss during the year 2002-2003 was due to calculation of deferred tax under AS-22
- 2- Weighted average No. of share has been calculated on time basis.

**Formula:**

1. Earnings per share(Rs.) = 
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$$
2. Net Asset Value per share (Rs.) = 
$$\frac{\text{Net Worth excluding revaluation reserve at the end of the period/year}}{\text{Weighted average number of equity shares outstanding during the period}}$$
3. Return on Net Worth (%) = 
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Net Worth excluding revaluation reserve at the end of the period/year}}$$

**ANNEXURE-VI****STATEMENT OF TAX SHELTER**

Particulars	seven months ended 31.10.07	(Rs. In Lacs) Year Ended March 31,				
		2007	2006	2005	2004	2003
Tax at Notional Rate	32.35	50.02	13.96	17.55	19.80	100.98
<b>Adjustments:</b>						
Difference between Tax	(-)1.88					
Depreciation and Book Depreciation		4.60	4.25	37.58	47.38	41.07
Other Adjustments	7.56	(-) 1.02	(-)8.87	-	-	230.27
<b>Net Adjustments</b>	<b>5.69</b>	<b>3.58</b>	<b>(-) 0.62</b>	<b>37.58</b>	<b>47.38</b>	<b>230.27</b>
Tax Saving Thereon	1.93	1.21	(-) 1.55	13.75	17.00	99.72
<b>Total Taxation DTL (DTA)</b>	<b>30.42</b>	<b>48.81</b>	<b>15.51</b>	<b>3.80</b>	<b>2.80</b>	<b>1.26</b>
Taxation on extra-ordinary Items	-	-	-	-	-	-
<b>Tax on Profits before extra-ordinary items</b>	<b>30.42</b>	<b>48.81</b>	<b>15.51</b>	<b>3.80</b>	<b>2.80</b>	<b>1.26</b>

**ANNEXURE -VII****STATEMENT OF CAPITALISATION**

PARTICULARS	(Rs. in lacs)	
	Pre-issue as at 31.10.2007	Post Issue
<b>A) Debts</b>		
a. Short Term Debts	1092.74	1092.74
b. Long Term Debts	6.36	1006.36#
<b>Total A. (a + b)</b>	<b>1099.10</b>	<b>2009.10</b>
<b>B) Shareholders Funds (Equity)</b>		
a. Equity Share Capital	1153.68	*
b. Reserves and surplus	114.20	*
Less Misc. Expenses	-	*
<b>Total Share holding funds (B)</b>	<b>1267.88</b>	*
<b>Long Term Debts / Equity (A/B)</b>	<b>0.87</b>	*

\* Information pertaining to post issue can be ascertained only after finalization of issue price.

# Company has received the sanction of term loan letter amounting to Rs. 10.00 crores from Union Bank of India, hence the post issue long term Debts has been produced after considering the said loan which is to be availed.

## B) FINANCIAL INFORMATION OF THE GROUP COMPANIES

### GROUP COMPANIES

The Companies, which can be classified as our Group Companies, are M/s. Sita Shree Marketing Pvt. Ltd. and M/s. Anoop Foods Ltd.

#### 1. SitaShree Marketing Pvt. Ltd.

##### Corporate Information:

A private limited company incorporated on March 10, 1997 with Registrar of Companies Madhya Pradesh, Gwalior and having its Registered office at 51, New Anaj Mandi, Indore-452 001 (M.P.) The CIN of the company is U00512MP1997PTC011713. The company is promoted by Mr. Manish Agrawal and Mr. Rupesh Agrawal. The company was set up with the object of carrying the business of all types of agro based products including plantations as merchant distributors, stockists, agents traders, sellers, dealers, etc.

##### Board of Directors of the company is as under

- Mr. Manish Agrawal
- Mr. Rupesh Agrawal

##### Shareholding Pattern As on September 30, 2006:

Sr. No.	Name of the Shareholder	No. of Equity Shares	% of total Equity holding
1.	Mr. Gabru Verma	4500.00	4.05%
2.	Mr. Yatindra Agrawal	4750.00	4.28%
3.	Smt. Usha Devi Agrawal	5600.00	5.04%
4.	Mr. Manish Agrawal	30600.00	27.56%
5.	Mr. Rupesh Agrawal	30600.00	27.56%
6.	Mr. Sureshchand Agrawal	5000.00	4.50%
7.	Mr. Ankur Agrawal	5000.00	4.50%
8.	Ruchi Agrawal	5000.00	4.50%
9.	Manisha Agrawal	5000.00	4.50%
10.	Mr. Rajababu Agrawal	5000.00	4.50%
11.	Mr. Shubh Agrawal	5000.00	4.50%
12.	Anita Sureshchand Agrawal	5000.00	4.50%
	<b>Total</b>	<b>111050.00</b>	<b>100.00%</b>

##### Financial Performance:

(In Lacs)

Particulars	Financial Year Ended 31 <sup>st</sup> March		
	2006-07	2005-06	2004-05
Sales	3325.02	2233.68	-
Other Income	1.61	0.51	0.07
Increase/(Decrease) in Stock	-	11.02	-
Total Income	3326.63	2245.21	0.07
Profit After Tax	0.35	0.18	0.02
Equity Share Capital	13.11	11.11	1.11
Share Application Money	62.25	67.25	118.05
Reserves & Surplus	58.60	40.25	0.06
EPS (Rs.)	0.32	0.16	0.20
Book Value Per Share (Rs.)	64.57	45.78	4.84

Note: Other income for FY 2005-06 consists of Rs. 51194/- received against Commission on Sale of Grains & Pulses.

The Company is an unlisted entity and it has not made any public or right issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

## 2. Anoop Foods Limited

### **Corporate Information:**

The company was incorporated on August 29, 2001 with Registrar of Companies Madhya Pradesh, Chattisgarh and having its Registered office at 51, New Anaj Mandi, Indore-452 001 (M.P.). The CIN of the company is U15143MP2001PLC014792. The company is promoted by Mr. Dinesh Chandra Agrawal. The company was set up with the object to manufacture, process, prepare, refine export import and to carry on the business of extracting oil and other products by solvent process, mechanical electrical, chemical process by crushing of all kind of edible oils.

### **Board of Directors of the company is as under**

- Rajababu Agrawal
- Dinesh Chandra Agrawal
- Suresh Chandra Agrawal

### **Shareholding Pattern As on September 30, 2006:**

Sr.No.	Name of the Shareholder	No. of Equity Shares	% of total Equity holding
1.	Mr. Rajababu Agrawal	100.00	0.20%
2.	Mr. Dinesh Chandra Agrawal	21350.00	42.70%
3.	Mr. Suresh Chandra Agrawal	100.00	0.20%
4.	Mr. Manish Agrawal	100.00	0.20%
5.	Mr. Rupesh Agrawal	100.00	0.20%
6.	Smt. Usha Devi Agrawal	100.00	0.20%
7.	Smt. Chandrika Devi Agrawal	100.00	0.20%
8.	Mr. Yatindra Agrawal	4750.00	9.50%
9.	Mr. Gabru Verma	4750.00	9.50%
10.	Mr. Manish Rastogi	4750.00	9.50%
11.	Mr. Kishore Paliwal	4800.00	9.60%
12.	Mr. Roop Singh Chauhan	4500.00	9.00%
13.	Mr. Vijay Kolhe	4500.00	9.00%
	<b>Total</b>	<b>50000.00</b>	<b>100.00%</b>

### **Financial Performance:**

(In Rs.)

Particulars	Financial Year Ended 31 <sup>st</sup> March		
	2006-07	2005-06	2004-05
Sales	-	-	-
Other Income	0.36	0.34	0.38
Total Income	0.36	0.34	0.38
Profit After Tax	0.04	0.02	0.03
Equity Share Capital	5.00	5.00	5.00
Reserves & Surplus	-	-	-
EPS (Rs.)	0.09	0.03	0.06
Book Value Per Share (Rs.)	10.25	9.89	9.78

The Company is an unlisted entity and it has not made any public or right issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

#### **OTHER VENTURES PROMOTED BY THE PROMOTERS OF THE COMPANY**

<b><u>Name of the Entity</u></b>	<b><u>Constitution</u></b>	<b><u>Address</u></b>	<b><u>Name of the proprietor/partner</u></b>	<b><u>Nature of Business</u></b>	<b><u>Turnover for the year ended 31/03/2007 (Rs.in lacs)</u></b>	<b><u>Net profit for the year ended 31/03/2007 (Rs.in lacs)</u></b>
<b>M/s Sitaram Shreenarayan Agrawal &amp; Co</b>	Proprietorship Firm	½, Malharganj Indore-452 001 (M.P.)	Manish Agarwal	Trading of grains	1735.34	3.13
<b>M/s Manish Trading Co.</b>	Partnership Firm	51, New Anaj Mandi Indore-452 001 (M.P.)	1. Rupesh Agrawal 2. Manish Agrawal 3. Smt. Chandrika Devi Agrawal 4. Smt. Usha Devi Agrawal	Trading of grains	6883.07	1.58
<b>M/s Usha Dall Mill</b>	Proprietorship Firm	108/3, Chittawad Road, Palda, Indore - 452 001 (M.P.)	Suresh Agarwal	Manufacturing of pulses	927.06	2.20

#### **Companies with which the Promoters has disassociated itself in the last three years:**

There is no company in the last three years in which promoters have disassociated.

#### **Related Parties Transaction with Group Companies**

For details of Transaction with our Group Companies kindly refer to paragraph on 'Related Party Transaction' on page no.84 of the RHP.

#### **Other relevant details about the group companies**

The material items of income or expenditure arising out of transactions in the Promoters' group are disclosed under "Related Party Disclosures" on Page No.84 of this RHP.

#### **C) CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS**

These are no changes in accounting policies of the Company in the last three years.

## **D) MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements**

#### **a. Overview of the Business of SSFPL / Business Outlook:**

Sita Shree is in the business of Wheat and pulse processing. The product portfolio of the Company consists of Wheat Flour, Maida, Rawa, Daliya, Suji etc. These products are marketed under its own brand like "Sita Shree" and "Regular" or sold to other brands. The Company has very minimal present in small packing product segment (1kg, 5kg & 10 kg) and its turnover is dominated by sale of bulk packing products. Presently the Company also supplying its products to major players in retail industry such as, Pantaloon Retail and Reliance Retail.

The product portfolio of the Company consists of Wheat Flour, Maida, Rawa, Daliya, Suji, Chana Dal etc. These products are marketed under its own brand like "Sita Shree", "Regular" and "Sita Shree Gold" or sold to other brands. The Company has a very minimal present in small packing product segment (1kg, 5kg & 10 kg) however its turnover is dominated by bulk packing products segment. Ever since incorporation the Company is on growth track and achieved a turnover of Rs. 8074.17 lacs during the year ended on 31/03/2007.

The Company is now proposes to set up flowing plants to cater to the increasing demand:

- a Solvent Extraction Plant having 500TPD capacity,
- a oil refinery for Solvent Extraction Plant having 100TPD capacity,
- a Lecithin plant for processing the by products of Solvent Extraction Plant having 5TPD capacity at Badia Kima (M.P.).
- a Flour Mill of 275TPD.

#### **b. Significant Development Subsequent to Last Financial Period**

The Directors confirm that there have been no events or circumstances since the date of the last financial statements as disclosed in the RHP which materially or adversely affect or is likely affect the trading or profitability of the company, or the value of its assets, or its ability to pay liabilities within next twelve months.

#### **c. Factors that may affect Results of Operations**

Except as otherwise stated in this RHP, the Risk Factors given in this RHP and the following important factors could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions;
- Company's ability to successfully implement its strategy and its growth and expansion plans;
- Factors affecting industrial activity;
- Increasing competition in the industry;
- Increases in raw materials prices;
- Cyclical or seasonal fluctuations in the operating results;
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.



**d. Discussion on Results of Operations**

**Analysis of Financial Performance of Sita Shree Food Products Limited**

The following discussion of our financial condition and results of operations for the financial year ending March 31, 2007, 2006, 2005 respectively including the notes thereto and the reports thereon which appear in this RHP.

The Audited Financial Statements are prepared in accordance with the Indian Accounting Standards

(Rs. In Lacs)

Particulars	March 31, 2007	March 31, 2006	March 31, 2005
Sales	8074.17	7063.19	3542.10
Other Income	16.72	8.92	27.73
Increase (Decrease) in Inventories	62.63	59.97	84.53
Operating Expenses	7876.73	6751.14	3445.03
Interest and Financial Expenses	91.43	86.01	60.53
Depreciation	39.83	41.01	38.25
Profit Before Tax	148.85	54.07	49.15
Profit After Tax	98.16	40.11	31.60

**e. Comparison of Recent Financial Years / Periods with Previous Financial Years / Periods**

**Financial performance for FY 2006-07 vs. FY 2005-06**

- i. **Sales:** The turnover of the Company during FY was Rs. 8074.17 lacs against turnover of Rs. 7063.19 lacs for the year ended 31/03/06, a rise of 14.31%. During FY 2006-07 the Company was able to increase its share of manufacturing & selling of branded items. The Company also able to exploit gain from fluctuating Wheat prices in domestic market.
- ii. **Other Income :** The other income of the Company was increased by Rs.7.80 lacs during FY 2006-07, which is approx. 87% more than previous year,. The increase in other income is on account of increase in interest income and addition of short term capital gain & dividend income on certain investment during this period.
- iii. **Operating expenses:** The operating expense has increased to Rs. 7876.73 during FY 2006-07 as compared to Rs 6751.14 lacs for FY 2005-06. The operating expense has gone up due to increase in manufacturing activity and overall turnover of the Company during this period.
- iv. **Interest and Financial Expenses:** The Interest and Financial Expenses have gone up to Rs.91.43 lacs during FY 2006-07 from Rs.86.01 lacs for FY 2005-06 on account of availment of additional working capital facilities.
- v. **Profit After Tax:** During FY 2006-07 the Profit after tax of the Company was rose by 141% than previous year. The reasons for increase in profit were reduction in cost of production; increasing thrust on selling branded products where margins are higher and increase in operating margin etc.

**Financial performance for the FY 2005-06 vs. Financial Year 2004-05**

- i. **Sales:** During FY 2005-06 the turnover of the company was increased by 99.40% from previous year. During this financial year the Company started its trading of grains business on large scale. The trading sales of the Company during this FY 2005-06 was Rs.3250.57 lacs as compared to previous year of Rs.503.31 lacs, which leads to increase in turnover of the Company.

- ii. **Other Income :** The Company has earned other income of Rs 8.92 lacs for the FY 2005-06 as against other income of Rs 27.73 lacs for FY 2004-05. The Company not earned any discount on purchase during FY 2005-06 as compared to previous year (i.e. Rs.16.50 lacs in FY 2004-05). This resulted in Company earning lower other income in comparison to previous year.
- iii. **Increase (Decrease) in Inventories:** The Company's inventory position as on 31/03/2006 was decreased to Rs 59.97 lacs against the Rs. 84.53 lacs as on 31/03/2005, a change of 29.06%. The reason for this is that during the year the Company was able to increase its sales of manufactured products as compared to previous year.
- iv. **Operating expenses:** The operating expense have gone up to Rs 6751.14 lacs for the year ended on 31/03/2006 as compared to Rs 3445.03 lacs as on for the year ended 31/03/2005. The operating expense has gone up due to increase in trading activity of the Company during this period. The trading sales of the Company during FY 2005-06 were Rs.3250.57 lacs as compared to previous year of Rs.503.31 lacs.
- v. **Interest and Financial Expenses:** The Interest and Financial Expenses have gone up to Rs. 86.01 lacs for the year ended on 31/03/2006 from Rs 60.53 lacs as on for the year ended 31/03/2005 on account of availment of additional working capital facilities for its trading activity which has resulted in higher interest cost.
- vi. **Profit after tax:** The Profit after tax is at Rs 40.11 lacs for the year ended on 31/03/2006 against Rs 31.60 lacs for the year ended 31/03/2005. The profit has gone up due to increase in contribution of trading activity of Company during this period.

#### **Financial performance for the FY 2004-05 vs. FY 2003-04**

- i. **Sales:** The turnover to the company has gone up from Rs 2450.90 lacs for the year ended on 31/03/2004 to Rs 3542.10 lacs for the year ended on 31/03/2005. The increase in turnover resulted on account of increase in sales of manufactured goods by Rs.727.67 lacs and trading goods of Rs.363.52 lacs.
- ii. **Other Income:** The Company has earned other income of Rs 27.73 lacs for the year ended on 31/03/2005 as against other income of Rs 24.11 lacs for the year ended on 31/03/2004. The other income has marginally gone up in the year ended on 31/03/05 due to receipt of heavy discount on purchase.
- iii. **Increase (Decrease in Inventories):** The Company's inventories have increased to Rs 84.53 lacs during period ended 31.03.05 against the increase in inventories of Rs. 167.34 lacs for the year ended 31.03.04. There has been an increase in the inventories of about Rs 251.87 during the period ended 31.03.05 as compared to the year ended 31.03.04.
- iv. **Operating expenses:** The operating expense has increased to Rs 3445.03 lacs for the year ended on 31/03/2005 from Rs 2079.34 lacs for the year ended on 31/03/2004. The operating expenses have gone up mainly on account of increase in trading activity and increase in sales of the Company.
- v. **Interest and Financial Expenses:** The Interest and Financial Expenses have gone up to Rs.60.53 lacs for the year ended on 31/03/2005 from Rs 36.40 lacs for the year ended on 31/03/2004 on account of availment of additional working capital facilities for trading activity.
- vi. **Profit after tax:** The Profit After Tax is at Rs 31.60 lacs for FY 2004-05 as against Rs 16.60 lacs in the year 2003-04. The profit has gone up due to increase in Sales, better margins on products manufactured and ability to pass on rising cost of raw material to the customer.

**An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:**

**1. Unusual or infrequent events or transactions**

There have been no events, other than as described in this RHP, which may be called “unusual” or “infrequent”.

**2. Significant economic changes that materially affected or are likely to affect income from continuing operations**

The Company’s raw material (wheat) prices are driven by international and domestic demand. The prices are prone to fluctuations. Government of India has developed a system of institutions with the objective of supporting, controlling and stabilizing foodgrain prices in India. These institutions declare Minimum Support Price (MSP) for wheat and other essential commodities. Any increase in MSP will have impact on the cost of raw material at which the Company is procuring it from the market.

**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**

Uncertainty prevails in availability of continuous supply of raw materials of the Company. Occasionally, raw materials available are at uneconomical prices, which result in pressure on margins and values. However the Company so far successful in pass-on increased cost to the customers. Other than as described in this RHP, there are no known trends or uncertainties that have or had or are expected to have a materially adverse impact on revenue or income of the Company from continuing operations.

**4. Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known**

The cost of finished goods of the Company depends on the daily market prices of the raw material i.e. wheat and pulses. Thus any increase or decrease in cost of raw material in a day is compensated with change in finished goods prices. However in case of retail segment, which Company is looking forward, since the prices are fixed there will be pressure margins of the Company. The Company is continuously working to create efficient processes resulting in cost reduction and have a better control over its activities. Other than as described in this RHP, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

**5. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices**

The increase / decrease in turnover is only on account of increase in sales prices and volume.

**6. Total turnover of each major industry segment in which the Company operated**

The Company is operating in wheat processing and trading of food grains. However, there are no published data available to the Company for total turnover of the Industry.

**7. Status of any publicly as announced new products a business segment**

The Company has not publicly announced any new products. The company has firm plans in place to go in for the projects envisaged under headings Cost of Project. The Company already had two

trademarks registered i.e. "Regular" & "Sita Shree" and also applied for registration of trademark "Sita Shree Gold", which will be used for products manufactured through proposed project.

**8. The extent to which the business is Seasonal**

As the Company is into food processing industry it depends on the performance of Agricultural Industry. Our business is seasonal in nature with two peak season in the year being Khariff and Rabi. However the Company is continuously in touch with different market intermediaries for supply of raw material through out the year.

**9. Dependence on single or few suppliers / customers**

The raw materials are sourced from various suppliers and the finished products are catered to numerous customers. Therefore, we are not significantly dependent on a single or few suppliers or customers.

**10. Competitive conditions**

For details of competitive conditions please refer to Section titled, "Business Overview" on page no.48 of this RHP.

## VI. LEGAL AND OTHER INFORMATION

### A) OUTSTANDING LITIGATION, DEFAULTS AND MATERIAL DEVELOPMENTS

#### a. Outstanding Litigations involving Sita Shree Food Products Limited:

##### ▪ Cases filed against the company

Food Inspector Mr. Gautam Bhatia while inspecting the business premises of Saurabh Traders, Indore found, inter alia, Pillsbury Chakki Fresh Atta and sent the sample of the same for Analysis to Mr. S. K. Modi, Public Analyst, Municipal Corporation, Indore. The Public Analyst vide his Report bearing No.130, dated 6<sup>th</sup> August, 2002 in respect of the Sample of Atta (Pillsbury Brand), opined in his report that the sample did not confirm to the standard Atta under Item No.A .18.01 of appendix B of P. F. A. Rules, 1955, Alcoholic acidity exceeded the prescribed limit, hence it was adulterated and the sample was in a condition fit for analysis.

The Food Inspector has filed a Complaint before Hon'ble Chief Judicial Magistrate, Indore against the Five Accused including the Company which has been arraigned as Accused No.5, under section 7 (I) and (V) 14 A, 16 (1) (a) of Prevention of Food adulteration Act, 1954 (the Act) and Rule 50 of the Prevention of Food adulteration Rules 1955. Under section 16 the Penalty is as under;

*"in addition to the penalty which he may be liable under the provisions of section 6, be punishable with imprisonment for a term which shall not be less than six months jail, but which may extent to three years, and with fine which shall not be less than One Thousand Rupees, the aforesaid provisions are however subject to the mitigating factors mentioned in the proviso to the Section 16 of the Act".*

As per the complaint the company has failed to furnish the information sought by the Food Inspector vide his letter dated 9/10/2002 & reminder dated 5/2/2003 as on the date of complaint and hence the company was made party as a manufacturer and seller.

##### ▪ Case filed by the company

The Company (as Complainant) has filed criminal complaint against M/s. Pasand Traders and Two others (as Accused) in respect of Dishonour of three Cheques of Rs.50,000/- each by the Accused. The Complaint was filed under section 138 of the Negotiable Instrument Act, 1881 and Section 420 of IPC before the Hon'ble Chief Judicial Magistrate, First Class, Indore. Under the complaint the Company has prayed, inter alia, for the aggregate Cheque amount of Rs.1,50,000/- and Rs.50,000/- towards costs from the Accused. The Complaint was filed against the Accused in respect of Dishonour of Three Cheques issued by the Accused for the dues payable by the Accused to the Complainant towards the supply of Food Products.

##### ▪ The Company has filed appeal before the Commissioner of Income tax, Indore for the Assessment year 2004-05 for disallowance of following expenses:

1. Depreciation - Rs.10.89 lacs
2. Telephone Expenses - 0.22 lacs
3. Vehicle repair - 0.10 lacs
4. Depreciation of vehicle - Rs.0.10 lacs

The company certifies that other than above, there are no:

- Other pending litigations against the company.
- Outstanding litigations, defaults etc pertaining to matter likely to affect operations and finances of the company including prosecution under the Companies Act 1956 (1 of 1956).
- Such cases of pending litigations, defaults etc in respect of Companies/firms/ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.
- Disciplinary action/ investigation has been taken by Securities and Exchange Board of India(SEBI)/ Stock Exchanges against the Company, its directors , promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370(1B) of the Companies Act 1956.
- Cases against the Company or its Promoters of economic offences in which penalties were imposed on promoters.
- Pending litigation, disputes, defaults, non-payment of statutory dues, proceedings initiated for offences (including past cases and irrespective of whether specified in paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against the promoters and there business ventures.
- Pending litigations, defaults, non payment of Statutory dues, proceedings initiated for economic offences/civil offences, any disciplinary action taken by the Board /Stock Exchanges against the Company/Promoters and their business ventures/Directors other than those mentioned in this Prospectus and that no litigations have arisen and the Company and its Directors take full responsibility of the information mentioned in the Prospectus.

In the opinion of the Company there have been no material developments after the date of latest balance sheet, which would have an impact on the performance and the prospects of the Company other than what has been set out in this Prospectus.

**b. Outstanding Litigations involving Promoters/Directors of Company**

There are no outstanding litigations, disputes, non-payment of statutory dues, overdues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the promoters and director of the Company.

**c. Outstanding Litigations involving Promoters and Group Companies:**

There are no outstanding litigation, disputes, non-payment of statutory dues, overdues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against the listed and top five (based on total income) unlisted promoter group companies.

## B) REGULATORY & OTHER APPROVALS

On the basis of the indicative list of approvals below, the Company is permitted to carry on business activities and no further approvals from any Government authorities/RBI are required by the Company to undertake the business of the Company. It must be distinctly understood that, in granting these licenses, the Government of India and/or RBI does not take any responsibility for Company's financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

The Company has obtained necessary approvals and registrations from various authorities in relation to its business activities; which include:

- i) Permanent Account Number (AAICS1044H) and Tax Deduction Account Number (BPL504202F) under the Income Tax Act, 1961;
- ii) Service Tax Registration (Reg. No.: R-ST/IND/GTA/1231/04-05) from Ministry of Finance, Office of the Superintendent Service Tax Range, Indore;
- iii) Certificate of Registration under the Central Sales Tax Act, 1956 (Reg. No.: 23191400056) and Value Added Tax, 2005 (Reg. No.: 78361401286) from Commissioner of Sales tax, Madhya Pradesh;
- iv) Certificate of Importer-Exporter Code (IEC- 1104000784) under Export Import Policy from Foreign Trade Development officer;
- v) Certificate of Registration (No.APEDA/REGN/DEL/100658B/2000-2001) under Export Import Policy from Agricultural and Processed Food Products, Exports Development Authority.
- vi) Certificate of Registration (No.:18-151-04) with the Employees' State Insurance Corporation under Employees' State Insurance Act., 1948 from Employees' State Insurance Commission, New Delhi;
- vii) Certificate of Registration (No.: 1622970001) under Employees Provident Fund & Miscellaneous Provisions Act, 1952 from Regional Provident Commissioner, Mdhya Pradesh;
- viii) Registration of Trade Mark of "Sita Shree", "Regular";
- ix) Manufacturing license (no.3705/SIA/IMO/2006) from Government of India, Ministry of Commerce & Industrial Assistance, Public Relation & Complaint Section, New Delhi, for manufacturing of Wheat Flour and Gram Pulses at existing plant at Palda, Mdhya Pradesh;
- x) Certificate of compliance with ISO 9001-2000 standards by TUV India Certification body;
- xi) Indore "Mandi" registration no. S/234;
- xii) License (No.: P/HQ/MP/15/262 (P14541)) to import & store petroleum (class B) at existing plant;
- xiii) Sanction of power to the extent of 700 KVA at existing plant from Madhya Pradesh Electricity Board, Indore region vide their letter no. CE/IR/COM/HT/5959 dt. 04/05/04.

Some of the registrations/licenses/approvals obtained by the Company have expired in the ordinary course of business and are in the process of being renewed. The Company undertakes to obtain all approvals, licenses, registrations and permissions required to continue to operate its business. Registrations/licenses/approvals pending renewal/approval include:

- i) The Factory License of the Company under Factories Act, 1948 is expired on 31/12/2006. The Company has applied for renewal of the said license and also paid the license fees on 16/10/2006 and the same is being awaited;
- ii) The Consent from State Pollution Control Board under Water (Prevention & Control of Pollution) Act, 1974 and Air (Prevention & Control of Pollution) Act, 1981 was expired. The Company has

applied for renewal of the said consent on 16/07/07. The Company has paid license fees for the year 2004-05, 2005-06, 2006-07 and 2007-08 on 16/07/2007; and

- iii) The Company has applied for registration of Trade Mark “Sita Shree Gold” under the Trade Mark Act, 1999 on 01/08/2006. The same is being awaited.

Licenses and Approval required for proposed project:

<b>Nature</b>	<b>Status</b>
Factory License	The same will be applied before installation of plant.
Manufacturing License	The Company has obtained License (no. 3706/SIA/IMO/2006) for manufacturing of wheat Flour and License (no. 4307/SIA/IMO/2006) for solvent extraction (Soya Seed), manufacturing of Soya Lecithin and Edible oil refining, received on 10/07/2006 and 07/08/2006 respectively.
Consent for Pollution Control	The Company has applied to Madhya Pradesh Pollution Control Board for their consent for the proposed project on 23/03/2007. The same is being awaited.
Power	The Company has applied to MPSEB on 14/06/2007 for sanction of power required.

Please also refer to the risk factor titled “*Expiry of certain Licenses & Approvals.*” in the section titled “Risk Factors” on page no. viii of this RHP.



## VII. OTHER REGULATORY AND STATUTORY DISCLOSURES

### A) AUTHORITY FOR THE PRESENT ISSUE

The shareholders of Sita Shree Food Products Limited have authorized the Issue by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Extraordinary General Meeting held on 25/05/2007.

### B) PROHIBITION BY SEBI

The Company, its Promoters, its Directors or any of the Company's associates or group companies and companies with which the Directors of the Company are associated as Directors or Promoters, or Directors or Promoters in control of, of the promoting Company, are currently not prohibited from accessing or operating in the capital market under any order or direction passed by SEBI.

The Promoters, their relatives (as per Act), the Company, group companies, associate companies are not detained as willful defaulters by RBI / Government authorities.

### C) Eligibility for the Issue

SSFPL is an unlisted company; and is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:

- The Company had net tangible assets of at least Rs. 3 crores in each of the preceding three full years (of 12 months each) of which not more than 50% is held in monetary assets.;
- The Company had a track record of distributable profits in terms of Section 205 of the Companies Act for at least three out of the immediately preceding five years;
- The Company had a net worth of at least Rs. 1 crore in each of the preceding three full years of 12 months each; and
- The aggregate of the proposed Issue and all previous issues made in the same financial years in terms of size does not exceed five times the pre-issue net worth of the Company as per the audited balance sheet as of March 31, 2007.

The following table shows the net tangible assets, distributable profits and net worth for the past three fiscal years:

	For the Financial Year Ended March 31		
	2007	2006	2005
Net Profit (Distributable) <sup>(1)</sup>	95.24	40.11	30.93
Net Worth (as restated) <sup>(2)</sup>	754.07	556.46	488.06
Net Tangible Assets <sup>(2)</sup>	884.19	685.37	618.53
Monetary Assets <sup>(3)</sup>	229.63	190.10	44.42
% of Monetary Assets to Net Tangible Assets	25.97	27.74	7.18

#### Note:

1. Distributable profits have been defined in terms of section 205 of the Companies Act.
2. Net tangible assets is defined as the sum of fixed assets (including capital work in progress), current assets (excluding deferred tax assets), investments and less current liabilities (excluding deferred tax liabilities) and long term liability.

3. Net Monetary assets comprise of cash in hand, cash at bank, quoted investments, fixed deposits and interest accrued on fixed deposit, if any and excluded Over Draft facility from bank against Fixed Deposit receipt.

Further in terms of clause 2.2.2 A of the DIP Guidelines, the prospective allottees shall be more than one thousand.

In the case of SSFPL, it satisfies all the eligibility criteria's, laid down in clause 2.2.1 of SEBI (DIP) Guidelines. However, the Company is doing a "voluntary book-building issue" wherein the Company proposes to allot upto 50% of the Issue to QIBs and under-subscription, if any, in the QIB portion will be added back to the Net Issue to public.

The Promoter, their relatives (as per the Companies Act), the Company, group companies and associate companies are not detained as willful defaulters by the RBI/Government of India authorities and there are no violations of securities laws committed by them in the past or pending against them other than as disclosed in this RHP.

#### **D) DISCLAIMER CLAUSE (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 DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. 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 COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER 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 MANAGER, KEYNOTE CORPORATE SERVICES LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED 21/08/2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:**

- (I) "WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- (II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE**

OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

- THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - 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;
  - 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;
- (III) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID;
- (IV) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. AND
- (V) WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS 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 THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING OF THE RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENTS 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 RED HERRING PROSPECTUS.

#### **E) DISCLAIMER STATEMENT FROM THE COMPANY AND THE BRLM**

The Company, the Directors, and the BRLM accept no responsibility for statements made otherwise than in this RHP or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone depending on any other source of information, including our website, [www.sitashri.com](http://www.sitashri.com), would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM and us dated 07/08/2007 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and BRLM 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.

#### **F) DISCLAIMER WITH RESPECT TO JURISDICTION**

This 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 authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds}. This RHP does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this RHP comes is required to inform him or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Indore only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this RHP has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this RHP may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this RHP 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.

#### **G) DISCLAIMER CLAUSE OF THE STOCK EXCHANGE**

##### **Disclaimer Clause of the Bombay Stock Exchange Limited (BSE):**

“Bombay Stock Exchange Limited (“the Exchange”) has given vide its letter no. DCS/IPO/PS/IPO-IP/1046/2007-08 dated 03/10/2007 permission to the Company to use the Exchange’s name in this Prospectus as one of the stock exchanges on which this Company’s securities are proposed to be listed. The Exchange has scrutinized this Prospectus for its limited internal purpose of deciding on

the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. Warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; 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 Prospectus has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever".

**Disclaimer Clause of the National Stock Exchange Limited (NSE):**

As required, a copy of this Red Herring Prospectus has been submitted to National Stock Exchange of India Limited. NSE has given vide its letter Ref. No. NSE/LIST/62947-7 dated 19/12/2007 permission to the Issuer to use the Exchange's name in this Red Herring Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed subject to the Issuer fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation (i.e. the paid up capital shall not be less than Rs. 10 crores and market capitalisation shall not be less than Rs. 25 crores at the time of listing). The Exchange has scrutinised this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus, nor does it warrant that 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 the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

**H) FILING**

A copy of this RHP has been filed with SEBI at Mumbai.

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, Madhya Pradesh, Gwalior.

## I) LISTING

Applications will be made to BSE and NSE for permission to deal in and for an official quotation of the Equity Shares of the Company. BSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this RHP. If such money is not repaid within eight days after the Company becomes liable to repay it from the date of refusal or within 70 days from the date of Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from expiry of 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.

The 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 finalisation of the basis of Allotment for the Issue.

## J) CONSENTS

Consents in writing of the Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisor, Bankers to the Company, BRLM and the Registrar to the Issue to act in their respective capacities, have been obtained and will be filed along with a copy of the RHP with the ROC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration with the ROC.

Subhash Chandra Jain Anurag & Associates, Chartered Accountants, Auditors of the Company have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which appears in this RHP and also of the tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of signing this RHP.

## K) EXPERT OPINION OBTAINED, IF ANY

Except as stated elsewhere in this RHP, we have not obtained any expert opinion.

## L) EXPENSES OF THE ISSUE

The Management estimates an expense or Rs.[●] Lacs towards issue expense. The expenses of this 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:

<i>Rs. in Lacs</i>				
Sr. No.	Nature of Expenses	Amount*	% to the Total Expenses	% to the Issue
1.	Issue management fees, brokerage, Underwriting commission, legal advisor fee, and registrar charges.	110.25	46.67	3.50
2.	Printing expenses, postage, dispatch expenses, advertisement & publicity expenses	111.00	46.98	3.52

3.	Listing fees & others expenses	15.00	6.35	0.48
	<b>Total</b>	<b>236.25</b>	<b>100</b>	<b>7.50</b>

#### **M) DETAILS OF FEE PAYABLE**

##### **Fees Payable to the Book Running Lead Managers and Syndicate Members**

The total fees payable to the Book Running Lead Manager and Syndicate Members (including underwriting commission and selling commission) will be as per the memorandum of understanding between the Company and the BRLM dated 07/08/2007 a copy of which is available for inspection at our registered office.

##### **Fees Payable to the Registrar to the Issue**

The fees payable by us to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the memorandum of understanding dated 15/06/2007 between the Registrar to the Issue and the Company.

The Registrar to the Issue will be reimbursed all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided by us to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

#### **N) UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION**

The underwriting commission and the selling commission for the Issue are as set out in the Syndicate Agreement amongst the company, the BRLM and the Syndicate Member. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue price and the amount underwritten in the manner mentioned on page no. 14 of the RHP.

#### **O) PREVIOUS PUBLIC OR RIGHTS ISSUE**

The Company has not made any public or rights issue of shares either in India or abroad in the five years preceding the date of this RHP.

#### **P) PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH**

The Company has not issued any Equity Shares for consideration otherwise than for cash.

#### **Q) COMMISSION AND BROKERAGE ON PREVIOUS ISSUES**

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since inception of the Company.

#### **R) CAPITAL ISSUE DURING THE LAST THREE YEARS**

Sita Shree Food Product Limited and its group companies have not made any capital issue during the last three years.

#### **S) PROMISE vis-a-vis PERFORMANCE**

None of our group companies are listed on any stock exchanges in India.

#### **T) OUTSTANDING DEBENTURES OR BONDS AND REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS**

There are no outstanding debentures or bonds or redeemable preference shares and other instruments issued by the company as on the date of this RHP.

#### **U) STOCK MARKET DATA**

This being an initial public offering of the Company, the Equity Shares are not listed on any stock exchange.

#### **V) INVESTOR GRIEVANCES AND REDRESSAL SYSTEM**

The company has appointed the registrar to the issue, to handle the investor grievances in co-ordination with the Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the Registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of equity shares applied for, amount paid on application and bank and branch. The Company would monitor the work of the registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

The Registrar to the issue, namely, Ankit Consultancy Private Ltd. will handle investor's grievances pertaining to the issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the company. The Company would also be co-ordinating with the registrar to the issue in attending to the grievances to the investor. The Company assures that the Board of Directors in respect of the complaints, if any, to be received shall adhere to the following schedules:

<b>Sr. No.</b>	<b>Nature of complaint</b>	<b>Time Table</b>
1.	Non-receipt of refund	Within 7 days of receipt of complaint subject to production of satisfactory evidence
2.	Non Receipt of Share Certificate/Demat Credit	Within 7 days of receipt of complaint subject to production of satisfactory evidence
5.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details

Redressals of investors' grievance are given top priority by the Company. The Committee oversees redressal of complaints of shareholders/investors and other important investor related matters. The Company has adequate arrangements for redressal of investor complaints as follows:

Share transfer/ dematerialisation/ rematerialisation are handled by well equipped professionally managed Registrar and Transfer Agent, appointed by the Company in terms of SEBI's direction for appointment of Common Agency for physical as well as demat shares. The Registrars are constantly monitored and supported by qualified and experienced personnel of the Company.



**W) CHANGES IN AUDITORS**

The change in the auditor of the Company during last three years is as follows:

<b>Name of Auditor</b>	<b>Date of Change</b>	<b>Reason of change</b>
M/s M. K. Shah & Associates	31/12/2005	Resigned as joint auditor

There has been no change in the auditor except as mentioned above.

**X) CAPITALIZATION OF RESERVES OR PROFITS DURING LAST 5 YEARS**

The company has issued 17,47,000 Equity Shares in the ratio 1:1 on 27/03/2006 by capitalizing reserves or profits.

**Y) REVALUATION OF ASSETS DURING THE LAST 5 YEARS**

The company has not revalued the assets during the last 5 years.

## **VIII. OFFERING INFORMATION**

### **A) TERMS OF THE ISSUE**

The Equity Shares being offered are subject to the provisions of the Companies Act, Memorandum and Articles of Association, the terms of this RHP, the Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advices and other documents/certificates that may be executed in respect of the 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, the Stock Exchanges, the RBI, ROC and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

### **RANKING OF EQUITY SHARES**

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

### **MODE OF PAYMENT OF DIVIDEND**

Dividend to the shareholders shall be paid as per the provisions of the Companies Act, 1956 & Articles of Association of the Company.

### **FACE VALUE AND ISSUE PRICE**

The face value of the Equity Shares is Rs. 10/- each and the Floor Price is Rs. 27/- and the Cap Price is Rs.30/- per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares subject to the applicable laws.

### **COMPLIANCE WITH SEBI GUIDELINES**

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

### **RIGHTS OF THE EQUITY SHAREHOLDERS**

Subject to applicable laws, regulations, rules and guidelines and the Memorandum and Articles of Association, 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 show of hands in person or a poll either in person or by proxy;
- Right to receive annual reports and notices to members;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, 1956 and the Memorandum and Articles of Association of the Company.

## **MARKET LOT AND TRADING LOT**

In terms of Section 68B of the Companies Act, 1956, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors. Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one equity share.

Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share to the successful Bidders subject to a minimum Allotment of 200 Equity Shares. For details of allocation and allotment, see "Issue Procedure" on page no.124 .

## **NOMINATION FACILITY TO THE INVESTOR**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of the sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the registered office of the Company or at the registrar and transfer agent of the 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 our Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

## **APPLICATION BY ELIGIBLE NRIS, FIIS REGISTERED WITH SEBI AND FVCIS REGISTERED WITH SEBI**

It is to be distinctly understood that there is no specific reservation for NRIs or FIIs registered with SEBI or FVCIs registered with SEBI. As per RBI regulations, OCBs cannot participate in the Issue.

## **MINIMUM SUBSCRIPTION**

If the Company do not receive the minimum subscription of 90% of the Net Issue to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, it shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company become liable to pay the amount, it shall pay interest as per Section 73 of the Companies Act.

## **JURISDICTION**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Indore, Madhya Pradesh, India.

Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

## **ARRANGEMENTS FOR DISPOSAL OF ODD LOTS**

The equity shares of the Company will be listed/traded in compulsory demat mode. The market lot of the share will be 1 (One). The Company has not made any arrangements for the disposal of odd lot shares arising out of the issue.

## **ALLOTMENT RECONCILIATION AND REVISED CANS**

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.

## B) ISSUE STRUCTURE

Public Issue of [●] Equity Shares of face value Rs.10/- each for cash by the company issued at a price of Rs.[●] per Equity Share, aggregating Rs.3150 Lacs (hereinafter referred to as the “Issue”). The Issue would constitute [●]% of the post issue paid-up capital of the Company. The Issue is being made through the 100% Book Building Process:

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares*	Up to [●] Equity Shares will be allotted to QIBs.	At least [●] Equity Shares shall be available for allocation.	At least [●] Equity Shares shall be available for allocation.
Percentage of Issue Size available for allocation	Up to 50% of the Net Issue (of which 5% shall be reserved for Mutual Funds) Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	At least 15% of the Net Issue or Net Issue less allocation to QIBs and Retail Portion*	At least 35% of the Net Issue or Net Issue less allocation to QIBs and Non-Institutional Portion.*
Basis of allocation if respective category is oversubscribed	Proportionate(a) [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and (b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of 200 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 100,000 and in multiples of 200 Equity Shares thereafter.	200 Equity Shares and in multiples of 200 Equity Share thereafter.
Maximum Bid	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares per Retail Individual Bidder so as to ensure that the Bid Amount does not exceed Rs.100,000.
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Who can Apply **	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, foreign venture capital funds 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 in accordance with applicable law.	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.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid - cum - Application Form to the Member of Syndicate.
Margin Amount	At least 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.

\* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spillover interest from any of the other categories, at the sole discretion of the Company, the BRLM and subject to applicable provisions of the SEBI Guidelines.

\*\* 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 in the same sequence in which they appear in the Bid-cum-Application Form.

**If the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.**

## C) ISSUE PROCEDURE

### BOOK BUILDING PROCEDURE

The Issue is being made through the 100% Book Building Process where upto 50% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, at least 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Bidders are required to submit their Bids through the members of the Syndicate. The Company, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of the Bid. In case of Non-Institutional Bidders, Retail Individual Bidders, and bids under Employee Reservation Portion the Company would have a right to reject the Bids only on technical grounds.

**Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized 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 authorized 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 Bidders 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 filing of the Prospectus with the ROC, allotment of Equity Shares, and dispatch of the CAN, 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 authorized the Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the ROC and as would be required by the 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
Resident Indians, Eligible NRIs applying on a non-repatriation basis	White
Non-residents, NRIs, or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Red

#### **Who can Bid?**

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
2. Indian nationals resident in India who are majors, in single or joint names (not more than three);

3. 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;
4. Eligible NRIs on a repatriation basis or a non-repatriation basis, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
5. FIIs registered with SEBI on a repatriation basis or a non-repatriation basis, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
6. State Industrial Development Corporations;
7. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
8. Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
9. Pension funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
10. Companies and corporate bodies registered under the applicable laws in India and authorized to invest in Equity Shares;
11. Venture Capital Funds registered with SEBI;
12. Foreign Venture Capital Investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
13. Indian Mutual Funds registered with SEBI;
14. Indian financial institutions, scheduled & commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
15. Multilateral and bilateral development financial institutions;
16. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their constitution to hold and invest in Equity Shares;
17. Scientific and/or industrial research organisations in India authorized under their constitution to invest in equity shares; and
18. Any other QIBs permitted to invest in the Issue under applicable law or regulation.

**As per the existing regulations, OCBs cannot participate in this Issue.**

#### **Participation by associates of BRLM and Syndicate Members**

The BRLM 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 BRLM and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allotment is on a proportionate basis.

**The information below is given for the benefit of the Bidders. The Company and the BRLM 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. The Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for or that can be owned by them do not exceed the applicable limits under laws or regulations.**



## **Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allotment proportionately in the Mutual Funds Portion. In the event that the demand is greater than [●] Equity Shares, Allotment shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allotment proportionately out of the remainder of the QIB Portion, after excluding the allotment in the Mutual Funds 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 by 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 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 for which the Bid has been made.

5% of the QIB Portion shall be available for allotment to Mutual Funds. Mutual Funds participating in the 5% share of the QIB Portion will also be eligible for allotment in the remaining QIB Portion.

## **Bids by NRIs/FIIs/VCs/FVCIs**

Bid cum Application Forms have been made available for NRIs at the registered and corporate office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour). All instruments accompanying Bids shall be payable at Mumbai only.

*In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:*

No single FII can hold more than 10% of the post-Issue paid up capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total paid up capital of the Company or 5% of the total paid up capital of the Company, 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, offshore 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.

*In accordance with the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:*

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on Venture Capital Funds and Foreign Venture Capital Investors registered with SEBI. Accordingly, the holding by any Venture Capital Fund or Foreign Venture Capital Investor should not exceed 25% of the corpus of the Venture Capital Fund or of the Foreign Venture Capital Investor.

The above information is given for the benefit of the Bidders. The Bidders are advised to make to their own enquiries about the limits applicable to them. The Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. The Company and the BRLM are not liable to inform the investors of 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**

#### **(a) For Retail Individual Bidders:**

The Bid must be for a minimum of 200 Equity Shares and in multiples of 200 Equity Shares thereafter, so as to ensure that the total Bid Amount (including revision of Bids, if any) payable by the Bidder does not exceed Rs.100,000. (Investors may note that Total Bid amount is not just the amount payable at application but the entire amount payable for the bid including the amount payable by due date for payment of Balance Amount Payable) In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allotment under the Non-Institutional Portion. The option to Bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

#### **(b) For Non-Institutional Bidders and QIB Bidders:**

The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs.100,000 and in multiples of 200 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by the regulatory and statutory authorities governing them. **Under the 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 allotment 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 allotment in the Retail Portion would be considered for allotment under the Retail Portion. Non-Institutional Bidders and QIB Bidders do not have the option of bidding at Cut-off Price.

**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:**

1. The Company will file the Red Herring Prospectus with the ROC at least three days before the Bid/Issue Opening Date.
2. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
3. Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus along with the Bid cum Application Form can obtain the same from our registered office/corporate office or from any of the members of the Syndicate.
4. Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLM or Syndicate Members or their authorized agent(s) to register their Bids.
5. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.
6. The Bidding/ Issue Period shall be for a minimum of 3 (three) working days and not exceeding 7 (seven) working days. In case the Price Band is revised, the revised Price Band and the Bidding/ Issue Period will be published in two weekly circulated national newspapers (one each in English and Hindi) and the Bidding/ Issue Period may be extended, if required, by an additional 3 (three) days, subject to the total Bidding/ Issue Period not exceeding 10 (ten) working days.
7. The Price Band has been fixed at Rs.27/- to Rs.30/- per Equity Share of Rs. 10 each, Rs. 27/- being the lower end of the Price Band and Rs. 30/- being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Rs.1 (One)
8. The Company in consultation with the BRLM, reserve the right to revise the Price Band, during the Bidding/ Issue Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.
9. In case of revision in the Price Band, the Bidding/ Issue Period will be extended for 3 (three) additional working days after revision of Price Band subject to a maximum of 10 (ten) 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 and Hindi) with wide circulation, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Members.
10. The Company in consultation with the BRLM, can finalize the Issue Price within the Price Band without the prior approval of, or intimation, to the Bidders.

**Method and Process of Bidding**

1. The Company and the BRLM shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date and Price Band in the Red Herring Prospectus to be filed with ROC and publish the same in two widely circulated newspapers - one each in English and Hindi (regional newspaper). This advertisement shall contain the disclosures as prescribed under the SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Bidding/Issue Period.

2. The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding/Issue Period will be published in two national newspapers - one each in English and Hindi (regional newspaper) and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate and the Bidding/Issue Period may be extended, if required, by an additional three working days, subject to the total Bidding/Issue Period not exceeding 10 working days.
3. During the Bidding/Issue Period, investors who are interested in subscribing to the Equity Shares of the Company should approach the members of Syndicate or their authorized agents to register their Bid.
4. 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 titled "Bids at Different Price Levels" on page 131 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 allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
5. The Bidder cannot Bid on another Bid cum Application Form after Bid(s) 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 bidding 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 Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page no.136.
6. The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a 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.
7. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page no.134.
8. 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.

#### **Bids at Different Price Levels**

1. 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, Non-Institutional Bidders (bidding in excess of Rs. 100,000) and such bids shall be rejected.
2. 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.

3. 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 members of the Syndicate 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 no additional payment would be required from the Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.
4. 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.
5. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 200 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
6. 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.
7. Revisions can be made in both the desired number of Equity Shares and the Bid price by using 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 complete all 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.
8. The Bidder can make this revision any number of times during the Bidding/ Issue 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 place the original Bid.
9. 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.
10. 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 the QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS 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.
11. 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 revision of the original bid.**

## OPTION TO SUBSCRIBE IN THE ISSUE

Equity Shares being offered through the RHP can be applied for in dematerialized form only.

However the investor shall have the option to hold the Equity shares in physical form or demat form. After the allotment in the proposed issue, allottees may request their respective Depository Participant for dematerialization of shares if they wish to hold the shares in physical shares.

## **HOW TO APPLY**

### **Availability of RHP and Bid cum Application Forms**

The memorandum Form 2A containing the salient features of the RHP together with the Application Forms and copies of the RHP may be obtained from the Registered Office of our Company, the BRLM to the Issue and Syndicate members as mentioned on the application form.

NRIs/FIIs can obtain the Application Form from the Registered Office of the Company as well as from the office of the BRLM.

### **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 must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and red colour for NRIs and FIIs applying on repatriation basis).
2. 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.
3. For Retail Individual Bidders, the Bid must be for a minimum of 200 Equity Shares and in multiples of 200 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
4. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 200 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 and regulations.
5. Bids by NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purpose of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purpose of allocation.
6. Bids by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 200 Equity Shares thereafter that the Bid Price exceeds Rs. 100,000.
7. Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms and partnerships, foreign nationals (excluding NRIs) or their nominees.
8. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
9. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

## **ESCROW MECHANISM**

The Company and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Accounts. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Banks for and on behalf of the Bidders. The Escrow Collection Banks 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 Accounts to the Issue Account and the Refund Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, 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 COLLECTION ACCOUNT**

Each Bidder shall provide the applicable Margin Amount, and shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (See "Payment Instructions" on page no.142 and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through the RTGS mechanism. Each QIB shall provide their QIB Margin Amount only to a BRLM. Bid cum Application Forms accompanied by cash/money order shall not be accepted. The Margin Amount based on the Bid Amount has to be paid at the time of submission of the Bid cum Application Form.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders 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 Accounts, as per the terms of the Escrow Agreement, into the Issue Account. The balance amount after transfer to the Issue Account of the Company shall be transferred to the Refund Account. 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 adjustment for allotment, to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and would be required to pay their applicable Margin Amount at the time of submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page no. 121. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in Date. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. 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. QIB Bidders will be required to deposit a margin of 10% at the time of submitting of their Bids.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had Bid for, the excess amount paid on Bidding, if any, after adjustment for Balance Amount Payable, will be refunded to such

Bidder within 15 days from the Bid/Issue Closing Date, failing which we shall pay interest according to the provisions of the Companies Act, for any delay beyond the periods as mentioned above.

## **ELECTRONIC REGISTRATION OF BIDS**

1. The Members of the Syndicate will register the Bids using the on-line facilities of the BSE and the 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.
2. The BSE and the 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 authorized agents during the Bidding/Issue Period. The members of the Syndicate 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 regular basis. On the Bid/Issue Closing Date, the Members of the Syndicate shall upload the Bids until such time as may be permitted by the Stock Exchanges.
3. The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be uploaded on a regular 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/ Issue Period.
4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
  - Name of the investor
  - Investor category – Individual, HUF, Corporate, Eligible NRI, FII or Mutual Fund, FVCIs, QIBs, etc;
  - Numbers of Equity Shares bid for;
  - Bid price;
  - Bid cum Application Form number;
  - Whether Margin Amount has been paid upon submission of Bid cum Application Form
  - Depository Participant identification number and client identification number of the beneficiary account of the Bidder.
5. 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/ Alloted either by the members of the Syndicate or the Company.
6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
7. 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, Bids would not be rejected except on the technical grounds listed on page no.145 of this Red Herring Prospectus.
8. It is to be distinctly understood that the permission given by the BSE and the 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 the Company and/or the BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other



soundness of the Company, the Promoter, the management or any scheme or project of the Company.

9. It is also to be distinctly understood that the approval given by the BSE and the NSE to use their network and software of the online IPO system 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 our Equity Shares will be listed or will continue to be listed on the BSE and NSE.
10. Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM based on the physical records of the Bid cum Application Forms shall be final and binding on all concerned.

#### **BUILD UP OF THE BOOK AND REVISION OF BIDS**

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to NSE or BSE mainframe on a regular basis in accordance with market practice.
2. The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
3. 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.
4. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
5. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
6. 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 or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin, 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.
7. 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.
8. Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In the event of discrepancy of data between the Bids

registered on the online IPO system and the physical Bid cum Application Form, the decision of the Company in consultation with the BRLM, based on the physical records of Bid/cum Application Forms, shall be final and binding on all concerned.

#### **PRICE DISCOVERY AND ALLOTMENT**

1. After the Bid/Issue Closing Date, the BRLM shall analyse the demand generated at various price levels and discuss pricing strategy with us.
2. Our Company in consultation with the BRLM, shall finalise the Issue Price and the number of Equity Shares to be allocated in each investor category.
3. The allotment in the Issue to Non-Institutional Bidders and Retail Individual Bidders of at least 15% and 35% of the Net Issue respectively, and the allotment to QIBs for upto 50% of the Net Issue, would be on proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
4. In case of over-subscription in all categories, upto 50% of the Net Issue shall be available for allotment on a proportionate basis to QIB Bidders out of which 5% shall be available to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allotment in the remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 5% of the QIB portion the balance Equity Shares from the portion specifically available for allotment to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids. Further, at least 15% of the Net Issue shall be available for allotment on a proportionate basis to Non- Institutional Bidders and at least 35% of the Net Issue shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category would be met with spill-over from other categories at our sole discretion, in consultation with the BRLM.
5. The BRLM, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allotments to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
6. Allotment to eligible NRIs, FIIs registered with SEBI or Mutual Funds or FVCIs registered with SEBI will be subject to applicable laws, rules, regulations, guidelines and approvals.
7. The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.
8. In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
9. The Company in consultation with the BRLM, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.
10. The allotment details shall be put on the website of the Registrar to the Issue.

#### **SIGNING OF UNDERWRITING AGREEMENT AND ROC FILING**

- (a) The Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price.

- (b) After signing the Underwriting Agreement, The 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.

#### **ADVERTISEMENT REGARDING PRICE BAND AND RED HERRING PROSPECTUS**

A statutory advertisement will be issued by the Company after the filing of the Red Herring Prospectus with the ROC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Price Band along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of Red Herring Prospectus and the Prospectus shall be included in the advertisement.

#### **ISSUANCE OF CONFIRMATION OF ALLOTMENT NOTE ("CAN")**

Subject to "Allotment Reconciliation and Revised CANs" as set forth under Chapter "Terms of Issue"

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. 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 allotment for the Retail and Non-Institutional Bidders. However, the investor should note that the 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 BRLM or the members of the Syndicate would then send the 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 Balance Amount Payable for all the Equity Shares allocated to such Bidder. Those QIB Bidders who have not paid the Bid Amount in full into the Escrow Account at the time of bidding shall pay in full amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

#### **Notice to QIBs: Allotment Reconciliation and Revised CANs**

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. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, 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. In addition, there are foreign investment limitations applicable to the Company, which may result in a change (including potentially a decrease) in the number of Equity Shares being finally Allotted to Non Resident investors (including FIIs). As a result, a revised CAN may

be required to be sent to QIBs and the allotment 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 allotment 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.

## **DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES**

- (a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bidding /Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account within two working days of the date of Allotment.
- (b) As per SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the Dematerialized form to the allottees.
- (c) After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company will allot the Equity Shares to the Allottees.
- (d) Successful Bidders will have the option to rematerialize the Equity Shares so allotted/transferred if they so desire as per the provisions of the Companies Act and the Depositories Act, rules, regulations and byelaws of the Depositories.

Investors are advised to instruct their depository participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

## **GENERAL INSTRUCTIONS**

### **Do's:**

- a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;
- b) Ensure that you Bid within the Price Band;
- c) Read all the instructions carefully and complete the Bid cum Application Form;
- d) Ensure that the details about your depository participant and beneficiary account are correct as Equity Shares will be Allotted in the Dematerialized form only;
- e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- f) Ensure that you have been given a TRS for all your Bid options;
- g) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- h) Each Bidder should mention his/ her Permanent Account Number (PAN) allotted under the IT Act. SEBI has issued a circular no. MRD/DoP/Cir-05/2007 dated April 27, 2007 requiring that with effect from July 2, 2007, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. In case the PAN has not been allotted, mention "Applied for" or "Not Applicable" in the appropriate places and submit Form 60 or Form 61 as the case may be together with permissible documents as proof of address; and
- i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the depository participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

**Don'ts:**

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/revise Bid to a price that is less than the Floor Price or higher than the Cap Price;
- c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders);
- g) 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 or under the terms of the Red Herring Prospectus;
- h) Do not bid at Bid Amount exceeding Rs. 100,000 (for Retail Individual Bidders);
- i) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by a QIB;
- j) Do not submit Bids accompanied by postal order or money order; and
- k) Do not submit the GIR number in stead of the PAN as the Bid is liable to be rejected on this ground.

**Bidder's Bank Account 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. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit or ECS. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank 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 DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or giving credit through ECS or Direct Credit and occupation (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/Allotment 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. 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/allotment 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/allotment advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

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 submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, the Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Mutual Funds, venture capital funds registered with SEBI and FVCIs registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum

Application Form. Failing this, the Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that the Company and the BRLM may deem fit.

## **PAYMENT INSTRUCTIONS**

The Company shall open Escrow Accounts with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allotment in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allotment as per the following terms:

### **Payment into Escrow Accounts**

1. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding/Issue Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allotment list to the Syndicate Member by the BRLM.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - (a) In case of Resident QIB Bidders: "SSFPL IPO- QIB - R"
  - (b) In case of Non Resident QIB Bidders: "SSFPL IPO- QIB- NR"
  - (c) In case of Resident Retail and Non-Institutional Bidders: "SSFPL IPO - R"
  - (d) In case of Non Resident Retail and Non-Institutional Bidders: "SSFPL IPO-NR"
4. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of NRO Account of the Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
5. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.

6. In case of Bids by FIIs, FVCIs registered with SEBI the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.
7. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
8. The monies deposited in the Escrow Accounts will be held for the benefit of the Bidders till the Designated Date.
9. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement into the Issue Account.
10. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allotment to the Bidders.
11. 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/ money orders/postal orders will not be accepted. Investors in the QIB category may also make payments by RTGS.

## **SUBMISSION OF BID CUM APPLICATION FORM**

All Bid/cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection 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 case of Individuals**

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the First Bidder and will be dispatched to his or her address 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.

Bids made by Employees both under Employee Reservation Portion as well as in the Net Issue shall not be treated as multiple bids.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file 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. 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.
4. 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.
5. 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 fathers/husbands 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 Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

The Company reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

## Permanent Account Number or PAN

The Bidders, 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. SEBI has issued a circular no. MRD/DoP/Cir-05/2007 DATED April 27, 2007 requiring that with effect from July 2, 2007, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. In case the PAN has not been allotted, mention "Applied for" or "Not Applicable" in the appropriate places and submit Form 60 or Form 61 as the case may be together with permissible documents as proof of address. Applications without this information 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 of the Income Tax Rules, 1962), 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 of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address and (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 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 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.

Therefore, MAPIN is not required to be quoted with the Bids.

### **GROUND FOR TECHNICAL REJECTIONS**

In case of QIB Bidders, the Company in consultation with the BRLM 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, the Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made as described in this Red Herring Prospectus and will be sent to the Bidders' address at the Bidders' risk.

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. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872 including minors and insane persons;
6. PAN not mentioned;

7. GIR number furnished instead of PAN;
8. Bids for lower number of Equity Shares than specified for that category of investors;
9. Bids at a price less than lower end of the Price Band;
10. Bids at a price more than the higher end of the Price Band;
11. Bids at Cut-off Price by Non-Institutional and QIB Bidders whose Bid Amount exceeds Rs.100,000;
12. Bids for number of Equity Shares, which are not in multiples of 200;
13. Category not ticked;
14. Multiple Bids as defined in this Red Herring Prospectus;
15. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
16. Bids accompanied by Stockinvest/ money order/postal order/cash;
17. Signature of sole and/or joint Bidders missing;
18. Bid cum Application Form does not have the stamp of the BRLM or the Syndicate Members;
19. Bid cum Application Form does not have the Bidder's depository account details;
20. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Forms, Bid/ Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;
21. 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;
22. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
23. Bids by QIBs not submitted through members of the Syndicate;
24. Bids by OCBs;
25. Bids by U.S. persons, other than "qualified institutional buyers" as defined in Rule 144A under the Securities Act or other than in reliance on Regulation S under the Securities Act; and
26. Bids by persons outside India if not in compliance with applicable foreign and Indian laws or by any persons who are not eligible to acquire Equity Shares of our Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.

### **Right to Reject Bids**

In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders the Company have the right to reject Bids based on technical grounds only. Consequent refunds shall be and Bidders in Employee Reservation Portion made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

### **Equity Shares in Dematerialized form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a Dematerialized form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- (a) An agreement dated 22/10/2007 between NSDL, us and Registrar to the Issue;
- (b) An agreement dated 26/09/2007 between CDSL, us and Registrar to the Issue.

Bidders will be allotted Equity Shares only in DEMATERIALIZED 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 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. Equity Shares Allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
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. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
8. The trading of the Equity Shares would be in DEMATERIALIZED 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.

Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI and multilateral and bilateral development financial institutions on a repatriation basis

#### **Pre-Issue and Post Issue related problems**

The Company has appointed Ms. Rekha Jain, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

332/4/2, R.D. Udhyog Nagar, Palda Nemawar road,  
Mathurawala's Colony, Indore-452001 (M.P.)  
Tel: +91-731-2862122; Fax: +91-731-2862121; Email: info@sitashri.com

#### **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, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

## **DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY**

The Company shall ensure dispatch of allotment advice, transfer advice or refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalization of allotment of Equity Shares. The Company 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.

The Company 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 finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company further undertake that:

- allot Equity Shares only in DEMATERIALIZED form within 15 working days of the Bid/Issue Closing Date;
- dispatch refund orders, except for Bidders who have opted to receive refunds through the ECS facility, within 15 working days of the Bid/Issue Closing Date would be ensured; and
- Interest in case of delay in dispatch of Allotment Letters/ Refund Orders in case of public issues - the Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 working day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

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 Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

## **IMPERSONATION**

**Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

**"Any person who:**

**(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein,**

**Or**

**(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years."**

## **INTEREST ON REFUND OF EXCESS BID AMOUNT**

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 working days from the Bid/Issue Closing Date as per the Guidelines issued by the GoI, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

## **BASIS OF ALLOTMENT**

### **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 portion. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional Bidders 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 portion is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiple of one Equity Share thereafter. 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 portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allotment to QIB Bidders and Retail Individual Bidders 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 [●] 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 [●] Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiple of one Equity Share thereafter. For the method of proportionate basis of allotment refer below.

### **C. For QIB Bidders**

- 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 allotment to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Bids from Mutual Fund exceeds 5% of the QIB Portion, allotment to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance 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 allotment 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 Portion less allotment only to Mutual Funds as calculated in (a) above.
    - (iii) Based on the above, the level of the subscription shall be determined and proportionate allotment to all QIBs including Mutual Funds in this category shall be made.
- The aggregate allotment to QIB Bidders shall be upto [●] Equity Shares.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allotment refer below.

Under-subscription, if any, in any category except in the QIB category would be met with spill-over from other categories at our sole discretion, in consultation with the BRLM.

The BRLM, Registrar to the Issue and the Designated Stock Exchange shall ensure that the basis of allotment is finalised in a fair and proper manner in accordance with SEBI Guidelines. The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the Designated Stock Exchange.

#### **PROCEDURE AND TIME OF SCHEDULE FOR ALLOTMENT AND DEMAT CREDIT OF EQUITY**

The Issue will be conducted through a “100% book building process” pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on [●], 2007 and expire on [●], 2007. Following the expiration of the Bidding Period, the Company, in consultation with the BRLM, will determine the Issue Price, and, in consultation with the BRLM, the basis of allotment and entitlement to allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allotment (subject to a revised confirmation of allotment) and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. SEBI Guidelines require the Company to complete the allotment to successful bidders within 15 working days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors’ demat accounts maintained with the

relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

#### **METHOD OF PROPORTIONATE BASIS OF ALLOTMENT**

In the event the Issue is over-subscribed, the basis of allotment shall be finalised by the Company in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalised in a fair and proper manner. Allotment to Bidders shall be as per the basis of allotment as set out in this Prospectus under “Issue Structure”.

- (a) Bidders will be categorised according to the number of Equity Shares applied for by them. The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (c) If the proportionate allotment to a Bidder is a number that is more than 200 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (d) In all Bids where the proportionate allotment is less than 200 Equity Shares per Bidder, the Allotment shall be made as follows:
  - Each successful Bidder shall be allotted a minimum of 200 Equity Shares; and
  - The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
- (e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

#### **LETTERS OF ALLOTMENT OR REFUND ORDERS**

The Company 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. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. In case of other applicants, the Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the ECS facility. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter



through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue.

The Company shall ensure dispatch of refund orders, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Bidder’s sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertake that:

- Allotment of Equity Shares will be made only in Dematerialized form within 15 working days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 working days from the Bid/Issue Closing Date;
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 working day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No.F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges and as further modified by SEBI’s clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

The Company 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 a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

## **MODE OF MAKING REFUNDS**

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 including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference

- I Direct Credit – For investors having their Bank Account with the Escrow Bankers, i.e. [●], the refund amount would be credited directly to their Bank Account with the Escrow Banker.
- II RTGS – Investors, whose refund amount exceeds Rs. 10 lacs, desirous of taking direct credit of refund through RTGS, will have to provide the IFSC code in the Bid cum Application form.

III ECS - Payment of refund would be done through ECS for applicants residing at one of the 15 centres, namely Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram, where clearing houses for ECS are managed by Reserve Bank of India and other 43 centers managed by State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur. This would be subject to availability of complete Bank Account Details including MICR code from the depository.

For all the other applicants excepts for whom payment of refund is possible through I, II and III, the refund orders would be dispatched "Under Certificate of Posting" for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.

#### **INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS/REFUND ORDERS IN CASE OF PUBLIC ISSUE**

The Company agrees that as far as possible allotment of Equity Shares issued pursuant to the Issue shall be made within 30 days of the closure of the Issue. Our Company further agrees that the Company shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the Issue.

#### **UNDERTAKINGS BY THE COMPANY**

The Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of Allotment;
- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 working days of closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that the refund orders or allotment advice to the Non Residents shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

#### **UTILISATION OF ISSUE PROCEEDS**

Our Board of Directors certify that:

- 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;
- details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;

- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested.

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

## **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and FEMA and circulars and notifications issued there under. While the policy of the Government 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 of the Government, 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 and reporting requirements for making such investment. As per the sector specific guidelines of the GoI, FDI in Food Processing sector is permitted up to 100%.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In the Company, as of date the aggregate FII holding cannot exceed 24% of the total post-Issue share capital.

### **Subscription by NRIs/ FIIs**

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non- Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allotment.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company. 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 total issued capital of our Company in case such sub account is a foreign corporate or an individual. The aggregate FII holding should not exceed 24% of the total issued capital of our company.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

## **IX. MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION**

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and or their consolidation/ splitting are detailed below. *(the numbers represent Article Number as mentioned in Articles of Association)*

### **Amount of capital**

3. The Authorised share Capital of Company is Rupees 23,00,00,000/- ( Rs, Twenty Three Crores ) divided into 2,30,00,000/- ( Two Crores Thirty Lacs ) Equity Shares of Rs. 10/- (Rs. Ten ) each.
4. (a) The company is General Meeting may from time to time increase capital by the creation of new shares, such increase to be of such aggregate amount to the provisions of the Act, any share of original or increased capital be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation, hereof shall direct and if no direction be given, as the Directors shall determine and in particular such share may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article, the Director shall comply with the provision of Section 97 of the Act.

### **Reduction of Capital**

5. The Company may (subject to the proviso Section 78, 80 and 100 to 105, inclusive of the Act,) from time to time by special Resolution reduce its capital and any capital Redemption Reserve Account or share Premium Account in any manner for the time being authorised by law and in particular capital may be paid off on the footing that it may be called up gain or otherwise. This article does not derogate from any power the Company would have if it were omitted.

### **Sub divisions Consolidation and cancellation**

6. Subject to the provision of Section 94 of the Act, the Company in General Meeting may from time to time, sub-divide or consolidate its shares or any of them subject as aforesaid the company in General Meeting may also cancel share 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**

7. Wherever the capital, by reason of the issue of preference share or otherwise is divided into different classes of shares all or any of the rights and privileges attached to each class may be subject to the provision of section 106 and 107 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 rectified 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 a separate General Meeting of the holders of shares of that class.
  - (i) Transfer of Shares/Debenture in whatever lot should not be refused. However, there would be no objection of the company refusing to split a Share/ Debenture Certificate into several scrips of every small denominations or to consider a proposal for transfer of Shares/ Debentures comprised in a Shares/ Debenture certificate to several parties involving such splitting/ transfer

appears to be unreasonable or without a genuine need or a marketable lot. Except as above, the company should not refuse transfer shares Debentures in violation of the Stock Exchange listing requirements on the ground that the number of Shares/ Debentures to be transferred is less than any specified number.

### **Acceptance of Shares**

16. Any application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein, shall be an acceptance of shares within the meaning of these articles and every person who thus or otherwise accepts any shares and whose name is on the Register shall, for the purpose of these Articles, be a Member.

### **Liability of members**

17. Every member or his heirs, executors or administrators, shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times, and in such manner as the Board shall, from time to time in accordance with the Company's regulations require of him for the payment thereof.

### **Shares Certificates**

18. (a) Every member or allottee of shares shall be entitled, without payment, to receive one or more certificates in marketable lots specifying the name of the person in whose favour it is issued, the shares to which relates and the amount paid up thereon. Such certificates shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupon of requisite value, save in cases if issued against letter of acceptance or of renunciation in case of issue of bonus shares. Every such certificate shall be issued under the seal of company, which shall be affixed in the presence of two Directors or two persons acting on behalf of the Directors under a duly registered power of attorneys and the Secretary or some other persons appointed by the Board for this purpose, and two Directors or their attorneys and the Secretary or other person shall sign the share certificate provided that if the Composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a managing or a whole-time Director. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued indicating the date of issue.

(b) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single Member, and the certificate of any share, which may be the subject of joint ownership, may be delivered to any one of them. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupee One. The Company shall comply with the provision of Section 113 of the Act.

(c) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithograph, but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine equipment or other material used for this purpose.

### **Renewal of Shares Certificates**

20. (a) No certificate of any share or share shall be issued either in exchange for those which are subdivided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn

out of where the cages on the reverse for recording transfers have been fully utilized, unless the Certificate in lieu of which it is issued is surrendered to the company.

(b) The company will not charge any fees exceeding those which may be agreed upon with the Stock Exchange :

- (i) For issues of certificates in replacement of those that are torn defaced, lost or destroyed.
- (ii) For sub-division, and consolidation of share and debenture certificates and for sub division of Letters of Allotment and split consolidation Renewal and pucca Transfer Receipts into denominations other than those fixed for the market units of trading.

(c) When a new share certificate has been issued in pursuance of clause (a) of this Article, it shall state on the face of it against the stub or counterfoil to the effect that it is Duplicate” issued in lieu of share Certificate No.....” sub-divided / replaced / consolidation of shares.

(d) If a share certificate is lost or destroyed, a new certificate in lieu thereof shall be issued only with the prior consent of the board and on such terms, if any, as to evidence and indemnity as to the payment of out of pocket expenses incurred by the Company in investigating evidence as the Board thinks fit.

(a) When a new share certificate has been issued in pursuance of clause (d) of this article, it shall state on the face of it and against the stub of counter foil to the effect that it is duplicate issued in lieu of share certificate no..... the word “ Duplicate” shall be stamped or punched in bold letters across the face of the share certificate.

(b) Where a new share certificate has been issued in pursuance of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate certificates indicates indicating against the name of the person to whom the certificate is issued, the number and date of share certificate in lieu of which the new certificate is issued and the necessary change indicate in the Register of Members by suitable cross reference in the remarks column.

(c) All blank forms to be used for issue of share certificates shall be printed and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine number and the forms and the blocks, engravings, facsimiles and due relating to the printing of such forms shall be kept in the custody of the Secretary or such other person as the Board may appoint for these purpose, and the Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the board.

(d) The Managing Director of the Company for the time being or, if the Company has no Managing Director, every Director of the Company shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificate except the blank forms of share certificates referred to in sub-Article (g).

(e) All books referred to in sub-Article(h) shall be preserved in good order permanently.

#### **The first named joint holders Deemed sole holder.**

21. If any share stands in the names of two or more person, the person first name in the register, shall as regards receipts of dividends of bonus or service of notices and all or any other matter connected with the company except voting at a meeting and the transfer of the shares, be deemed to be sole holder thereof but the joint holders of a share, shall severally as well as jointly be liable for the payment of all installments and calls due in respect of such share, and for all incidents thereof according to the company's regulations.

### **Company not bound to recognise any interest in Share other than of Registered holder**

22. Except as ordered by a Court of Competent jurisdiction or as required by law the Company shall not be bound to recognize any equitable contingent, future or partial interest in any share, or ( except only as is by these Articles otherwise expressly provided) any right in respect of share other than a absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof, but t the Board shall be at their liberty at their sole discretion to register any share in the joint names or any two or more persons or the survivor or survivors of them.

### **Declaration by person not holding beneficial interest in any shares.**

23. (a) Notwithstanding anything herein contained a person whose name if any time entered in the Register of Members of the Company as the holder of a share in the Company, but who does not hold the beneficial interest in such share shall, within such time and such from as may be prescribed, makes a declaration to the company specifying the name and other particulars of the persons or person who held the beneficial interest in such share in the manner provide in Section 187 C of the Act.

(b) A person who holds beneficial interest in a share or a class of shares of the company shall within the time prescribed, after his becoming such beneficial owner make a declaration to the company specifying the nature of his interest, particulars of the person in whose name the shares stand in the register of Member of the Company and such other prescribed in section 187 of the Act.

(c) Whenever there is a change in the beneficial interest in a share referred to above, the beneficial owner shall, within the time prescribed from the date of such change make a declaration to the company in such form and containing such particulars as may be prescribed as provided in Section 187 C of the Act.

(d) Notwithstanding anything contained in section 153 of the Act and Articles 22 hereof, where any declaration referred to above is made to the Company, the Company shall make a note of such declaration in the register of members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the regular with regard to such declaration.

### **Funds of company may not be applied in shares of the Company.**

24. None of the funds of the company shall be applied in the purchase of any shares of the company, and it shall not give any financial assistance for or in connection with the purchase or subscription of any share in the company or in its holding company save as provided by section 77 of the Act.

### **Interest may be paid out of capital.**

25. Whether any shares are issued for the purpose of raising money to defray the expense of the construction of any works or buildings of the provision of any plant, which cannot be made profitable for a lengthy period, the Company may pay interest in 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 restriction provided by Section 208 of the Act, and may charge the same to capital as part of the cost of construction of the work or building of the provision of plant.

### **Directors may make calls**

26. The Board may, from time to time, subject to the times on which any shares may have been issued and subject to conditions of allotment, by a resolution passed at a meeting of the board ( and not by

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 such member shall pay the amount of every call so made on him to the person and the times and places appointed by the Board. A call may be made payable by installments.

#### **Proof of trial of Suit for money due on Shares.**

27. 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 claimed 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, appears entered on the Register of Members as the holder, on the date at which 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 appeared entered on the Register of Members as the holder, on the date at which such money is ought 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 representative used in pursuance of these Articles; and shall not be necessary to prove the appointment of the Directors who made such call, nor that quorum of directors was present at the Board at which any call was made, nor that the meeting at which any call was made 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**

28. 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 interests, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

#### **Payment in participation of call may carry interest.**

29. (a) The board may if it thinks fit, agree to receive from members willing to advance the same all or any part of the amounts of their respective shares beyond the sum 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 exceed the amount of the calls than 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 not exceeding six per month as the Members 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 three months notice in writing. Provided that moneys paid in advance of calls on any shares may carry interest but shall not confer a right to dividends or to participate in profits,
- (b) No member paying any such sum in advance shall be entitled to voting rights in respect of the money so paid by him until the same would, but for such payment, become presently payable.

#### **Company to have lien on shares**

30. The company shall have 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 ( either presently payable or not ) call or payable at a fixed time in respect of such shares and to equitable interest in any share shall be created except upon the footing and upon the conditions that Article 22 thereof is to have full effect. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed



the registration of a transfer of shares shall operate as a waiver of the Company's lien if any on such shares.

#### **As to enforcing Lien by sale**

31. For the purpose of enforcing such lien, the Board may sell the shares subject thereof 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 members to execute a transfer thereof on behalf of and in the name of such Member. No sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member or his representative and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagement for thirty days after service of such notice.

#### **Application of proceeds of sale**

32. The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any shall ( subject to a like lien for sums not presently payable as existed upon the shares before the sale ) be paid to the person entitled to the shares at the date of the sale.

#### **Register of Transfer**

33. The company shall keep a register of transfer and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any shares.

#### **Form of Transfer**

34. The instrument of transfer shall be in writing and call the provisions of section 108 of the Companies Act, 1956 and or any statutory modification thereof, for the time being shall be duly complied with in respect of all transfers of share and the registration thereof.

#### **Transfer form to be completed and presented to the company.**

35. 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 instruments of transfer and his right to transfer shall be accompanied by such evidence as Board may require to prove the title of transfer and his right to transfer the shares and every registered instrument of transfer shall remain in the custody of the company until destroyed order of the board. The transferor shall be deemed to be the holder of such share until the name of the transferee shall have been entered in the Register of member in respect thereof. Before the registration of a transfer the certificate or certificates of the shares must be delivered to the company.
36. The board shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the office of the company is situated, to close the transfer books, the register of members or register of debentures holders forty five days in each year.

#### **Directors may refuse to register transfers**

37. Subject to the provisions of section 111 of Act and section 22 A of the securities contract ( Regulation ) Act, 1956 the Board may, at its own absolute and uncontrolled discretion and without assigning any reason decline to register or acknowledgement any transfer of shares., upon which the company has a lien ( notwithstanding that the proposed transferee be already a member ) but in such cases it shall within one month from the date on which the instrument of transfer was lodged with the company

send to transferee and the transferor notice of the refusal to register such transfer, provided that the registration shall not be refused on the ground of the transfer or being either alone or jointly with any other person or persons indebted to the company on any account whatsoever.

#### **Notice of application when to be given**

38. 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 provision of section 110 of the Act.

#### **Death of one or more joint holders of shares**

39. Subject to Article 21 hereof case of the death of any one or more the persons named in the Register of Members as the joint holders of any share, the survivor or survivor shall be the only person recognized by the company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person.

#### **Title of share of deceased members**

40. The executors or administrators or holders of a succession certificate or the legal representative of a deceased member ( not being one or two or more joint holders ) shall be the only persons recognized by the company as having any title to the shares registered in the name of such member, and the company shall not be found to recognize such executors or administrators or holders of a succession certificate or the legal representatives unless such executor or administrators or legal representative shall have first obtained probate or letters of administration or succession certificate as the case may be from duly constituted court in the union of India provided that in any case where the board in its absolute discretion thinks fit, the board may dispense with production for probate or letter of administration or succession certificate, upon such terms as to indemnity or otherwise as the board in its absolute discretion may think necessary and register the name of any person who claims to be absolutely entitled to the shares standing in the names of a deceased member, as a member.

#### **Transfer to Infant etc.**

41. Share in special circumstances can be transferred to any infant, insolvent or person of unsound mind.

#### **Compliance with the Estate Duty Act, 1953**

42. If any member of the Companies dies, and the company through any of its principal officers within the meaning of the Estate Duty Act, 1953 has knowledge of the death, it shall not be lawful for the company to register the transfer of any shares standing in the name of the deceased member unless the company is satisfied that the transferee has acquired such shares for valuable consideration or there is produced to it a certificate from the controller, Deputy Controller, or assistant Controller of Estate Duty in respect there has been paid or will be paid or none is due as the case may be. Where the company has come to know through any of its principal officers of the death of any member, the company shall within three months of the receipt of such knowledge, furnish to the Assistant Controller or the Deputy Controller of the Estate Duty who is exercising the functions of the income tax officer under the income tax Act in relation to the company, such particulars as may be prescribed by the Estate Duty Rules, 1953.

### **Registration of Persons entitled to shares otherwise than by transfer**

43. Subject the provisions of Act and Articles 58 and 59 any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by way 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 these Articles of such title as the holder of the shares or elect to have person nominated by him and approved by the Board registered as such holder, provided nevertheless, that if such person shall elect to have his nominee registered he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the shares.

### **Persons entitled may receive dividend without being registered as Member**

44. A person entitled to a share by transmission shall subject to the right of the Directors to retain such dividend or money as the case may be hereinafter provided, be entitled to receive, and may give a discharge for any dividends or other moneys payable in respect of the share.

### **Fee on transfer or transmission**

45. The company shall not charge any fee for registration of transfer of share and debentures :  
For sub-division and consolidation of shares and debentures certificate and for sub-division of letters of allotment, and split, consolidation, renewals and Pucca transfer receipts into denominations, corresponding to the market unit of trading;  
For sub-division of renounceable letters or rights,. For issue of new Certificates in replacement of those which are old, decrept or worn out where the cages on the reverse for recording transfer have been fully utilised.  
For registration for any Power of Attorney Probate Letter of administration or similar other documents.

### **Company not liable for disregard of a notice prohibiting registration of a transfer.**

46. 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 to or interest to in the said shares, notwithstanding that the company may have had notice with equitable right, title or interest to in the said shares and may have entered such notice, or referred thereto, in 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 book of the company but the company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board so thinks fit.

### **Power to borrow**

68. Subject to the provisions of Section 58A, 292 and 293 of the Act the Board may from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposits from member either in advance of call or otherwise wise and generally raise or borrow or secure that payment of any sum or sums of money for the purpose of the company provided however, where the money to be borrowed together with the money already borrowed (apart from temporary loans obtained from the

company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the company and its free reserve (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the company in General Meeting.

#### **Payment or Re-payment of moneys Borrowed**

69. Subject to the provisions of Articles 67 hereof, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Special Resolution shall prescribe including by the issue of debenture or debentures stock of the Company, charged upon all or any part of the property of the company (both present and future) including its uncalled capital for the time being and debenture stock and other securities may be made assignable free from any equities between the Company and person to whom the same may be issued.

#### **Register of Mortgage etc. to be kept**

71. The Board shall cause a proper Register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company and shall cause the requirements of Sections 118, 125 and Sections 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with, so far as they fail to be complied by the Board.

#### **Conversion of shares into stock and re-conversion**

73. The Company in General Meeting may convert any fully paid up shares into Stock and when any such shares shall have been converted into stock the several holders of such stock may thenceforth transfer their respective interests therein, or any part of such interests in the same manner and subject to the same regulations as and subject to which shares from which stock arose might have been transferred if no such conversion had taken place, or as near thereto as circumstances will admit. The company may at any time reconvert any stock into paid up any shares of any denomination.

### **MEETINGS**

#### **Right to stock Holders**

74. The holders of stock shall, according to the amount of stock held by them have the same right and advantages as regards dividends voting at meeting of the company, and other matters, as if they held the shares from which the stock arose but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock, which would not, if existing in shares, have conferred that privilege or advantage.

#### **Annual General Meeting Annual Summary**

75. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meeting in the year. All General Meetings other than Annual General Meeting shall be called Extraordinary General Meeting subject to provision of Section 210(3) (a) of the Act, the first Annual General Meeting shall be held within eighteen months from the date of incorporation of the Company and the next Annual General Meeting shall be held within six months after the expiry of the financial year in which the first Annual General Meeting was held and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of the next. Every Annual General Meeting shall be called for a time during business hours on a day that is not a public holiday and shall be held at the office of the company

or at some other place within the city in which the office of the company is situated as the Board may determine and the Notices 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 Auditors of the Company shall have the right to attend and to be heard at any General Meeting which he attends and on any 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 account) the proxy Register with the proxies and the Register of Directors share holding of which letter Register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of members, Summary of the Share Capital, Balance Sheet and profit and Loss Account and forward the same to the Registrar in accordance with Section 159, 161 and 220 of the Act.

### **Extraordinary General Meeting**

76. The Board may whenever it thinks fit, call an Extra ordinary General Meeting and it shall do so upon a requisition in writing by any member or members holding in the aggregate not less than one tenth of such of the paid up capital as at the date carries the right of voting in regard to the matter in respect of which the requisition has been made.

### **Requisition of members to state Object of Meeting**

77. Any valid requisition so made by members must state the object or objects of the meeting proposed to be called, and must be signed by the requisitioners and be deposited at the office provided that such requisition may consists of several documents in like form each signed by one or more requisitioners may consists of several documents in like form each signed by one or more requisitioners.
78. Upon the receipt of any such requisition, the Board shall forthwith call an Extra Ordinary General Meeting and if they do not proceed within twenty one days from the date of the requisition being deposited at the office to cause a meeting to be called on a day not at the office to later than forty five days from the date of deposit of the requisition, the requisitioners 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 delivery of the requisition as aforesaid.

### **Meeting called by Requisitions**

79. Any meeting called under foregoing Articles by the requisitioners shall be called in the same manner, as nearly as possible, as that in which meeting are to be called by the Board.

### **Twenty called by Requisitions**

80. Twenty-one day's notice at least of every General Meeting, annuals or extra Ordinary and by whomsoever called specifying the day, place and hour of meeting and the general nature of the Business to be transacted thereat, shall be given in the manner hereinafter provided, to such persons as are under the provisions of the Act entitled to receive notice from the Company, provided that in the case of an Annual General Meeting with the consent in writing of all the members to vote there at and in case of any other meeting with the consent in writing of all members holding not less than 95 percent of such part of the paid up share capital of the Company as given a right to vote at the meeting, a meeting may be convened by a shorter notice. In the case of an Annual General Meeting, if any business other than (I) the consideration of the Accounts, Balance Sheet and reports of the Board of Directors and Auditors (ii) the declaration of dividend (ii) the appointment of Directors in

place of those retiring (iv) the appointment of and fixing of the remuneration of the Auditors is to be transacted and in the case of any other meeting in any event there shall be annexed to the notice of the meeting a statement setting out all materials facts concerning each such item of business, including in particular the nature of the concern or interest if any, therein of every Director and the Manager (if any), where any such item of special business relates to, or affects any other company, the extent of shareholding interest in other company of every Director and the Manager, if any, of the Company shall also be set out in the Statement if the extent of such shareholding interest is not less than 20 percent of the paid up share capital of that other company. Where any item of business consists of the according of approval to any documents by the meeting, the time and place where the documents can be inspected shall be specified in the statement aforesaid

#### **Omission to give Notice not to Invalidate a resolution Passed**

81. The accidental omission to give any such notice as aforesaid to any of the members, or the non-receipt thereof by any members, shall not invalidate any resolution passed at any such meeting.

#### **Meeting not to Transact business Not mentioned in Notice.**

82. No general meeting, Annual or extra-ordinary, shall be competent to enter upon, discuss or transact any business which has not been mentioned in the Notice or notices upon which it was convened.

#### **Quorum at General Meeting**

83. Five members present in person shall be a quorum for a General Meeting

#### **Body corporate deemed to be personally present**

84. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with the provisions of Section 187 of the Act.

#### **If quorum not present Meeting to be dissolved or adjourned**

85. If, at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting if convened by or upon the requisition of members, shall stand dissolved, in any other case the meeting shall stand adjourned to the same day in the next week or if that day is public holiday until the next succeeding day which is not public holiday at the same time and place or to such other days and at such other time and place in the city or town in which the office of the Company is for the time being situated as the Board may determine, and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the members present shall be a quorum and may transact the business for which the meeting was called.

#### **Chairman of the General Meeting**

86. The Chairman (If any) of the Board of Directors, shall be entitled to take the chair at every General Meeting, whether Annual General or Extraordinary. If there be no such Chairman of the Board of Directors, or if at any meeting he shall not be present within fifteen minutes of the time appointed for holding such meeting or if he shall be unable or unwilling to take the chair, then the 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 elect one of their members to be the Chairman.

### **Business confined to election of Chairman whilst chair vacant**

87. No business shall be discussed at any General Meeting except the election of a Chairman, whilst the chair is vacant.

### **Chairman with consent may adjourn meeting**

88. The Chairman with the consent of the members may adjourn any meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than business left unfinished at the meeting from which the adjournment took place.

### **Question at General Meeting how decided**

89. At any General Meeting a resolution put to the vote of the meeting shall be decided on show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by at least five members having the right to vote on the resolution and present in person or proxy, or by the Chairman of the meeting or by any member or members holding not less than one tenth of the total voting power in respect of the resolution or by any member/members present in person or by proxy and holding shares in the Company conferring a right to vote on the resolution being shares on which an aggregate sum has been paid-up which is not less than one tenth of the total sum paid-up on all the shares conferring that right, and unless a poll is demanded, 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 an entry to that effect in minutes Book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

### **Chairman's casting vote**

90. In the case of an equity 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.

### **Poll to be taken, if demanded**

91. If a poll is demanded as aforesaid the same shall subject to Article 93 to 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, which the office of the Company is for the time being situated and either by upon 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.

### **Scrutinizers at Poll**

92. Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the vote given on the poll and to report there on to him. One of the scrutinizers appointed shall always be a member (not being an officer or employee of the company) present at the meeting provide such a member is available and willing to be appointed The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of scrutineers arising from such removal or from any other cause.

### **Resolutions passed through Postal Ballot**

92A. The Board shall comply with all provisions relating to Postal Ballot as required by the Act, Listing agreement and the rules framed by the Central Government for the purpose.

### **In what case poll taken without adjournment**

93. Any poll duly demanded on the election of a Chairman of meeting or any question of adjournment shall be taken at the meeting forthwith.

### **Demand for poll not to prevent, transactions of other business**

94. The demand for a poll except on the question of the election of the Chairman and of and adjournment shall not present the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

## **VOTE OF MEMBERS**

### **Members in arrears not to vote**

95. 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 upon a poll in respect of any shares registered in his name on which any call or others sums presently payable by him have not paid or in regard to which the Company has paid or in regard to which the company has exercised any right of lien.

### **Number of Votes to which member entitled**

96. Every member not disqualified by the last preceding Articles 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 the voting right to every member present in person or by proxy shall be in proportion to his share of the paid up equity share capital of the Company. Provided however, if any preference share holder be present at any meeting of the company, save as provided in clause (b) of sub-section (2) of sec. 87 of the Act; he shall have a right to vote only on resolutions placed before the meeting which directly affect the right attached to his preference shares.

### **Casting of vote by a member entitled to more than one vote**

97. On a poll taken at 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 used.

### **How Members non composment is and minor may vote**

98. 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 show of hands or on a poll, by his committee or legal guardian and any such committee or guardian may, on poll vote by proxy. If any member be a minor the vote in respect his share(s) 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.



### **Vote of Joint Members**

99. If there be joint registered holders of any shares, any one of such persons may vote at any meeting, and if more than one of such persons may vote at any 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 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 a meeting. Several executors or administrators of a deceased member in whose names share stand shall for the purpose of these articles be deemed joint holders thereof. The same provisions shall have preference over senior joint-holder who is present by proxy, proxies shall not have any right to speak at the meeting.

### **Voting in person or by proxy**

100. Subject to the provisions of these Articles, votes may be given either personally or by proxy. A Body corporate being a member may vote either by a proxy or by a representative duly authorized in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same right and powers (including the right to vote by proxy) on behalf of the body corporate which he presents at that body corporate which he represents as that body could exercise if it were an individual member.

### **Votes in respect of shares of deceased and insolvent member**

101. Any person entitled under Article 62, the transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares. Provided that forty eight hours at least before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the Directors of his 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.

### **Appointment of Proxy**

102. Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointee, his attorney, or if such appointer is a body corporate, or be signed by an officer or any attorney duly authorized by it and any committee or guardian may also appoint such proxy. The proxy so appointed shall not have the right to speak at the meetings.

### **Proxy either for specified meeting or for a period.**

103. An instrument of Proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every meeting of the Company, or of every meetings, to be held before a date specified in the instrument and every adjournment of any such meeting. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

### **Proxy to vote only on a poll**

104. A member present by proxy shall be entitled to vote only on a poll.

### **Deposit of instrument of appointment**

105. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a naturally 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.

#### **Form of proxy**

106. Every instrument of proxy whether for specified meeting or otherwise shall as nearly as circumstances will admit, be in any of the forms set out in schedule IX of the Act.

#### **Validity of votes given by proxy notwithstanding death of member**

107. 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 any proxy or of any power of attorney under which such proxy was signed, or the transfer of the shares in respect of which the vote is given, provide that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the office before the meeting.

#### **Time for objections of votes**

108. 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 the such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

#### **Chairman of the meeting to be the judge of validity of any vote**

109. The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the meeting of a poll shall be the sole judge of the validity of every vote tendered at such poll.

#### **Minutes of General Meeting and inspection thereof by Members**

- 110.
- 1) the Company shall cause minutes of all proceedings of every General Meeting to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
  - 2) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorized by the Board for the purpose.
  - 3) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
  - 4) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
  - 5) All appointments of officers made at any meeting aforesaid shall be included in the minutes of the meeting.
  - 6) Nothing herein contained shall require or be deemed to require the inclusion in any such minutes of any matter which is in the opinion of the Chairman of the meeting (a) is or could reasonably be regarded, as defamatory of any person or (b) is irrelevant or

immaterial to the proceedings, or (c) is detrimental to the interest of the company. The Chairman of the meeting shall exercise an absolute discretion in regard to inclusion or non-inclusion of any matter in the minutes on the aforesaid grounds or otherwise.

- 7) Any such minutes shall be evidence of the proceedings recorded therein.
- 8) The book containing the minutes of proceedings of General Meeting shall be kept at the office of the Company and shall be open during business hours, for such period not being less in the aggregate than two hours in each day as the Directors determine, to the inspection of any member without charge.

## **DIRECTORS**

### **Number of Directors**

111. Until otherwise determined by a General Meeting of the Company and subject to the provisions of section 252 of the Act, the number of Directors (including Debenture, and nominee Directors, if any) shall not be less than three & not more than twelve.

### **Retirement and rotation of Directors**

- 128 At every Annual General Meeting of the Company, one third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one third shall retire from office.

### **Managing Directors**

- 137 a) Subject to the provisions of Section 269, 316 and 317 of the Act, the Board may from time to time appoint one or more directors to be Managing and or whole time Director(s) including technical directors of the Company, for a fixed term not exceeding 5 years at a time and may, from time to time remove or dismiss him or them from office and appoint another or other places.
- b) Subject to the provisions of Section 255 of the Act, a Managing Director or whole time Director shall not, while he continues to hold that office, be subject to retirement by rotation but he shall be reckoned as a Director for the purpose of determining the rotation of retirement of Directors and fixing the number of Directors to retire subject to the same provisions as to removal as the other Directors, and he shall ipso facto and immediately cease to be Managing or whole time Director if he ceases to hold the office of Director from any cause.

### **Powers of Directors**

154. The Board may exercise all such powers of the company and do all such acts and thing 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, to the provisions of the Act, or any other Act and to such regulation being not inconsistent with the aforesaid regulation or provisions, as may be prescribed by the Company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made provided that the Board shall not except with the consent of the Company in General Meeting.

- (a) Sell lease or otherwise, dispose of the whole, or substantially the whole of the whole of the undertaking of the Company or where the company own more than one undertaking the whole or substantially the whole, of any such undertaking;
- (b) Remit, or give time for the repayment of any debt due by Directors.
- (c) Invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after considerable time.
- (d) Borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the company (apart from temporary loans obtained from the Company'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 be exercised only at meeting of the Board, unless the same be delegated to the extent therein stated or,

- (e) Contribute, charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amount the aggregate of which will in any financial year exceed fifty thousand rupees or five percent of its average net profit as determined in accordance with the provisions of Section 349 and 350 of Act during the there financial years immediately proceeding, whichever is greater.

#### **Certain powers of the Board**

155. Without prejudice to the general power conferred by the last preceeding Article and so as not any way to limit or restrict those powers and without prejudice to other powers conferred by these Articles, it is hereby declared that the Directors shall have the following powers, that is to say power:
- (1) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
  - (2) To pay and charge in the capital account of the Company and commission or interest lawfully payable there out under the provisions of section 76 and 208 of the Act.
  - (3) Subject to the Provisions of Section 292, 297 and 299 of the Act to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorized to acquire, at or for such price or consideration and generally on such terms and conditions to us they may think fit, and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.
  - (4) At their discretion and subject to the provisions of the Act pay for any property, rights or privileges acquired by or services rendered to the company, either wholly or partially, in case or in shares, bonds, debentures, mortgages or other security of the Company, and any such amount credited as paid up thereon as may be agreed upon, and any such bond, debentures mortgages or other securities may be either specifically charged upon all or any part of the property of the company and its uncalled capital or not so charged.
  - (5) To secure the fulfillment of any contracts or arrangements entered into by the Company by mortgage 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.
  - (6) To accept from any member, as far as may be permissible by law, and surrender of his shares or any part thereof on such terms and conditions as shall be agreed.

- (7) To appoint as person to accept and hold in trust for the company any property belonging to the company in which it is interested or for any other purposes and to execute and do all such deeds and things as may be required in relation to any trust and to provide for the remuneration of such trustee or trustees.
- (8) To institute, conduct, defend, compound or abandon any proceedings by or against the Company or its officers or otherwise concerning the affairs of the company and also the compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences, to arbitration and observe and perform any awards made thereon.
- (9) To act on behalf of the company in all matters relating to bankrupts and insolvent.
- (10) To Make and give receipts, releases and other discharges for money payable to the company and for the claims and demands of the company.
- (11) Subject to the provisions of section 292, 295, 370 and 372 of the Act, to invest and deal with any moneys of the company not immediately required for the purpose thereof upon such security (not being shared of the company) or without security and in such manners as they may think fit, and from time to time vary or realise such investments. Save as provided in section 49 of the Act, all investments shall be made and held in the company's own name.
- (12) To execute in the name and on behalf of the company in favour of any Director or other person who may incur or be about to incur any personal liability (whether as principal or surety) for the benefit of the Company surety) for the benefit of company such mortgages of the Company's property sent and future) as they think fit, and any such mortgage, may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
- (13) To determine from time to time who shall be entitled to sign on the Company's behalf, bills receipts, acceptances, endorsements, cheques, dividend warrants, releases contracts documents and go give the necessary authority for such purpose.
- (14) To distribute by way of bonus amongst the staff of the company a share or shares in the profits of the company, and to give to any officer or other person employee by the company, a commission on the profit of any particular business or transaction, and to charge such bonus or commission as part of the working expenses of the Company.
- (15) To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of money pensions, gratuities allowances bonus or other payments or by creating and from time to time subscribing or contributing to provident and other associations, institutions, funds or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals, dispensaries medical and other attendance as the Board shall think fit, and to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific national or other institutions or object which shall have any moral or other claim to support or aid by the company, either by reason or locality of operation, or, of public and general utility or otherwise.
- (16) Before recommending any dividend, but subject to the provision of Section 205(2A) of the Act and thereunder to set aside out of the profits of the company such sums as they may think proper for depreciation or Depreciation Fund, or to an insurance fund or as a Reserve Fund or sinking fund or any special fund to meet contingencies or to repay debentures or debenture-stock or for special dividends or for equalizing dividends or for repairing improving, extending and maintaining any of property of the company and for such other purposes (including the purposes referred to in the preceding clause), as the Board may, in their absolute discretion, think conducive to the interest of the company, and subject to the provisions of the section 292, 295, 370, of the Act, to invest the several sums so set aside or so much thereof as required to be invested upon such investments (other than shares of the company) as they may think fit and from time to time deal with and vary such investments

and dispose of and apply and expend all or any part thereof for the benefit of the company, in such manner and for such purpose as the Board in their absolute discretion think conducive to the interest of the company notwithstanding that the matters to which the board apply or upon which they expend the same, or any part thereof may be matters to or upon which the capital moneys of company might rightly be applied or any part thereof may be matters to or upon which the capital moneys or company might rightly be applied or expended, and to divide the Reserve Fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of a reserve Fund or division of a Reserve Fund to another Reserve fund or division of Reserve Fund and with full power to employ the assets constituting all or any of the above funds, including the Depreciation fund, in the business of the company or in the purchase or repayment of debenture or debentures stock and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to credit of such funds interest at such rate as the Board may think proper, not exceeding nine percent per annum.

- (17) To appoint, and at their discretion remove or suspend such managers, secretaries, assistants, supervisors, clerks agents, and servants for permanent, temporary special services as they may from time to time think fit, and determine their powers and duties and fix their salaries or emoluments or remuneration, and to require security in such instance and of such amount as they may think fit, and also from time to time to provide for the management transaction of the affairs of the company in any specified locality in India or elsewhere in such manner as they think fit, and the provision contained in the four next following sub-clause shall be without prejudice to the general powers conferred by this sub-clause.
- (18) To comply with the requirements of any local law which in their opinion it shall in the interest of the company be necessary or expedient to comply with.
- (19) From time to time and at any time to establish any local Board for managing any of the affairs of the company in any specified locality in India or elsewhere and to appoint any persons to be members of such Local Boards, and to fix their remuneration.
- (20) Subject to the provisions of Section 292 of the Act, from time to time, and at any time to delegate to any person so appointed any of the powers, authorities and discretion's for the time being vested in the Board other than their power to make calls or to issue debentures and to authorise the members for the time being of any such local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit, and the Board may at any time remove any person so appointed, and may annul or vary any such delegation.
- (21) At any time and time to time by power of Attorney under the seal of the Company to appoint any person or persons to be the Attorneys of the Company, for such purposes and with such powers, authorities and discretion's (not exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls and to issue debentures and excluding also except in their limits authorised by the Board the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time fit and any such appointment may (if the Board thinks fit) be made in favour of the members or any of the Member of any local Boards, established as aforesaid or in favour or any company, or the shareholders, directors, nominees or managers of any company of firm or otherwise in favour of any fluctuating body of person whether nominated directly or indirectly by the Board and any such Power of attorney any contain such powers for the protection or convenience of persons dealing with such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretion for the time being vested in them.
- (22) From time to time make vary and repeal by laws for the regulation of the business of the company its officers and servants.

## **Secretary**

157. The Directors may from time to time appoint a secretary, and , at their discretion remove any such secretary to perform any functions, which by the act are to be performed by the Secretary, and to execute any other ministerial or administrative duties which may from time to time be assigned to the Secretary by the Directors. The Directors may also at any time appoint any person or persons ( who need not be the Secretary) to keep the registers required to be kept by the company further provided by the appointment of secretary shall be made in accordance with the section 383-A of the Companies Act and according to the provision of the Companies ( Secretary's Qualifications ) Rules 1988 and as amended from time to time.

## **SEAL**

### **The seal, its custody and use**

158. (a) The Board shall provide a common seal for the purpose of the company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof, and the Board shall provide for the safe custody of the seal for time being and the seal shall never be sued except by the authority of the Board or Committee of the Board previously given.
- (b) The company shall also be at liberty to have an official seal in accordance with section 53 of the act, for use in territory, district or place outside India.

### **Deeds how executed**

159. Every deed or other instrument, to which the seal of the company is required to be affixed, shall, unless the same executed by a duly constituted attorney, be signed by two Directors or one Director and Secretary or some other person appointed by the board for the purpose. Provided that in respect of the share certificate the seal shall be affixed in accordance with Article 19 (a) thereof.

## **DIVIDENDS**

### **Division of profits**

160. The profits of the company, subject the provision of section 205 to 208 of the Act and subject to any special rights relating thereto created or authorised to be created by these Articles and subject to provisions of these Articles shall be divisible among the members in proportion the amount of capital paid up on the shares by them respectively.

### **The company in General Meeting may declare dividends**

161. The Company in Annual General Meeting may declare dividends to be paid to members according to their respective rights but no dividend 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**

162. Subject the provisions of section 205 and 205 A of the Act, no dividend shall be declared or paid otherwise than out of profits of financial year arrived at after providing for depreciation in accordance with the provisions of section 205 of the Act or out of the profits of the Company for

any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed out of both.

Provided that

- (a) 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, provided for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years:
- (b) If the company has incurred any loss in any previous financial year or years the amount of 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 declare or paid or against the profits of the company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provision of sub-section (2) of section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid to any financial year out of the profits of the company for that year arrived at after providing for depreciation above, except after transfer to the reserves of the company of such percentage of its profits for that year as may be percentage of its profits as may be allowed in accordance with those rules.

#### **Interim Dividend**

163. The board may from time to time, pay the members such Interim Dividend as in their judgement the position of the companies justifies.

#### **Capital paid up in advance at interest not to earn dividend**

164. Where capital is paid in advance of calls such capital may carry interest but shall not in respect there of confer a right to dividend or participation in profits.

#### **Dividends in proportion to amount paid up**

165. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the share during any portion or portions of the period in respect of which the dividend is paid, but if any shares is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

#### **Dividend etc. to joint-holders**

166. Any one of several person who are registered as the joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.

#### **No member to receive dividend whilst indebted to the company and company's rights of reimbursement there out.**

167. No member whilst indebted to the company in respect to share money shall be entitled to receive payment of any interest or dividend in respect of his share or shares 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 money so due from him to the company.



**Transfer of shares must be registered.**

168. A transfer of share shall not pass the right to any dividend declared thereon before the registration of the transfer.

**Transfer how remitted**

169. Unless otherwise directed any dividend may be paid by check or warrant by a payslip or receipt having the force of a cheque or warrant sent through the post to the registered address of the member or person entitled in case of joint holders to that one of them first name in the register in respect of the joint holders. Every such cheque or warrant shall be made payable to the order of the person to whom it shall be made payable to the order of the person to whom it sent. The company shall not be liable or responsible any cheque or warrant or payslips 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 of the forged signature or any payslips or receipts or warrant of the forged signature or any payslips or receipt or the fraudulent recovery of the dividend by any other means.

**Unclaimed dividends**

170. No unpaid and unclaimed dividend shall be forfeited by the Board thereto becomes barred by law. Any dividend which remained unpaid and unclaimed after having been declared shall be dealt with as per the provisions of section 205A and 205B of the Act.

**Dividend and call together**

171. 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 the same time as the dividend, the dividend may if so arranged between the company and the member, be set off against the calls.

**Capitalisation**

172. (a) The company in General Meeting may resolve that any amount standing to the Reserve Fund., or any capital Redemption Reserve Account, or in the hands of the company and available for dividend, 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 Shares Premium Account) 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 proportion 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 at such premium as the resolution may provide any unissued shares of the company which shall be distributed accordingly or in or towards payment or uncalled liability on any issued shares and that such distribution or payment shall be accepted by such share holders 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 these Articles, only be applied in the paying of any unissued share to be issued to members of the company as fully paid bonus shares.
- (c) A General Meeting may resolve that any surplus moneys arising form the realisation of the capital assets of the company, or any investments representing the same, or any other undistributed among the members on the footing that they received the same as capital.

(d) For the purpose of giving effect to any resolution under the preceding paragraphs of this 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 members 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 trustee upon such trust for the person entitled to the dividend or capitalised funds as may seem expedient to the board where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with section 75 of the companies Act, 1957 and the board may appoint any person to sign such contract on behalf the person entitled to the dividend or capitalised fund, and such appointment shall be effective.

## **DOCUMENTS AND NOTICES**

### **Serve of documents or notice on members by the Company**

- 179 (1) A document or notice may be served or given by the company on any members either personally or by sending it by post to him to his registered address ( if he has no registered address in India) to the address if any in India supplied by him to the company for serving documents or notices on him.
- (2) Where a document or notice is sent by post, service of the documents of notice shall be deemed to be effected by properly addressing, preparing and posting a letter containing the documents or notice, provided that where a member has intimated to the company in advance that documents or notices should be sent to him under a certificate of posting or by registered post with or without acknowledgement due and has deposited with the company a sum sufficient to defray the expenses of doing so, services of the documents or notices shall not be deemed to be effected unless it is sent in the manner intimated by the member and such services shall be deemed to have been effected in the case of notice of meeting, at the expiration of forty eight hours after the letter containing the documents or notice is posted and in any other case, at the time at which the letter would be delivered in the ordinary course of post.

### **By Advertisement**

180. A document or notice advertised in a newspaper circulating in the neighbourhood of the office shall be deemed to be duly served or sent on the day on which the advertisement appears on or to every member who has registered address in India and has not supplied to the Company an address within India for the serving of documents on or the sending of notices to him.

### **On Joint holder**

181. A document or notice may be served or given by the Company on or to the joint holders of a share by serving or giving the documents or notice on or to the joint holder named first in the Register of members in respect of such share.

### **On person representative etc.**

182. A document or notice may be served or given by the Company on or to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through post in prepared letter addressed to them by name or by the titled or representatives of the deceased or assignee of the insolvent or by any like description at the address (if any) in India supplied for the purposes by the person claiming to be entitled, or (until such an address has been so supplied) by serving the documents or notice in any manner in which the same might have been given if the death or insolvency had not occurred.

### **To whom documents or notices must be served or given**

- 183 Documents or notices of every General Meeting shall be served or given in the same manner herein before authorized on or to (a) every member (b) every person entitled to a share in consequence of the death or insolvency of a member and (c) the Auditor for the time being of the Company.

### **Members bound by documents or notices served on or given to previous holders.**

- 184 Every person who, by operation of law transfer or other means whatsoever shall become entitled to any share, shall be bound by every documents or notice in respect of such share which previously to his name and address being entered on the Register of members, shall have been duly served on or given to the person whom he derived his title to such shares.

### **Documents or notice by company and signature thereto.**

185. Any document or notice to be served or given by the Company may be signed by a Director or some person duly authorized by the Board of Directors for such purpose and the signature thereto may be written, printed or lithographed.

### **Service of documents or notice by member**

186. All documents or notices to be served or given by members on or to the Company or any officer thereof shall be served or given by sending it to the Company Officer at the Office by post under a certificate of posting or by registered post, or by leaving it at the office.

## **WINDING UP**

### **Liquidator may divided assets in specie**

187. The liquidator or any winding up (whether voluntary, under supervision of court or compulsory) may, with the sanction of a special resolution, but subject to the rights attached to any preference share capital, divide among the contributories in specie any part of the assets of the Company and may with the like sanction, vest any part of the assets of the company trustees upon such trust for the benefit of the contributories as liquidator, with the like sanction shall think fit.

## **INDEMNITY AND RESPONSIBILITY**

### **Director's and other right of indemnity**

188. 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 judgement is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act, in which relief is granted to him by the Court.
- 189 (a) Every Director, Manager, Auditor, Secretary, Trustee Member of a Committee, Officer Servant, agent, Accountant or other person employed in the business of this 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 customers and the state of the accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of

the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Director or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provision in these presents contained.

- (b) No member shall be entitled to visit or inspect any works of the company without the permission of the Directors or to require discovery of or any information respecting any details of the company's 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.

## **X. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts and agreements referred to (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or contracts entered into more than two years before this Prospectus), which are or may be deemed material to be material have been entered into by or on behalf of the Company. Copies of these contracts together with copies of documents referred under Material Documents below all of which have been attached to the copy of this Prospectus and have been delivered to the Stock Exchanges and may be inspected at the Registered Office of the Company between 9:30 am to 5:30 pm on any working day from the date of this RHP until the date of closure of the subscription List.

### **Material contracts**

1. Memorandum of Understanding dated 07/08/2007 entered into between the Company and Keynote Corporate Services Limited, BRLM.
2. Memorandum of Understanding dated 15/06/2007 entered into between the Company and Registrar to the Issue.
3. Escrow Agreement dated 31/01/2008 between the Company, the BRLM, the Escrow Banks and the Registrar to the Issue.
4. Syndicate Agreement dated 31/01/2008 between the Company, BRLM and Syndicate Members.
5. Underwriting Agreement dated [●] between the Company, BRLM and Syndicate Members.
6. Copy of Tripartite agreement dated 26/09/2007 entered into between the Company, CDSL and Registrar to the Issue.
7. Copy of Tripartite agreement dated 22/10/2007 entered into between the Company, NSDL and Registrar to the Issue.

### **Material Documents**

1. Memorandum of Association and Articles of Association of the Company, as amended from time to time.
2. Balance Sheets of the Company for the financial years ending on March 31, 2007, 2006, 2005, 2004, and 2003.
3. Resolutions passed by the members of the Company at their meeting held on 25/05/2007.
4. Consents from Directors, Auditors, Bankers to the Company, Bankers to the Issue, Compliance Officer of the Company, Lead Manager to the Issue, Legal Advisor to the Issue, the Registrar to the Issue and Monitoring Agency.
5. Copy of certificate dated 25/01/2008 issued by Subhash Chand Jain Anurag & Associates, Chartered Accountant and Statutory Auditors of the Company in terms of Part II Schedule II of the Companies Act 1956 including capitalisation statement, taxation statement and accounting ratio.
6. Copy of letter dated 25/01/2008 received from Subhash Chand Jain Anurag & Associates, Chartered Accountants and Statutory Auditors of the Company advising the company on the tax benefits available to the company and its shareholders.

7. Copy of certificate dated 25/01/2008 received from Subhash Chand Jain Anurag & Associates, Chartered Accountant and Statutory Auditors of the Company regarding sources and deployment of funds.
8. Copy of letter no. SSI/198/07 dated 06/12/2007 received from Union Bank of India regarding sanction of term loan.
9. Undertakings by the Company.
10. Legal Clearance Certificate from Legal Advisors S.R. Legal, Advocates and Legal Consultants dated 13/08/2007.
11. Report of the IPO grading agency, CARE, furnishing the rationale for its grading, disclosed in this Red Herring Prospectus.
12. Copy of lease agreements dated 15/05/2007 entered with Mr. Ashish Agarwal, Mrs. Ruchi Agarwal, Mr. Manish Agarwal, Mrs. Chandrika Agarwal, Mr. Rupesh Agarwal, Mrs. Usha Devi Agarwal, Mrs. Anita Agarwal
13. In-principle approval dated 03/10/2007 and 19/12/2007 from BSE and NSE for listing of the securities offered through this Prospectus.
14. SEBI Observation Letter No. CFD/DIL/ISSUES/PB/EHM/111469/2007 dated 20/12/2007 issued by the Securities and Exchange Board of India.

## **XI. DECLARATION**

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this RHP is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this RHP are true and correct.

### **Signed by all Directors**

Sd/-  
Mr. Rajababu Agrawal

Sd/-  
Mr. Dinesh Agrawal

Sd/-  
Mr. Rupesh Agrawal

Sd/-  
Mr. Aashish Agrawal

Sd/-  
Mr. Giriraj Gupta

Sd/-  
Mr. Bagh

Sd/-  
Mr. Kamlesh Jain

Sd/-  
Mr. Ganesh Prasad Sharma

Date: February 28, 2008  
Place: Indore